

UNIVERSITY OF NAIROBI
INSTITUTE OF DIPLOMACY AND INTERNATIONAL
STUDIES

IMPACT OF ECONOMIC INTEGRATION ON INTERNATIONAL
RELATIONS: A CASE STUDY OF ECONOMIC SANCTIONS ON ZIMBABWE,
2000-2014

BY

PAIDAMOYO NYAMAKANGA

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International Studies at the Institute of Diplomacy and International Studies,
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DECLARATION

I Paidamoyo Nyamakanga declare that this research is my original work and has not been submitted for a degree in any other university.

Signature..... Date:

Paidamoyo Nyamakanga

R50/79848/2012

This research has been submitted for examination with my approval as a university supervisor in partial fulfilment of the Examination Board requirements for the award of the degree of Master of Arts in International Studies in the University of Nairobi, Kenya.

Signature..... Date:

Supervisor: Gerrishon Ikiara

DEDICATION

I dedicate this research to all present and future leaders committed to world peace and economic transformation of developing countries.

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LIST OF ABBREVIATIONS

AfDB	African Development Bank
AU	African Union
BOP	Balance of payment
BIPPA	Bilateral Investment Promotion and Protection Agreement
BOT	Balance of trade
COMESA	Common Market for Eastern and Southern Africa
CSC	Cold Storage Commission
CZI	Confederation of Zimbabwe Industries
EAC	East African Community
ECOWAS	Economic Community of West African States
EPAS	Economic Partnership Agreements
EPZ	Export Processing Zones
EU	European Union
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic product
IBRD	International Bank for Reconstruction and Development
IDBZ	Industrial Development Bank of Zimbabwe
IFC	International Finance Corporation
IGAD	Intergovernmental Authority on Development
IMF	International Monetary Fund
LLDC	Landlocked Developing Countries
LPA	Lagos Plan of Action
OAU	Organisation of African Unity

RBZ	Reserve Bank of Zimbabwe
SEZ	Special Economic Zones
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCC	Southern African Development Coordination Conference
TFTA	Tripartite Free Trade Area
UN	United Nations
UNECA	United Nations Economic Commission for Africa
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organisation
ZNCC	Zimbabwe National Chamber of Commerce

ABSTRACT

Sanctions have been used by countries to force some regime changes or force a country to adhere to certain demands. This study analyses the impact of economic integration for Zimbabwe under sanctions. The study researches on decisions made, trade flows, negotiations held on the international arena as well as the state of the Zimbabwean economy during sanctions. A total of 45 people were interviewed from across section of companies involved in international trade.

It is evident from the study that economic integration had an impact on Zimbabwe under sanctions. The study findings and recommendations will help shape policies and decision making for economies as far as sanctions are concerned.

CHAPTER ONE

1.0 Introduction

In the study of World Affairs a lot has been happening and the research will analyse the impact of economic integration on international relations with a special focus on Zimbabwe under economic sanctions. Integration is anchored on three main pillars which are social, economic and political integration. The research focuses on one aspect of integration in international relations which is the economic angle and how economic integration has affected Zimbabwe's international relations under sanctions.

The research specifically assesses trade flows for Zimbabwe, before and after the sanctions. In addition the research also analyses labour movements, as well as the dilemma of other countries in the regional blocs where Zimbabwe is a member especially focusing on countries in Southern Africa. In addition the research assesses the dilemma of other countries in dealing with Zimbabwe.

The research analyses the theories that are applicable in the field and establish, on the ground how economic integration has been implemented in international relations and how it has been of benefit with particular reference to Zimbabwe. In establishing the case for economic integration, the study looks at the international collaboration of Zimbabwe with other blocs and bodies.

SADC presents a mix of countries which are at different levels of development with different geo-politics and the research assesses how each of the countries contributed to or benefit from integration during the sanctions in Zimbabwe. The research will analyse the role played by different states in the declaration of sanctions on Zimbabwe. In the

SADC region there are countries such as Zimbabwe which are landlocked. The research delved into how the country relates with other countries. The research also established the extent to which the dynamics of the country were affected by sanctions and the role economic integration played in the international relations of the country.

At the end of this research there are recommendations on economic integration in international relations for a country under sanctions based on the research. The research is intended to add on to already existing knowledge in the field.

1.1 Background to the Study

Economic integration in International Relations has been one of the core pillars in maintaining world peace and is at the centre of many global conferences. This research analyses the dynamics and a country's state under sanctions in international relations. Integration can be defined as the coming together of one or two parties to further common interests and strengthen relations in a unified force. Balasaa argues that there are four stages of economic integration which are Free Trade Area, Customs Union, Common Market and finally an Economic Union.¹

From the early stages of the formation of General Agreement on Trade and Tariffs (GATT), where the idea of integration was mooted there have been a number of integration efforts throughout the world.

¹Balasaa B., International Economic Integration General Issues, London, Routledge Publishing (The Theory of Economic Integration pp 21

Jivanovic argues that even a mere announcement of preliminary negotiations of a serious integration deal has a positive impact on the volume of trade and foreign direct investment.²

The study looks at economic integration in international relations with a particular reference to developing countries and narrowly focusing on countries in the Southern African region particularly Zimbabwe. The study also researched on the knowledge gaps available in looking at integration in international relations especially where sanctions are involved. The reference to Zimbabwe is merely because the country reeled under sanctions which crippled the country's economy. Zimbabwe is particularly a country of choice in this research because of a number of reasons which include interalia: The country suffered an economic meltdown from 2008 which saw the country making international headlines on issues of human rights violations, fiscal policy issues and governance issues. The country was also placed under sanctions. After sanctions were imposed on the country which was already in the doldrums, multilateral lending institutions refused to lend money to Zimbabwe to keep it moving which further crippled the country's economy. The country's currency's value plummeted and there was a shortage of basic commodities. In addition there was a huge flight of skills from the country.

In analyzing how the country survived the crisis the research assessed if economic integration played a role both in causing the crisis and in the recovery process.

²Jivanovic, M., *Economics of integration*, Chesham: Edward Elgar Publishing Limited, 2008) pp.37

The research established how the country has embraced economic integration in international relations and the benefits of the integration to Zimbabwe during the country's economic crisis. The research established the dynamics of international relations for a country under sanctions with a focus on trade relations.

Clemens and Moss argue that Zimbabwe experienced a precipitous collapse in its economy and the purchasing power of the average Zimbabwean in 2005 fell back to the same level as in 1953.³

In reading such a dire situation for a country one looks out for solutions that could have saved the country from the economic downturn. The research intends to establish the volumes of trade during the period before the sanctions and during the sanctions for Zimbabwe.

According to a World Bank report, since 2009, Zimbabwe's economy has started to recover from a decade-long crisis that saw economic output decline every year during the period 1998 to 2008. For a cumulative decline of more than 45%.

In addition, the study researched on the values that inform the decisions that are made in economic integration in international relations and the actors in economic integration. In this regard, the study assessed how the leadership of Zimbabwe was received on the international scene and their participation in regional and international blocs. On the whole the study seeks to demystify the whole issue of economic integration in international relations for an economy under sanctions.

³ Clemens M., Moss T., Costs and causes of Zimbabwe's crisis, Washington, Centre for Global Development Press, 2005 pp 1

The study looked at how the problem fits into the scholarly literature as well as what the deficiency of the literature are if any. Information for the study was gathered from Government officials, central banks and businesses involved in international trade.

1.2 Statement of the Research Problem

Various scholars have come up with different views on how integration processes should work, giving a blanket picture of the same without looking at how countries at different levels of development would be affected in the integration process. Scholars have not stated the recourse that countries that are under economies sanctions would have in the integration process.

There are dynamics which relate to the engagement of states under sanctions which existing literature does not adequately cover. According to Morgenthau integration is a self-help system and actors will enter into agreements in pursuit of selfish desires. Morgenthau adds that it is wishful thinking to imagine that an overall government for the whole world will ever work because there is a fundamental harmony of interests that lay beneath the surface were manifestations of self-regarding competitive economic behaviour.⁴In such a case one wonders what economic integration would help when a country is under sanctions.

Authors such as Jackson and Sorensen argue that theories and approaches, are silent on the effects of integration on poor states.⁵This casts a shadow on the fate of a country which is developing and under sanctions.

⁴Morgenthau H., *Politics Among nations: The Struggle for power*, pp 41, 301

⁵Jackson R., Sorensen G., *Introduction to International Relations: Theories and approaches*, Oxford Press, Oxford, 2007

According to Sleddziewska, economic integration is defined as a complex notion which must be defined with care, in addition there is no clear cut meaning for all economists.⁶

A gap exists in the analysis of economic integration as it relates to a country under economic sanctions. The study therefore answers the following question: What is the impact of economic integration within an economy with international sanctions in international relations?

1.3 Objectives of the study

1.3.1 Main Objective

The main objective of the study is to analyse the impact of economic integration in international relations for a country under sanctions.

1.3.2 Specific objectives

The specific objectives of the research are:

1. To analyse the impact of economic sanctions on international relations.
2. To determine the relationship between economic integration and international relations for a country under sanctions.
3. To analyse trade patterns of selected developing states in integration for the period 2000 to 2013.

⁶Sleddziewska K., Theory of Economic Integration, pp2

1.4 Literature review

1.4.1 Introduction

The research attempted a literature review which analysed the key issues informing economic integration in international relations and sanctions. The literature review analysed the debates arguments and thoughts propounded by different scholars.

1.4.2 Economic integration in international relations

In economic integration there are stages that should be fulfilled for the integration to be advanced and these include a common market, customs union where member states agree and implement harmonised taxation and common external tariff. Then there is the monetary union as is in the case of the European Union context where the Euro is used as the common currency although Britain insisted on maintaining the British Pound in circulation. The introduction of the Euro came as a relief for countries' currencies such as Italy's Lira which had drastically lost its value and Greece which was in financial distress also got a push from the European pool funds. During the economic recession of 2009 countries such as Greece received economic relief for being a part of the economic integration under the European Union.

In support of economic integration in international relations scholars such as Arguello argue that economic integration in its various forms has provided a permanent motivation for economic thought.⁷ Debates in economic integration are informed by World Trade Organisation rules and regulations as well as negotiations such as the Doha Round of negotiations.

⁷Arguello R., Journal on Economic Integration, an overview of basic economic theory, University of Rosario, Colombia

The genesis of integration was from the birth of the state and after the second world- war in 1945 Europe sought a way to maintain world peace and integration was a means to support the process. Renowned economist Lipsey argues that the pursuit of integration has been one of the most important economic developments over the whole of the 70 year period starting with the end of the second world- war.⁸ Bringing to the fore the importance of integration in international relations.

In international relations there are three main aspects which are considered and these are economic integration, social integration and political integration. Economic integration recognises non-state players such as multinational companies, cross border traders, the role of barriers to trade. In this regard proponents of the liberalist theory have done well in including non-state actors in economic integration.

The modernisation theory which also brings into play the different levels of development for each country as having an influence in the shape of economic integration. In East African Community, countries such as Uganda and Tanzania have often applied for stay of application so that their infant industries may be protected from the duty proposed on the Common external tariff.

States are key actors and military might has a role to play however, Morgenthau's theory of realism would not adequately apply in this case because the theory does not recognise the role of non state actors⁹. In as much as states sign the agreements for bilateral or multilateral relations, when it comes to international relations, non state actors such as multi nationals highly influence the direction of the negotiations because of the role they

⁸Miroslav N. Jovanovi, *The Economics of International Integration*, Second Edition, Massachusetts Edward Elgar Publishing, 2015 pp. ix

⁹ Hans Morgenthau, *Politics Among Nations: The Struggle for Power*, McGraw-Hill, 1993

play in job creation. In addition the turnover of some multinationals are bigger than the gross domestic product of some countries combined. The economic muscle of those companies greatly influence the decisions that are made. In the Special Status Agreement which was signed between Kenya and Ethiopia which was signed in 2013 was practically an agreement to promote inter country trade and there are still challenges with implementation of the same because of the monetary policy regime for Ethiopia which is still rigid on the repatriation of profits to the home countries for the trading companies.

1.4.3 Developing countries

There are different stages for a country and in modern society, nations/states are described as either developing, or developed countries. There are a number of parameters which determine the level of growth at which states are at any given point in time. Morton's definition of states is given as a nation which meets all the following criteria: – the state must have territorial base, a stable population must reside in its borders, there should be a government to which the people owe allegiance, a state has to be recognised diplomatically by other states¹⁰.

According to Jovanovi, the second theoretical model on integration among developing countries focused, in practice on specialising in production with a view to increase the relatively low level of development.¹¹

¹⁰ Norton W., Essentials of International Relations, New York: John Wiley and Sons, 2013

¹¹ Miroslav N. Jovanovi, The Economics of International Integration, Second Edition, Massachusetts Edward Elgar Publishing, 2015 pp.517

Coughlin & Ikiara argue that regional industrial integration has always been advocated for as a partial solution for small markets in developing countries but has seldom yielded desired results.¹² The same is evident in the low level of output from the industrial sector in Zimbabwe as a result of sanctions.

In determining power of a state realists such as Hans Morgenthau argue that states power is determined by military and economic might with the former taking more precedence.¹³ Debates on state of countries are usually centred around the United Nations global Conferences and Peace and Security conferences and events.

1.4.4 International relations for the period 2007 to 2013

For the period 2007 to 2013 there were a number of events which shaped international relations. Scholars have attempted to analyse why countries choose to become part of an integration process. Jackson & Sorensberg identified five issues which influence international relations and these include; international terrorism, the environment, gender; sovereignty and changes in statehood and new security challenges¹⁴.

There are three core theories which influence international relations and these are realism theory, idealism theory and modernisation theory.

Rostow argues that international relations can be described as a process which varies from state to state because of stages of economic growth by using a non-communist

¹² Coughlin P., Ikiara G., *Industrialization in Kenya: In Search of a Strategy*, Nairobi, English Press, 1988, pp 120

¹³ Hans Morgenthau, *Politics Among Nations: The Struggle for Power*, McGraw-Hill, 1993, pp. 4-16

¹⁴ Jackson R., Sorensberg G., *Introduction to International Relations Theories and approaches*, Oxford Press, Third edition 2007, pp. 248-275

manifesto¹⁵. Rostow took a non-communist approach to understand why some countries are more developed than others. He enunciates five stages of growth which are; stage of traditional society, whereby a country will still be in the hunting and gathering stage; preconditions to take off; take offstage, drive to maturity, where a country has reached a stage where they have embraced technology and can be considered mature and the economy is counted among the ones that have made it and; the age of high mass consumption, ability to consume anything and everything and can afford extravagant expenditure.

Renowned scholar Morgenthau, a proponent of realism, argues that international relations is dominated by the struggle for power. Morgenthau further states that power is all about military might and that states are the only players in international relations¹⁶. He also argues that in an integration process only powerful states dictate the order of the day. In this argument realists do not give a face to international relations and thus considering states as the only players.

Liberalists such as Wilson, Mill, Keynes and Kant were proponents of the liberalist theory. Kant includes none state actors as being vital in international relations¹⁷. Kant argues that economic players such as multinational corporations play a role in international relations. In as much as these scholars in isolation mention the importance of each of these broad subjects they do not agree on a common theory that best explains economic integration in international relations.

¹⁵Rostow W, Stages of economic growth, Cambridge, Cambridge Press, 1960,pp 62

¹⁶MogenthauH.,Politics Among Nations: The Struggle for Power, Columbus, McGraw-Hill, 1993

¹⁷ Kant I., Perpetual Peace: A philosophical sketch, Amsterdam, 1795

There is also a school of thought from scholars such as Dollard who argue that according to the frustration aggression theory; Deprivation leads to frustration and can lead to aggression, which could explain why there are still wars in some countries.

Scholars such as Lipsey argue that as long as countries are on a different indifference curve in an integration bloc then the benefits of an integration process will accrue differently to different players¹⁸. This explanation is more inclined to a modernisation theory.

In a journal written by Baldwin and Venables on Regional Economic Integration, the scholars argue that geographically discriminatory trade policy is the defining characteristic of a regional integration agreement.¹⁹

However all the authors do not spell out how one can use economic integration especially among developing countries in world affairs to attain equal benefits for all involved especially for countries under sanctions.

1.4.5 Economic Sanctions in international relations

The United Nations Charter on Chapter VII under article 41 provides for the imposition of sanctions on a country for the purpose of maintaining or restoring international peace and security.²⁰

In 2002 following the land issue in Zimbabwe the European Union Commission passed legislation imposing an embargo and sanctions on Zimbabwe under Council Regulation

¹⁸Lipsey R., Chrystal A., Economics, London: Oxford Press, 2011,pp. 115

¹⁹Richard B., and Venables A., *Regional Economic Integration*, London, the London School of Economics,

²⁰The United Nations Charter, <http://www.un.org/en/documents/charter/>

(EC) No 310/2002 which was in force from 2002. The legislation provided for an arms embargo and further financial sanctions were imposed on the country by the EU and UK Government. The conditions for the sanctions were based on purported suppression of human rights, good governance and freedom of expression.

This was the second time that Zimbabwe was put under sanctions, with the first sanctions having been imposed on the Rhodesian Smith regime to fight the colonial rule. In an analysis of a book authored by Kurebwa; Ndakaripa argues on the irony that, one of the nationalist movements which benefited from sanctions imposed on Rhodesia, the Zimbabwe African National Union – Patriotic Front (ZANU-PF) – is now itself the target of sanctions. The sanctions which were imposed on Rhodesia and the current sanctions on Zimbabwe are similar, in that they were imposed on allegedly delinquent regimes which suppress the will of the people, disrespect the rule of law and violate human rights. They are however different in two ways. First, sanctions on Rhodesia were within the ambit of the United Nations (UN) while the current sanctions on Zimbabwe were imposed by Western nations and their allies.²¹

Minter and Schmidt argue that Rhodesian sanctions have not been a major subject of scholarly inquiry for some years. After the initial wave of studies, many scholars lost interest. Sanctions were written off as a dismal failure²². A handful of studies, such as those by Strack²³, Losman²⁴, Doxey²⁵, and Renwick²⁶, analysed the Rhodesian case

²¹Ndakaripa M., *Sanctions on Rhodesia (Zimbabwe): Collective Security or International Conspiracy?* Harare, University of Zimbabwe publications pp 7-9

²² Minter W., Schidt E., *When Sanctions worked: The case of Rhodesia Reexamined*, pp 207

²³Strack H., *Sanctions: the case of Rhodesia*, Syracuse: Syracuse University Press, 1978 pp 237-238

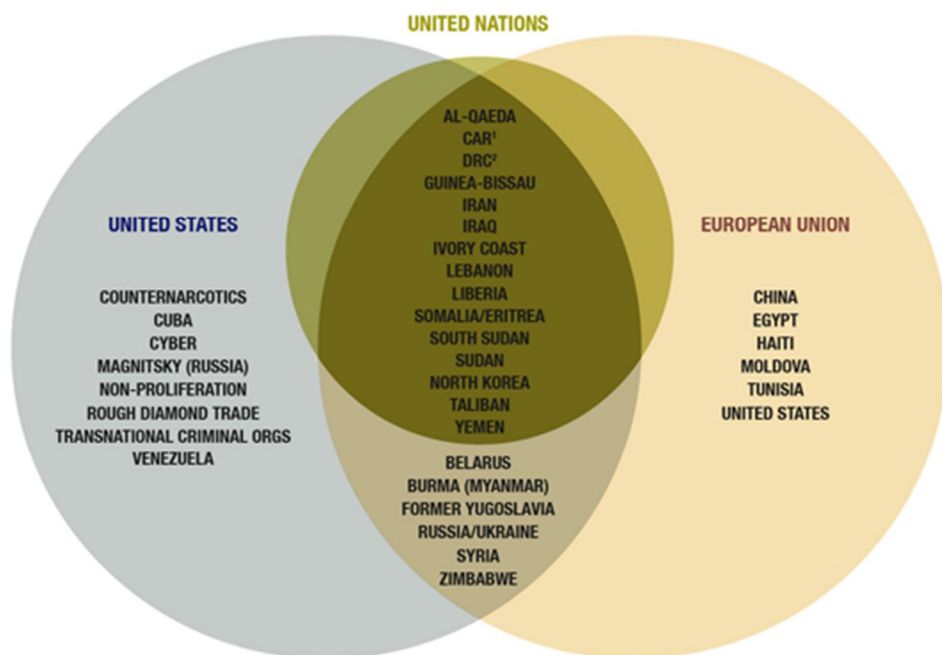
²⁴Donald L. Losman, *International Economic Sanctions: the cases of Cuba, Israel, and Rhodesia*, Albuquerque: University of New Mexico Press, 1979, pp 122-123

²⁵Margaret Doxey, *Economic Sanctions and International Enforcement*, 2nd ed., New York: Oxford University Press, 1980, pp 1-2, 73

shortly before or after Zimbabwe's independence in 1980. They too considered that sanctions, as an economic tool intended to effect political change, had had relatively limited success.

According to Delevic, sanctions have been more prevalent from the 1980s increasing from only two in the 1920s to more than 20 in the 1980s.²⁷ Baldwin adds his knowledge to the issue of sanctions by arguing that there are positive and negative sanctions.²⁸

Figure 1.1 Global Sanctions Regimes



Source US Treasury Department.²⁹

²⁶Robin Renwick, *Economic Sanctions*, Harvard Studies in International Affairs, no. 45, Cambridge, Ma.: Harvard University Center for International Affairs, 1981, pp 77, 87, 91

²⁷Delevic M., *Economic Sanctions as a Foreign Policy Tool: The Case of Yugoslavia*, pp 1

²⁸ Baldwin D., *Power Analysis and World Politics*, Princeton: Princeton University Press, 1979, pp.19-38

²⁹ <http://www.cfr.org/sanctions/economic-sanctions/p36259>

Another school of thought is supported by Pape who argues that the major powers and the United Nations impose economic sanctions to achieve political gains.³⁰

The scholar cites examples of the sanctions which were imposed on Iraq, to force Serbia to stop assisting the Bosnian rebels with a view to topple the Haitian military and bring apartheid to an end. The author also gives the example of the sanctions which were imposed on Cuba by the United States as well as on China in order to address alleged human rights abuses in the country.

Hufbauer et al argue that whilst there are debates about the underlying purposes of using sanctions, there is large concurrence that they are meant to influence the decision-making processes of the targeted country.³¹

There are usually mixed reactions on sanctions by countries. When Zimbabwe, then known as Rhodesia had its first sanctions under colonial rule, the sanctions were based on political, racial and basis. However countries such as The USA still defied the sanctions because Rhodesia had some of the commodities that the country required for military purposes such as chrome. Whilst other countries such as South Africa and Portugal supported the sanctions because of the apartheid regimes that reigned in their countries which supported racism.

Haas, argues that it is extremely difficult to generate international support for sanctions.³²

Others scholars such as Drezner, have argued that the implementation of international

³⁰Pape R., Why Economic Sanctions do not work, Cambridge: MIT Press, 1997, pp.90.

³¹Hufbauer G.C., Schott J.J., Eliot K.A., Oegg B, Economic Sanctions Reconsidered, Washington, DC: Peterson Institute for International Studies, 2007, pp. 5.

³²Haas R.N., Sanctioning Madness, Foreign Affairs, Vol. 76, No. 6, 1997, pp. 74-85.

economic sanctions is often erratic and haphazard.³³ Most countries are not willing to sacrifice their economies in pursuing foreign policy goals or a collective security agenda that is not always clear to them. For example, economic imperatives obliged most countries to import Rhodesian beef, either covertly or openly, in violation of sanctions. James M. Lindsay notes that sanctions often fail to cause economic pain because sanctioning countries do not control a large portion of the targeted state's external relations.

Most studies on sanctions have concluded that sanctions, comprehensive or targeted, often miss the targeted leaders and harm innocent civilians.³⁴ A good case is the UN comprehensive sanctions on Iraq during the 1990s, which triggered a humanitarian crisis.³⁵

In some cases sanctions are buttressed by military war. Some scholars such as Askari et al, have argued that target states do not usually yield to the demands of sanctioning countries when the embargoes are not supported by military force.³⁶

A gap exists in defining the role played by economic integration in international relations, especially for a country under sanctions and whether the circumstances surrounding international relations among developing and developed countries will yield similar results. In addition the theories expounded by the various authors do not agree on the actors involved in international relations.

³³Drezner D., *The Sanctions Paradox: Economic Statecraft and International Relations*, Cambridge: Cambridge University, 1999, pp. 12.

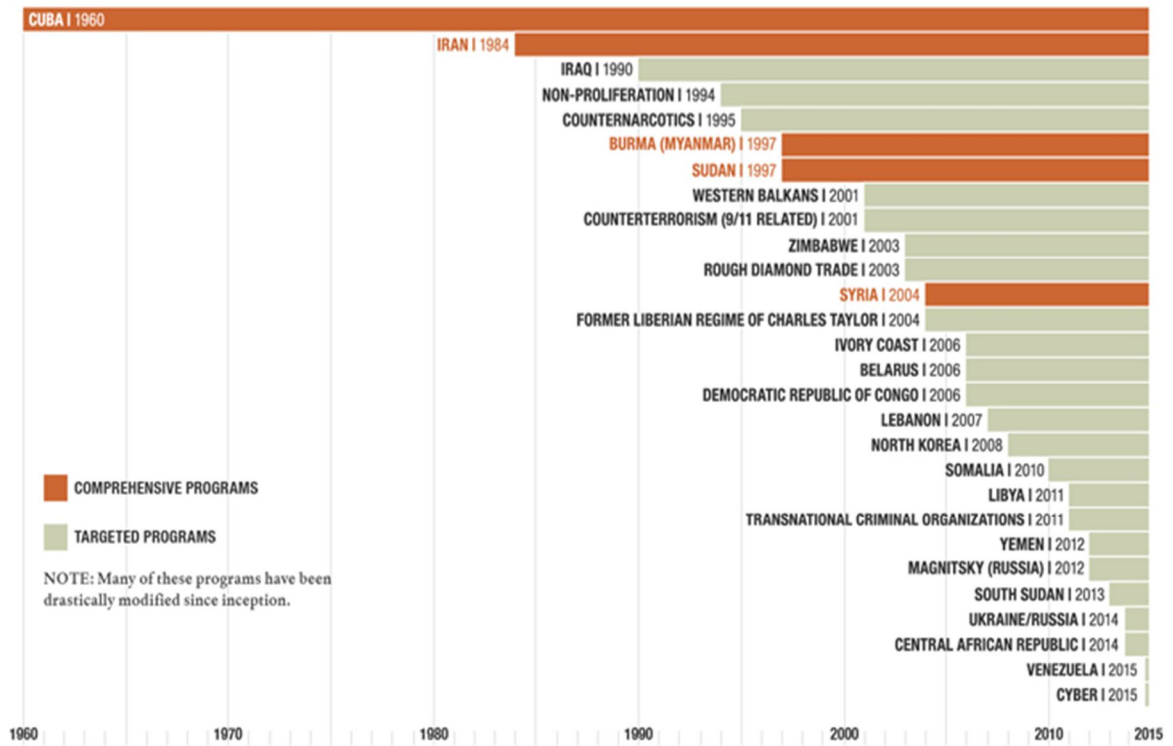
³⁴ *ibid*

³⁵Cortright D., Lopez G.A, *Smart Sanctions: Targeting Economic Statecraft*, Maryland: Rowman and Littlefield Publishers, 2002, p. 1.

³⁶Askari H. G., Forrer J., Teegen H., Yang J., *Economic Sanctions: Examining their Philosophy and Efficacy*, Westport: Praeger Publishers, 2003, p. 1.

Scholars do not also expound on how a country under sanctions would be affected in international relations and the dilemma of other countries in the same regional blocs as the country under sanctions.

Figure 1.2 US Sanctions Programmes



Source US Treasury Department.³⁷

³⁷ibid

1.5 Justification and Significance of the Study

This study will help determine the role that economic integration in developing countries plays in international relations for a country under sanctions. Focus will be placed on how economic integration plays out in international relations for Zimbabwe country under sanctions. In addition the research will also identify the theories in international relations which best explain the impact of economic integration in international relations especially where sanctions are involved. The research will be beneficial to the society and will assist countries in formulating, analysing and reviewing policies in line with their international relations objectives. Investors may also find this research useful in making investment decisions in some countries. The research will also contribute to the knowledge available on the subject.

The study will endeavour to address gaps in literature which will be very useful in adding to available knowledge.

1.6 Theoretical framework

1.6.1 Theory of Economic Integration

Scholars have mainly argued the theories around international relations on three aspects, realist theory, feminist theory and liberalist theory. The same theories have been extended to economic integration with the addition of the theory of economic integration.

The theory of economic integration, according to Grimwade³⁸, is the branch of economics concerned with analysing the effects of different forms of integration on the economies of member states involved in international relations. The theory recognises both state and

³⁸Grimwade, Nigel. "theory of economic integration: a review." *The New Palgrave Dictionary of Economics*. Palgrave Macmillan, 2013.

non-state actors in economic integration and international relations. The theory is a branch of the liberalist theory in international relations.

According to the economic integration theory the role of non-state actors such as multinational organisations is paramount in shaping economic integration. Forbes reports that the turnover of Walmart stores is greater than the GDP of some developing countries. Such companies which wield economic might have a strong voice on the international scene especially where investments have to be made which can boost international trade.

The same theory is supported by liberalists who also introduce non state actors to international relations which include multinational corporations but do not however go into the deeper details of analysing the effects of different forms of integration on international relations.

On the other hand the realist theory confines international relations to power politics and only recognises states as the only actors in international integration. Morgenthau is the chief proponent of the realist theory and he argues that politics is all about power and states are the only actors in international relations and all systems fall under the ambit of the state. Morgenthau does not give a voice the role of regional economic communities (RECs) international organisations and associations in economic integration.

Morgenthau argues that the international system is a self-help system and states participates to further selfish gains. He further argues that power is determined by military might.

Classical realists support the realist theory propounded by Morgenthau which is a far cry from covering issues in economic integration. Theucydides, Machiavelli and Hobbes and all classical realists share the view that international politics is an arena of rivalry, conflict and war between states in which the same basic problem of defending national interest and ensuring the continued survival of the state repeat themselves over and over again.³⁹

Other theories such as the feminist theory attempt to bring the contributions made in decision making in international relations from a gender perspective without talking about other players in international relations. The feminist theory propounded by scholars such as Harding who argues that international relations is gendered and most of the actors are states and male actors.⁴⁰ The scholars argue that there is need to humanise international relations and move from the traditional notion of viewing one gender as being a weak one without bringing the values and contributions of both genders to assist in shaping international relations and trade.

The scholars attempt to address underlying challenges with societal values which have brought about social injustices. Some radical scholars argue that women have been deprived from taking part in international debates which shape international relations. Citing examples that the United Nations System has never been led by a woman and of late there have been attempts to elevate women to top positions such as the International Finance Corporation (IFC), with a view to bring the benefits of the knowledge of both genders to shape global decisions.

³⁹Jackson R., Sorensen G., Introduction to International Relations: Theories and approaches, Oxford Press, Oxford, 2007,pp 1

⁴⁰Harding S., Feminism and Methodology, Indianapolis, Indiana University Press,pp2

1.7 Hypotheses

The research will have the following hypothesis;

- a. Economic integration among developing nations improves international relations.
- b. Economic integration in international relations helps to alleviate economic problems from economic sanctions.
- c. Trade flow is in favour of other countries in a regional bloc when a country is under sanctions.

1.8 Research Methodology

This research will depend on both qualitative and quantitative research methods. Both primary and secondary data will be used to gather data. The research will be qualitative because of the nature of the subject of the research which analyses different paradigms and relationships as well as the perceptions of the subject matter.

1.8.1 Population

A total of 45 people in senior management from foreign owned companies that have invested in Zimbabwe, Government Ministries, Secretariats of regional blocs, parastatals, Associations, cross border traders and individuals were interviewed.

1.8.2 Research design

The research design will be a combination of both quantitative and qualitative research design. Berg argues that there is a deeper understanding of issues which can be obtained by using qualitative means.⁴¹

⁴¹ Berg B., *Qualitative Research Methods*, California, Allyn and Bacon, 2001, pp2

The research contains numerical measurement in analysing the relationships between the variables and some of the analysis may not necessarily be numerical. The research will observe behaviours, situations, interactions and patterns in international relations based on the aspect of economic integration during and before the sanctions period in Zimbabwe.

1.8.3 Sample design

There was a large number of people from the various institutions and categories where the data was to be gathered from for the purposes of the research therefore probability sampling through random selection was used to arrive at an adequate sample population that is representative of all the elements of the larger population in every respective targeted population.

The following companies and representatives were randomly selected for the research:

Table 1.1 Categories of companies and interviewees

Organisation	Level	Number
SADC	Director	1
COMESA	Director	1
AU	Director	1
CZI	Management/Director	10
Unilever	Management	1
BAT	Management	1
Ministry of Trade	Director	1
Ministry of Labour	Director	1
Reserve Bank of Zimbabwe	Director	1
Spar	Director	1

OK Mart	Management	2
Dairibord Zimbabwe Limited	Management	2
ZNCC	Board Members	2
Lyons Maid	Management	1
Global Stoneworks	Management	1
MMCZ	Management	1
Cross border traders		2
General public		5
Total		45

The research used non probability sampling in collecting data. According to Frankfort-Nachmias and Nachmias, it is often impossible, impractical, or extremely inexpensive to collect data from all potential units and researchers can draw precise inferences on all units based on a relatively small number of units.⁴²

For the reason that there is no quantified number of actors in economic integration in developing countries, random samples will be used to assess the subject. In this particular research the units are not specified and there is no guarantee that the samples taken will be exhaustive because of the broad nature of the subject being investigated.

Under the design method the research will employ purposive sampling. Representative sample were decision makers from business associations, companies involved in

⁴²Frankfort-Nachmias C., Nachmias D., Research Methods in Social Sciences, London: St Martin's Press, 1996,pp 179

international trade, government, donor agencies, cross border traders and trade bloc secretariats.

1.8.4 Tools

The research made use of questionnaires interviews and desktop research to collect information. The questionnaires were emailed and hard copies were also dropped off in some cases face to face as well as telephone interviews were carried out to get a deeper understanding of responses. Primary data was collected from interviews that will be conducted on a one on one basis and through emails as well as telephone calls. The research maximised on telephone interviews to reduce costs of travelling and where possible one on one interview because this would enable me to collect more data. Briggs supports the reliance of social science research on interviews as a way of establishing views and opinions.⁴³

Secondary data was gathered from previous research work that has been carried out on the subject.

1.8.5 Scope and Limitations of the Study

The study was carried out in Zimbabwe. Organisations in the Southern Africa region were also approached. Reference was also made for other regional blocs in Africa such as ECOWAS, EAC and IGAD using desktop research. Intense research was done in Zimbabwe. The research was limited to the impact of economic integration in international relations for a country under sanctions. Although in the interviews carried out some respondents felt the urge to take a political approach to the response. Analysis of trade data was done for the period 2000 to 2014.

⁴³ Briggs, C. *Learning how to ask: The role of interviews in social science research*, (Cambridge: Cambridge University Press 1986)

The study will determine the extent to which economic integration impacted on Zimbabwe based on its geopolitical location, size and national interest. The research also assesses how much trade was in the SADC region over a period of five years before sanctions were imposed on Zimbabwe and after the sanctions. The research will analyse whether there are any clear signs that sanctions affected trade flows, respect of leadership and effect on international relations.

The research further analyses how the sanctions were followed. Anticipated challenges include language barriers in countries where the researcher is not conversant with some dialects. For any respondents who may not be conversant in English there are foreseen challenges in communication. There may also be delays experienced in obtaining feedback due to low internet connectivity or poor telephone facilities in some countries. Some areas may be inaccessible because of poor road infrastructure in Africa.

Political alliances caused some of the respondents to withhold critical information because of fear of being misquoted.

According to Chava Frankfort-Nachmias and David Nachmias secondary data may also have a limitation on the scope because previous researchers may have collected data which is only approximated to test the kind of data that the investigator would like to employ for testing hypothesis⁴⁴ and may not adequately suffice for this research.

⁴⁴Frankfort-Nachmias C., Nachmias D., Research Methods in Social Sciences, London: St Martin's Press, 1996

1.9 Chapter Outline

Chapter 1 is an introduction to the research. This will have the background and sets the reader to have an overall idea of what the research is about. The chapter will also contain the statement of the research problem, hypotheses and methodology used in the research.

Chapter 2 is an overview of economic integration for regional blocs where Zimbabwe is a member; COMESA, SADC, Cotonou, Africa Union.

Chapter 3 is a background to economic sanctions in Zimbabwe, with an overview of the land crisis and how it developed to a full blown crisis culminating in sanctions. The chapter will also analyse the involvement of the regional blocs; SADC, COMESA as well as reactions by other members.

Chapter 4 is an analysis of impact of sanctions on economic and socio political relations. The chapter will also analyse trade flows, investments, movement of currency, negotiations that were held as well as how Zimbabwe plays in the international arena.

Chapter 5 is a summary, conclusion and recommendation of the study which can be used for further study and will assist in enhancing knowledge.

CHAPTER TWO: AN OVERVIEW OF ECONOMIC INTEGRATION FOR REGIONAL BLOCS WHERE ZIMBABWE IS A MEMBER

2.1 Introduction

Economic integration is one of the key pillars in an integration process. Zimbabwe is a country that has been influential in steering decisions in international trade in the early 80s to late 90s because of its strong agrarian economy. The country earned the name the bread basket of Africa because of its commendable output from the agricultural sector which dwindled after the land redistribution programme and worsened as the country reeled under sanctions.

In an article published by the Herald (2015), Zimbabwe has the opportunity to regain its status as the breadbasket of Africa once again as a result of the financing that went into the country from Brazil. Once the second largest economy in Southern Africa, Zimbabwe's economy was purely anchored on farming and agricultural based industries⁴⁵

A number of factors including world peace and interdependence in the global economy have influenced Zimbabwe's participation in the international arena.

Zimbabwe witnessed a steady growth in its exports over the last five years. In the SADC region, According to the latest statistics, South Africa remains the largest exporter in the SADC region.

According to data from the OEC, Zimbabwe currently mainly trades within the SADC region and Asia. In 2013 Zimbabwe exported \$3.41 billion worth of goods and services, the country was the 125th largest exporter in the world. During the last five years the

⁴⁵Zano P., Zimbabwe poised to restore bread basket status, <http://www.herald.co.zw/zim-poised-to-restore-breadbasket-status/pp> 2015 pp 7

exports of Zimbabwe have increased at an annualized rate of 4.5%, from \$2.74 billion in 2008 to \$3.41 billion in 2013. Data from Ministry of Trade, Industry and Commerce shows that Zimbabwe exports raw tobacco which represent 18% of the total exports of Zimbabwe, followed by gold which account for 14.8%, diamonds account for 9.9%, nickel matte 12%. Other exports include, precious metal ores, ferro alloys, cotton nickel platinum, coke, granite and citrus.⁴⁶

According to data from Zimbabwe's Ministry of foreign Affairs, Zimbabwe is a member of SADC, COMESA, AU, ACP, AfDB, C, CCC, ECA, FAO, G-15, G-17, G-77, IAEA, IBRD, ICAO, ICFTU, ICRM, IDA, IFAD, IFC, IFRC, ILO, IMF, Intelsat, IOC, IOM (observer), ISO, ITU, NAM, OAU, OPCW, PCA, SADC, UN, UNCTAD, UNESCO, UNMIK, UNTAET, UPU, WCL, WFTU, WHO, WIPO, WMO, WtoO, WTrO.⁴⁷

2.2 SADC

Zimbabwe is a founder member of Southern African Development Community⁴⁸. SADC was formed in 1992 by countries who affirmed their commitment to establish a development community in the region. The organisation was initially known as Southern African Development Cooperation Community (SADCC) and later changed its name to SADC. The organisation has a total of 15 countries.

Cooperation in the region is based on the key strengths of each of the countries which is mainly based on the agriculture and mining strengths. South Africa is big on mining and in terms of its geopolitics it is the strongest economy in the community.

⁴⁶ <http://atlas.media.mit.edu/en/profile/country/zwe/>

⁴⁷ Mofa.gov.zw

⁴⁸ Fifteen countries forming SADC Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

As a result of the protocols and agreements signed under the treaty there have been numerous changes witnessed in the economies of the countries in the regional bloc.

The SADC Treaty is the founding document for the establishment of the Southern African Development Community (SADC). In pursuance of the principles of Towards a Southern African Development Community, a declaration was made by the Heads of State or Government of Southern Africa, in Windhoek, Namibia, in August 1992 affirming their commitment to establish a Development Community in the region.

The Declaration of the SADC Treaty outlines the principles, objectives and general undertakings of the Community. Membership, Institutions, Meetings, Areas of Cooperation and relations with some with other states and organisations are also covered. The treaty further touches on the resources and funds, immunities and privileges, disputes, sanctions, amendments, language, saving provisions, ratification as well as termination of the memorandum of understanding. Signed by: Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe.

2.2.1 Benefits of the SADC protocol to Zimbabwe

SADC as a community has had great benefits for the countries in the community. There has been free movement of people within the economy. Although South Africa took some time to relax its immigration rules in order to protect its own domestic labour.

During the sanctions period in Zimbabwe, there was massive brain gain in the countries in the community as there was a flight of skills to the biggest economy in the region and this has helped develop communities in the mother countries of the immigrants. When

Zimbabwe's economy took a downturn, there was massive repatriation of foreign currency in the economy which buoyed the economy for a while and the country received imports from the countries in the community when industries shut down.

The SADC community has been very instrumental in negotiating a Global Political Agreement between ZANU PF and MDC after the 2008 elections which led to power sharing in government. Under the ambit of the community countries also exclusively have bilateral agreements which have greatly assisted the states.

In as much as most of the countries in the community are landlocked there is an interdependence amongst them in that the other countries which are landlocked are passages of trade and they also benefit from the ports in South Africa and Mozambique in trading with the rest of the world.

Countries like Tanzania have leveraged on the preferential trade conditions in the SADC region which have made its participation in other integration communities such EAC less. SADC total trade has followed a similar pattern to total world trade. Total SADC trade almost quadrupled between 2000 and 2011 from US\$ 91089.52 million in 2000 to US\$ 353636.4 million in 2011, although there was a sharp decline of more than 25% in 2009 as a result of the global economic crisis⁴⁹.

2.2.2 Challenges of the protocol

The implementation of the protocol has had its own fair share of challenges. Some of the critical issues require financial resources to implement and most of the countries in the

⁴⁹<http://www.sadc.int/about-sadc/overview/sadc-facts-figures/>

Southern African region have financial constraints. Needless to mention that sanctions took their toll on the Zimbabwean economy.

There have been challenges of xenophobic attacks as a result of the influx of labour to South Africa which led to most locals not getting lucrative jobs. This led to an uproar by the locals who started attacking foreigners in the country.

The SADC community does not have a coercive nature and depends largely on the extent to which states want to cooperate. There were allegations of human rights abuses in Zimbabwe and Zambia at some point and the community remained mum because of sovereignty issues.

There has been a slow pace of movement in implementing some of the treaty agreements such the monetary union as well as political federation. This is mainly due to the fact that not all countries are at the same level of growth and that none of the countries are prepared to cede their sovereignty. Hence the lack of political will to implement some of the agreements faster.

The issue of a monetary union is not only peculiar to SADC even in the European Union which is considered to be a trail blazer on the monetary union front, Britain still chose to retain the use of its pound.

Table 2.1 SADC Summary Facts and Figures, 2012

Indicator	Information	Indicator	Data
Member states	15	Trade	Total Import
			Total Export
			USD \$91,608.15 (million)
			USD \$89,151.33 (million)
Year Established	1992	Average Government Debt (2011; % of GDP)	40.4%
Land Area	554 919 km ²	Average Life Expectancy (2009)	55.1
Total Population	277 million	Average HIV Prevalence (2009)	12.6 %
		Average Life Expectancy (2009)	55.1
		Average HIV Prevalence (2009)	12.6 %
GDP Annual Growth Rate (2011)	5.14 %	Gender (proportion of seats held by women in parliament)-2011	34%
GDP (2010)	USD \$575.5 Billion	GDP Contribution: Services	51 %
Inflation (2011)	7.7 %	GDP Contribution: Industry	32 %
Fiscal Balance (2012)	-3.6 %	GDP Contribution: Agriculture	17 %

Source: <http://www.sadc.int/about-sadc/overview/sadc-facts-figures/>

2.2.3 Gross Domestic Product

The total aggregated SADC real Gross Domestic Product (GDP) growth rates are presented in the table below;

Table 2.2: SADC Gross Domestic Product growth rate%, 2000-2011

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
GDP rate	3.46	2.69	2.68	2.98	4.89	4.80	6.16	6.74	4.00	2.20	5.23	5.14

Source: World Development Indicators, *2011 data from SADC CCBG Macroeconomic Information (April 2012).

Over this period, 2000 and 2011, the GDP growth slowed down significantly in 2009 and picked up again for most member states in 2010. The average GDP growth for SADC is 5.2%.

2.2.4 Sector Contributors to GDP

For the SADC region, service sectors represent half of SADCs' GDP in the period 2000-2010 and thus are the main driver of regional growth. The table below shows sectors' contribution to regional GDP in the period between 2000 and 2010.

Table 2.3: SADC Sectors Contribution to Regional GDP (2000 to 2010)

Sector	Services	Industry	Agriculture
% GDP contribution	51	32	17

Source: World Development Indicators

Tax Revenue

Tax revenue as a percentage to GDP varies widely across the SADC region. Angola has less than 0.5% tax revenue over the period under consideration (2005-2010), whereas Lesotho, Botswana and Swaziland have the highest tax revenue as % of GDP. In 2010, the highest tax revenue as a % of GDP was 36% (Lesotho), the lowest was Angola at 0.041% and the SADC average was 20%.

Inflation

SADC inflation rates, after falling in 2009, picked up in 2010. All countries, except for Angola, DRC and Mozambique showed some inflationary upwards pressure in 2010. The aggregated inflation rate for SADC is shown below.

Table 2.4 SADC Aggregated inflation rates 2001-2011 (%)

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Inflation rate	23.1	29.1	42.3	28.0	29.3	8.7	8.9	13.2	12.3	7.3	7.7

Sources: World Development Indicators, IMF World Economic Outlook, SADC CCBG

Macroeconomic Information

Government Debt

During the sanctions era in Zimbabwe, Government debt soared to \$9.9 billion (54% of the country's GDP). In the SADC region, Government Debt as a percentage of GDP has halved from nearly 80% in 2004 to 40% in 2010. SADC is well within its macroeconomic convergence target of 60% (see table below).

Table 2.5 SADC Government debt as a % of GDP 2004-2011

Year	2004	2005	2006	2007	2008	2009	2010	2011
% GDP	79.4	70.4	51.4	46.7	47.8	49.0	36.7	40.4

Source: International Monetary Fund, World Economic Outlook Database, September 2011

Trade

SADC total trade has followed a similar pattern to total world trade. Total SADC trade almost quadrupled between 2000 and 2011 from US\$ 91089.52 million in 2000 to US\$353636.4 million in 2011, although there was a sharp decline of more than 25% in 2009 as a result of the global economic crisis.

Exports and Imports

Main intra SADC trade export items include petroleum oils, agricultural products, electricity and some clothing and textile products. Main export items to the rest of the world consist of predominantly export of resources (e.g. coal, ferrochromium, manganese ores, platinum, as well as precious metals and diamonds), resource intensive manufactured goods, mainly for the automotive industry, some clothing and textiles, and tobacco.

The highest share of total SADC exports over time is to the Asia Pacific Market, followed by the EU market. Trade within Africa is the smallest and of this the majority is intra SADC trade.

Table 2.5 Overall direction of SADC Exports (2000-2010)

Regional Economic Community/Continent	Asian Pacific Economic Cooperation (APEC)	European Union (EU)	Rest of World	Intra-SADC	Rest of Africa
% Export	45	27	15	10	3

Source: SADC Statistics Year Book 2011.⁵⁰

Total intra SADC imports have grown steadily over the past ten years, more than tripling in total. As with intra SADC exports, imports also experienced a significant fall in 2009 due to the global recession.

Table 2.6: Overall direction of SADC Imports (2000-2010)

Regional Economic Community/Continent	Asian Pacific Economic Cooperation (APEC)	European Union (EU)	Rest of World	Rest of Africa
% Import	45	27	15	13

Source: Source: SADC Statistics Year Book 2011.

⁵⁰The SADC statistical Year Book is an annual publication which provides a selection of comparable and updated regional official statistics and indicators. The publication provides stakeholders with a comprehensive set of reliable and sound information on the socio-economic profiles and development of the SADC region and its Member States

Trade protocol

The Trade Protocol for SADC provides a framework for an agreement among the Member States to achieve a substantial liberalization of trade among themselves by 2000. When the protocol was signed member states envisaged the complete elimination of tariffs on intra-SADC trade by 2012. The protocol currently includes an ambitious plan to have a monetary union by 2018.

The main instrument of trade liberalization is to be the elimination of customs tariffs and non-tariff barriers (NTBs) on the vast majority of intra-SADC trade. In addition, there are measures related to a number of other forms of trade facilitation, including customs cooperation, promotion and facilitation of cross-border investment, liberalization of trade in services, and facilitation of transit trade. To date, it is liberalization of trade in goods, and especially the phasing down of import duties on intra-SADC trade, that has been the primary focus of attention in the Trade Negotiation Forum (TNF) process.

As in almost all similar arrangements in the world, the terms outlined in the Trade Protocol do not represent an agreement to establish completely free trade among the Member States.

What it does is to substantially liberalize trade within the region and at the same time to define the extent of and the limits on free trade. The limitations on and exceptions to free trade under the Protocol will play a key role in shaping its economic impact. We focus here on a few of the key limitations on the extent of trade liberalization contained in the Protocol.

2.2.5 Trade

Zimbabwe's largest trading partner is South Africa. Exports to South Africa account for about 32.4 % of the country's exports. Gross Domestic Product for the region stands at is mainly buoyed by the strong mineral wealth in the region, tourism and a growing industrial sector.

Table 2.7 Zimbabwe's trade in the region 2000-2011

Industrial Activity	Year											
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agriculture	1 677	2 004	1 847	1 379	757	900	967	1 319	1 352	1 056	1 175	1 235
Mining and Quarrying	95	58	55	128	170	351	1 483	1 382	394	483	728	931
Manufacturing	952	966	809	935	960	670	1 741	502	394	969	1 184	1 424
Electricity, Gas and Water	146	152	125	94	131	160	193	691	451	280	361	437
Construction	154	109	83	74	59	57	64	188	56	33	59	71
Wholesale and Retail Trade, Restaurant & hotels	1 120	1 358	1 183	1 056	1 149	1 481	1 031	691	1 464	626	746	758
Transport and Communication	644	813	906	552	379	236	129	314	620	868	922	1 096
Finance, Insurance, Real Estate and Business Activities	659	428	464	996	973	792	258	94	12	338	373	678
General Government Services	330	298	291	283	261	179	64	126	113	190	296	325
Other Services	1 325	929	913	673	855	849	206	879	845	639	803	999
GDP at Factor Cost/Basic Prices	7 103	7 116	6 676	6 169	5 693	5 676	6 136	6 186	5 701	5 483	6 645	7 954
Net Taxes on products	728	660	702	788	966	780	194	63	0	651	789	912
GDP at Market/Purchasers Prices	7 831	7 776	7 378	6 956	6 659	6 456	6 330	6 249	5 701	6 133	7 433	8 866

Source: National Statistics Office, Zimbabwe

2.3 African Union

Zimbabwe was one of the founding members of the then Organisation of African Unity (OAU) now known as African Union. Founded in 1963 by 32 countries, the organisation has a membership of 54 African countries. Only Morocco is not a member and Central Africa Republic as well as were suspended.

Zimbabwe in 2014/2015 was elected chairman of the African Union. The country was not discriminated against by the regional bloc because of economic sanctions.

To promote world peace, Zimbabwe participated in the war in Democratic Republic of Congo (DRC), Somalia, Angola and Mozambique under the ambit of the African Union. One of the reasons scholars mention as being the reason for being put under sanctions is the country's refusal to withdraw troops from the DRC.

2.4 COMESA

The Common Market for East and Central Africa has a membership of 19 countries from the east and southern African region.

The Common Market for Eastern and Southern Africa traces its formation to the mid 1960s. The idea of regional economic co-operation received considerable impetus from the buoyant and optimistic mood that characterised the post-independence period in most of Africa. The mood then was one of pan-African solidarity and collective self-reliance born of a shared destiny. It was under these circumstances that, in 1965, the United Nations Economic Commission for Africa (UNECA) convened a ministerial meeting of the then newly independent states of Eastern and Southern Africa to consider proposals for the establishment of a mechanism for the promotion of sub-regional economic integration. The meeting, which was held in Lusaka, Zambia, recommended the creation of an Economic Community of Eastern and Central African states.

An Interim Council of Ministers, assisted by an Interim Economic Committee of officials, was subsequently set up to negotiate the treaty and initiate programmes on economic co-operation, pending the completion of negotiations on the treaty.

In 1978, at a meeting of Ministers of Trade, Finance and Planning in Lusaka, the creation of a sub-regional economic community was recommended, beginning with a sub-regional preferential trade area which would be gradually upgraded over a ten-year period to a common market until the community had been established. To this end, the meeting adopted the Lusaka Declaration of Intent and Commitment to the Establishment of a Preferential Trade Area for Eastern and Southern Africa (PTA) and created an Intergovernmental Negotiating Team on the Treaty for the establishment of the PTA. The meeting also agreed on an indicative time-table for the work of the Intergovernmental Negotiating Team.

After the preparatory work had been completed a meeting of Heads of State and Government was convened in Lusaka on 21st December 1981 at which the Treaty establishing the PTA was signed. The Treaty came into force on 30th September 1982 after it had been ratified by more than seven signatory states as provided for in Article 50 of the Treaty.

The PTA was established to take advantage of a larger market size, to share the region's common heritage and destiny and to allow greater social and economic co-operation, with the ultimate objective being to create an economic community. The PTA Treaty envisaged its transformation into a Common Market and, in conformity with this, the Treaty establishing the Common Market for Eastern and Southern Africa, COMESA, was

signed on 5th November 1993 in Kampala, Uganda and was ratified a year later in Lilongwe, Malawi on 8th December 1994.

The establishment of PTA, and its transformation into COMESA, was in conformity with the objectives of the Lagos Plan of Action (LPA) and the Final Act of Lagos (FAL) of the Organisation of African Unity (Organisation of African unity). Both the LPA and the FAL envisaged an evolutionary process in the economic integration of the continent in which regional economic communities would constitute building blocks upon which the creation of an African Economic Community (AEC) would ultimately be erected.

2.4.1 Changes in the Regional Economy

Up until the late 1980s and early 1990s most COMESA countries followed an economic system which involved the state in nearly all aspects of production, distribution and marketing, leaving the private sector to play a minor economic role. This system promoted import substitution and subsidised consumption.

The inefficiencies inherent in this system contributed significantly to the economic decline of the PTA/COMESA region. By the mid 1990s gross domestic investment had fallen consistently for 20 years to a level below a minimum investment ratio of the required 20% of GDP needed to cover depreciation and repair costs; foreign direct investment (FDI) in Africa was negligible, at approximately 1 per cent of GDP, representing 0.8 per cent of all FDI and 2.1 per cent of FDI going into all developing countries.

The share of exports from sub-Saharan Africa in world exports declined from 2.5% in 1970 to 1% in 1990, while its share in developing country exports declined from 13.2% to 4.9% in the same period.

External debt of the COMESA region had, by the early 1990s, increased twenty-fold since 1970. Debt service ratios, which in 1970 were insignificant, averaged 45 per cent of export earnings in 1989-90, making the region one of the most heavily indebted in the world. The aggregate external debt owed by sub-Saharan Africa, including South Africa, was US\$318 billion in 1994, compared to external financing to all African countries of about US\$15 billion in 1996.

Although industrial output grew in the 1960s and 1970s, this was followed by a sharp decline as a result of entrenched structural rigidities, weak inter-industry and inter-sectoral linkages, lack of access to advanced technologies and poor institutional and physical infrastructure. The African continent's share of world manufacturing value added (MVA) rose from 0.7 per cent in 1970 to 1 per cent in 1982 and fell to 0.8 per cent in 1994.

Thus from 1960 up until the mid-1990s, the economic growth of the COMESA region averaged 3.2 per cent a year, a figure marginally above the level of the region's population growth. By 1993, this region of about 280 million people then (excluding Egypt), which had more than doubled its population since independence, had a total GDP of around US\$90 billion, and included fifteen of the twenty-three States classified as Least Developed Countries (LDC's) by the United Nations.

COMESA Treaty

Some of the key principles in the COMESA treaty include; Equality and interdependence of member States; Solidarity and collective self-reliance; Non-aggression between member States; Recognition, promotion and protection of fundamental human rights; Commitment to the principles of liberty, fundamental freedoms and the rule of law; Maintenance of peace and stability through the promotion and strengthening of good neighbourliness; commitment to peaceful settlement of disputes among member States; promotion and sustenance of and accountable and just democratic system of governance.

2.4.2 Zimbabwe's trade in COMESA

Outside SADC, Zimbabwe trades with other countries in COMESA. However due to proximity issues, geopolitics of the country, not much goes to the rest of the African region. Zimbabwe mainly benefits from the free movement of persons in the COMESA region and a few grain and mineral exports.

Table 2.8 Intra COMESA Trade 2011-2012

	Member State	Total Area (km ²)	Pop. (M) 2011	Density per km ² 2011	Life Expec. 2010	GDP Curr. Prices US\$m 2011	US\$ Million, 2011			
							Total Exports	Total Imports	Intra-COMESA Exports	Intra-COMESA Imports
1	Burundi	27,830	8.58	308.1	50	2,326	197	858	38	158
2	Comoros	1,861	0.75	405.1	61	610	24	201	3	7
3	Congo (D.R)	2,344,860	67.76	28.9	48	15,642	5,417	5,399	1,256	1,172
4	Djibouti	23,200	0.91	39.0	58	1,049	1,532	1,591	1,037	115
5	Egypt	1,001,450	82.54	82.4	73	229,531	30,607	58,934	1,623	835
6	Eritrea	117,600	5.42	46.0	61	2,609	309	460	10	74
7	Ethiopia	1,104,300	84.73	76.7	59	31,709	2,635	8,765	317	289
8	Kenya	580,370	41.61	71.7	56	33,621	6,600	14,914	2,062	617
9	Libya	1,759,540	6.42	3.7	75	62,360	14,700	6,103	70	610
10	Madagascar	587,040	21.32	36.3	66	9,947	1,456	2,904	50	174
11	Malawi	118,480	15.38	129.8	53	5,700	1,410	2,423	312	226
12	Mauritius	2,040	1.29	630.4	73	11,313	2,172	4,977	189	153
13	Rwanda	26,340	10.94	415.4	55	6,377	418	1,359	151	368
14	Seychelles	460	0.09	187.0	73	1,007	886	1,606	247	51
15	Sudan	2,505,810	34.32	13.7	61	55,097	4,343	9,546	122	661
16	Swaziland	17,360	1.07	61.5	48	3,978	1,652	1,803	95	7
17	Uganda	241,040	34.51	143.2	54	16,810	2,738	5,126	956	659
18	Zambia	752,610	13.47	17.9	48	19,206	9,015	7,179	1,147	1,637
19	Zimbabwe	390,760	12.75	32.6	50	9,900	3,584	8,540	150	462
	COMESA	11,602,951	443.85			518,793	89,696	142,686	9,833	8,276

Source: COMSTAT⁵¹ COMESA Data Portal 2015

⁵¹ <http://comstat.comesa.int/Documents/COMESA%20at%20a%20glance.pdf>

CHAPTER THREE: BACKGROUND TO ECONOMIC SANCTIONS IN ZIMBABWE

3.1 Introduction

Zimbabwe had economic sanctions imposed on it from 2000 by United States of America, United Kingdom and Australia. Gono argues that Zimbabwe was under both declared and undeclared sanctions.⁵² Declared sanctions referring to the sanctions which are pronounced and normally legislated by the imposing country or organization. Targeted sanctions or smart sanctions fall under this category. Targeted sanctions are meant to be precise, seeking to focus their impact on targeted individuals, with a theoretically minimal negative impact on the general populace.

Undeclared sanctions refer to the sanctions which are not announced but implied from the sanctions, the same saw Non Governmental Organisations moving their operations from Zimbabwe.

Zimbabwe received declared sanctions from the US under the Zimbabwe Democracy Economic Recovery Act Of 2001 (Zidera). The Zimbabwe Democracy Economic Recovery Act of 2001 Section 4(c) Subsection 1 allows US executive director to each international financial institution to oppose the vote against any extension by the respective institution of any loan, credit, or guarantee to the Government of Zimbabwe; or any cancellation or reduction of indebtedness owed by the Government of Zimbabwe to the United States or any international financial institution (Zimbabwe Democracy and Economic Recovery Act, 2001).

⁵²Gono G., An analysis of socio economic impact of Sanctions on Zimbabwe, Supplement 7, Reserve Bank of Zimbabwe, 2006 pp 3, 4.

3.2 Arguments on economic sanctions in Zimbabwe

Many arguments have been put forward by scholars on the genesis of the sanctions in Zimbabwe.

The Government of Zimbabwe has been quoted in various fora as saying that the sanctions on Zimbabwe are illegal and should be lifted.

Some scholars including Fowale maintain that the sanctions in Zimbabwe culminated as a process of activities⁵³. Fowale noted that, sanctions came in the following way; In November 1998, International Monetary Fund (IMF) imposed unpublicized sanctions under the instigation of Britain and the US despite its earlier commitment to support Land Reform and Rehabilitation Phase 11 (LRRP11) in Harare the same year.

In September 1999, IMF completely suspended its support for economic adjustment and reform in Zimbabwe. The International Development Association (IDA) suspended all structural adjustment loans to Zimbabwe. In March 2000, US senate passed the Zimbabwe Democracy Bill (ZDB) which made travel bans and froze assets belonging to President Mugabe, his family and other top government officials. It also denied Zimbabwe access to international loans and called her to withdraw forces from the Democratic Republic of Congo (DRC) and to respect existing ownership titles to property. In May 2000, IDA suspended all forms of lending, leaving Zimbabwe desperate for badly needed funds. In 2001, Britain cancelled an aid package to Zimbabwe worth US 5 million dollars. US froze assets of seventy-seven government officials.

⁵³Fowale, T., "Zimbabwe and Western Sanctions: Motives and Implications," *The American Chronicle*, 09 June 2010 pp. 7-11.

Zimbabwe was expelled from the Commonwealth. Australia banned one hundred and twenty-seven people from doing business with her firms and together with New Zealand; they lobbied the UN Security Council to indict President Mugabe in the International Criminal Court (ICC). – 2005, then US president G. W. Bush junior signed an “executive order” expanding the number of those affected by US sanctions including thirty-three institutions, a list which was further widened after the 2008 election upheavals.

3.3 Land redistribution in Zimbabwe

Many authors have linked the economic woes and by relation the sanctions in Zimbabwe to the land issue in Zimbabwe. The land redistribution system in Zimbabwe which in some quotas is referred to as a land crisis, was started by the Government of Zimbabwe as a way of ensuring equitable land distribution in the country.

According to the Ministry of Lands,⁵⁴ Zimbabwe inherited a racially skewed agricultural land ownership pattern where white large-scale commercial farmers, consisting of less than 1% of the population occupied 45% of agricultural land. Seventy-five (75) percent of this is in the high rainfall areas of Zimbabwe, where the potential for agricultural production is high. Equally significantly, 60% of this large-scale commercial land was not merely under-utilised but wholly unutilised.

Agrarian reform in Zimbabwe therefore revolves around land reform where the systematic dispossession and alienation of the land, from the black indigenous people during the period of colonial rule, are adequately addressed. The Zimbabwean Agrarian Reform involves restructuring of access to land, and an overall transformation of the

⁵⁴ <http://www.lands.gov.zw/land-reform-program>

existing farming system, institutions and structures. It includes access to markets, credit, training and access to social, developmental and economic amenities. It seeks to enhance agricultural productivity, leading to industrial and economic empowerment and macro economic growth in the long term.

Background

The problem of inequitable distribution of land in Zimbabwe dates back to the early days of the colonial era as spelled out in the British South Africa Company Royal Charter of 1889. The legal consequence of the order in Council was entrenched in the sovereign and the property rights in the British Queen thus nullifying the former Zimbabwean traditional leadership. Large stretches of land became alienated and indigenous people settled in small pocket of marginal and fragile Communal Areas.

The Land Apportionment Act of 1930, which set aside 51% of land for a few thousand white settlers, prohibited the indigenous people from owning and occupying lands in white commercial farming areas. The African Purchase Areas were created between the Indigenous reserve areas and the Commercial white settlers' areas. The indigenous reserves became known as Tribal Trust Lands following the gazetting of the Act in 1965, whose title was later changed to communal area in terms of the Communal Lands Act of 1981. This situation therefore witnessed the creation of three separate categories of land classification in Zimbabwe namely the Communal Areas Small Scale Commercial and Large Scale Commercial Areas.

The Land Reform Programme started in 1980 with the objective of addressing the imbalances in land access ownership and use, which existed in Zimbabwe before independence.

According to a report by the Human Rights Watch, Land has been a source of political conflict in Zimbabwe since colonization, when the country was known as Rhodesia, both within indigenous black communities and especially between white settlers and the black rural communities.⁵⁵ Under British colonial rule and under the white minority government that in 1965 unilaterally declared its independence from Britain, white Rhodesians seized control of the vast majority of good agricultural land, leaving black peasants to scrape a living from marginal tribal reserves. An end to white minority rule came after a protracted war of liberation in which land was a major issue, but was ultimately negotiated through talks brokered by the British government that led to a settlement known as the Lancaster House Agreement, and then to elections in 1980. Robert Mugabe, leader of the Zimbabwe African National Union-Patriotic Front (Zanu-PF), the dominant liberation movement, won a resounding victory.

However, the new government was bound by sunset clauses in the Lancaster House Agreement that gave special protections to white Zimbabweans for the first ten years of independence. These included provisions that the new government would not engage in any compulsory land acquisition and that when land was acquired the government would "pay promptly adequate compensation" for the property. Land distribution would take place in terms of willing buyer, willing seller. (From 1985, every vendor of land was

⁵⁵ <https://www.hrw.org/reports/2002/zimbabwe/ZimLand0302-02.htm>

required to obtain from the government a "certificate of no present interest" in the acquisition of the land concerned before going ahead with the sale.

In 1990, the ZANU-PF government amended the provisions of the constitution concerning property rights. Compulsory acquisition of land for redistribution and resettlement became possible. In 1992, the Land Acquisition Act also gave the government strengthened powers to acquire land for resettlement, subject to the payment of fair compensation fixed by a committee of six persons using set guidelines, including powers to limit the size of farms and introduce a land tax. A 1994 land tenure commission also recommended that the best way to achieve vital redistribution was through a land tax, though no tax was in fact put in place

Fortune was not on Zimbabwe's side after the country was hard hit by a severe drought which paralysed the economy's largest foreign currency earner.

The problem was worsened by a growing economic crisis in the country. The new government had borrowed heavily from the World Bank during the 1980s, and servicing the debt rose to 37 percent of export earnings by 1987. Bond argues that small-holding peasants defaulted on more than 75,000 out of 94,000 loans given to them, worsening the government's fiscal crisis. Loan conditions were placed on the government, which led to food subsidies falling in 1986 to two-thirds of their 1981 level and a cut in education and health spending.⁵⁶ The adoption of an Economic Structural Adjustment Program (ESAP) in 1991 led to increases in interest rates and inflation, and drought in 1992 and 1995 compounded the problems. Land reform was not integrated into ESAP, while large scale

⁵⁶Bond P., Radical Rhetoric and the working class during Zimbabwe nationalism's dying days, in Raftopoulos B., and Sachikonye L.,(eds.), *Striking Back: The Labour Movement and the Post Colonial State in Zimbabwe 1980-2000*, Harare: Weaver Press, 2001.

commercial farmers were the principal beneficiaries of reforms promoting agricultural exports. The stock market fell and manufacture contracted by 40 percent between 1992 and 1996

As a result of intense lobbying by some activists and political parties, Zimbabwe was put under sanctions. The economic sanctions also targeted individual people in government as a way of putting them under pressure to relinquish power and make way for some preferred individuals who could dance to the tune of former colonial masters. There were mixed reactions on the continent on the land redistribution in Zimbabwe.

3.4 The dilemma of other regional countries in the sanctions on Zimbabwe

3.4.1 Botswana in support of lifting of sanctions

Botswana took a bit of time to have its voice heard on its view on sanctions on Zimbabwe. It took a trip to South Africa by the President of Botswana to give a view in support of lifting of sanctions on Zimbabwe. In a report by Kwinika, when the President of Botswana asked the West to lift targeted sanctions against Zimbabwe, he was not the first African leader to do so⁵⁷. The move by the Botswana President was received as a shocker in some circles because Mr. Khama was known as one of President Mugabe's fiercest critics, his call for a lift of sanctions took many diplomats and activists by surprise. Some scholars such as Professor Maluleke were quoted as saying the change in Botswana's view on Zimbabwe was because the country wanted to maintain trade relations with South Africa.⁵⁸

⁵⁷Kwinika S., <http://www.csmonitor.com/World/Africa/Africa-Monitor/2010/1008/Botswana-president-wants-Zimbabwe-sanctions-lifted>

⁵⁸Kwinika M. <http://www.csmonitor.com/World/Africa/Africa-Monitor/2010/1008/Botswana-president-wants-Zimbabwe-sanctions-lifted>, 2011

3.4.2 South Africa's quiet diplomacy

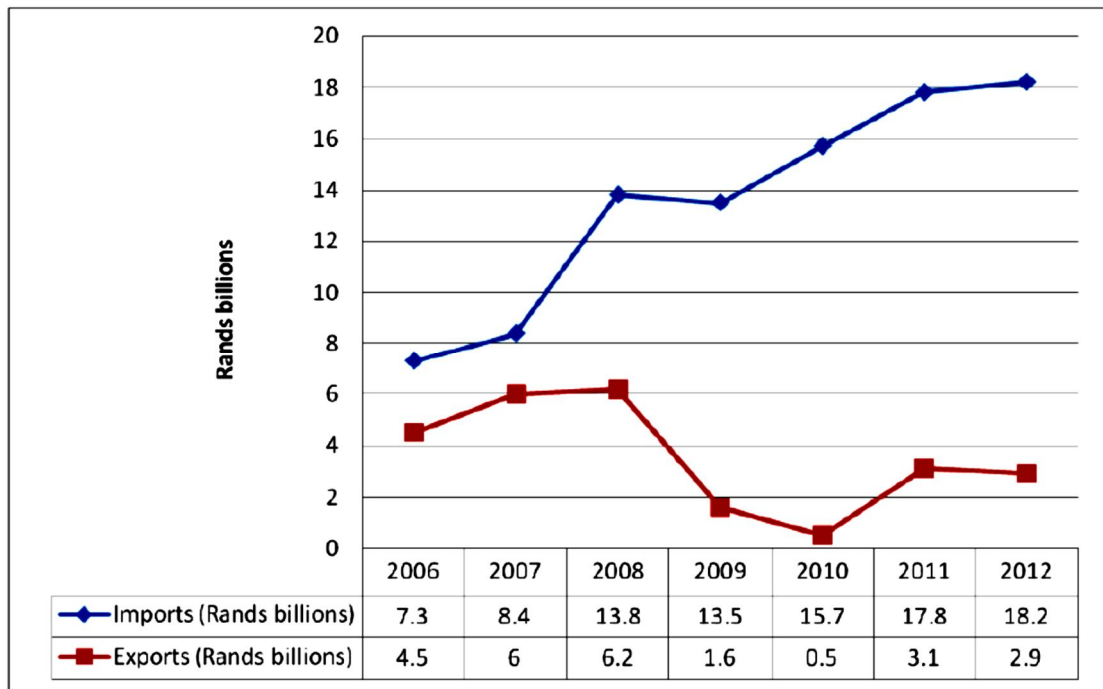
South Africa shared strong ties with Zimbabwe. South Africa had benefits from its geopolitics and had the largest port in Southern Africa however, Zimbabwe provided a gateway to its markets in Africa for all road and rail transport.

When sanctions were imposed on Zimbabwe, South Africa maintained a quiet diplomacy. In a paper authored by Graham on the sanctions on Zimbabwe and South Africa's stance it is evident that Zimbabwe and South Africa are inextricably linked to each other and South Africa is materially and directly interested in a Zimbabwe that is democratic, peaceful, stable and prosperous⁵⁹.

The soft approach was a target of local and international speculation and criticism, especially in view of Mbeki's stated commitment to the African Renaissance and good governance in Africa, which was one of the arguments around sanctions in Zimbabwe. It is evident from the table shown below that South Africa benefited more in export trade to Zimbabwe. The table shows a sharp decline in exports from Zimbabwe to South Africa and increase in imports.

⁵⁹ Victoria Graham is a junior lecturer in the Department of Politics, University of Johannesburg.

Table 3.1 Zimbabwe's trade with South Africa 2006- 2012



Source: South Africa Revenue Authority

70% of the products on Zimbabwean shelves in 2009 were from South Africa. During the sanctions era South Africa leveraged on its strong industrial sector in the Southern African region and maximized on the opportunity to capture the 13.5 million⁶⁰ population market in Zimbabwe.

3.4.2.1 Xenophobic attacks in South Africa

Following the mass exodus of people from the country as most fled the economic situation in Zimbabwe, most Zimbabwean nationals found refuge in South Africa. The country's populace is known for its supreme education system and it was easy for some Zimbabweans to secure jobs easily in the neighbouring countries. Some South Africans were not amused because part of the local population had no jobs and foreigners were

⁶⁰According to the latest census results Zimbabwe has a population of 13,5 million people

getting jobs at their expense. In a typical show of the frustration aggression theory propounded by Dollard et al⁶¹ South Africans went on a rampage in 2010 attacking foreigners.

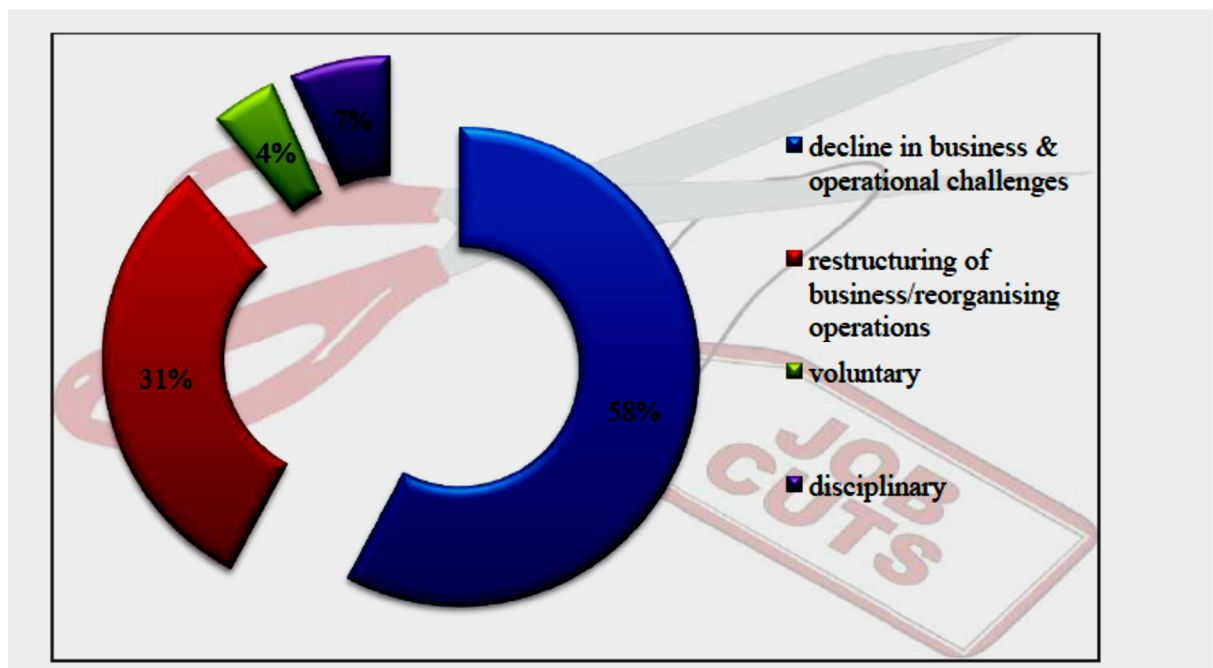
According to South Africa History Online, an outburst of xenophobic violence in the Johannesburg Township Alexandra triggered more xenophobic violence in other townships. Firstly, it only spread in the Gauteng province. After two weeks, the violence spread to other urban areas across the country, mainly Durban and Cape Town. But it also emerged in townships in more rural areas such as Limpopo Province. The violence consisted of attacks both verbally and physically by inhabitants of the townships on other inhabitants. The victims were called foreigners, referring to their nationality being non-South African and predominantly Zimbabwean and Mozambican. As a result many houses were burnt, 342 shops were looted and 213 burnt down. Hundreds of people were injured, thousands chased away and the death toll after the attacks stood at 56.⁶²The issue was discussed at SADC level.

Labour movements were inevitable for the country as some companies had closed while others were downsizing. According to a survey by the Confederation of Zimbabwean Industries most companies laid off workers because of a decline in business and operational challenges.

⁶¹ Dollard J. et al, Frustration and aggression, New Haven, Yale University Press, 1939, pp213

⁶²<http://www.sahistory.org.za/article/xenophobic-violence-democratic-south-africa#sthash.r9NnM106.dpuf>

Figure 3.1 Reasons for retrenchment



Source: Confederation of Zimbabwe Industries Manufacturing Survey 2015.

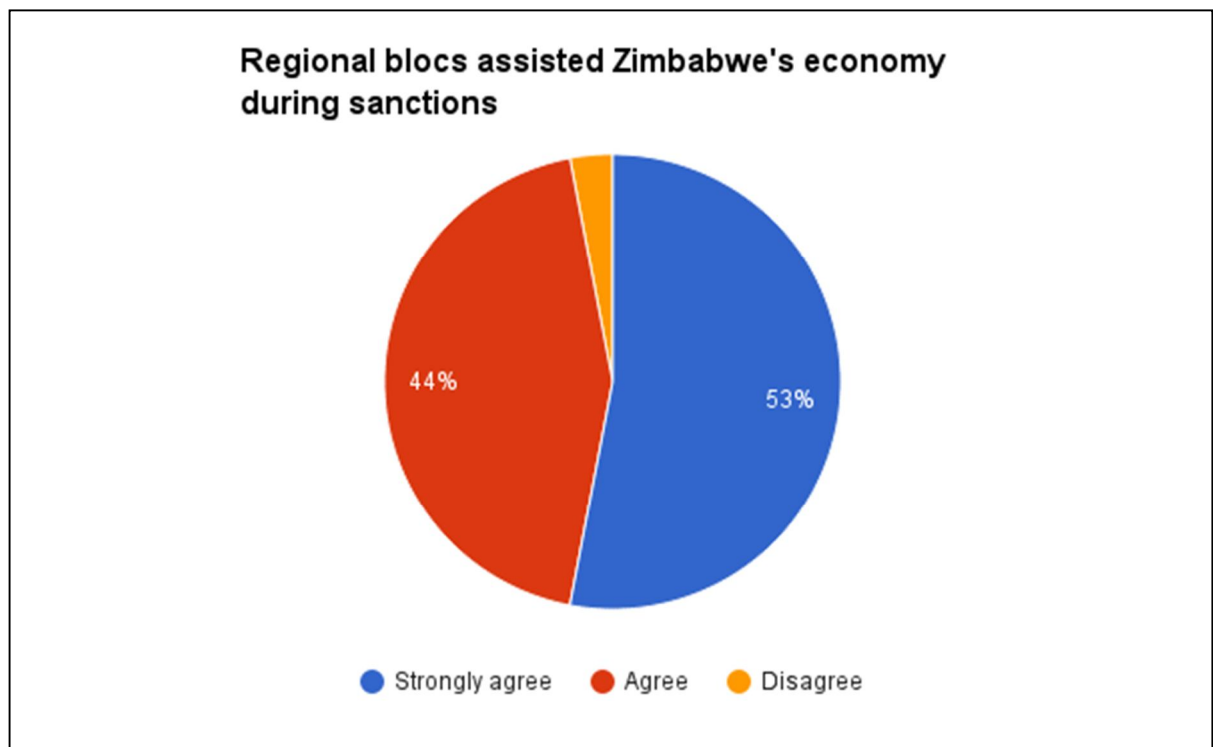
From the figure above most of the retrenchments (58%) were as a result of a decline in business and operational challenges. Some of the respondents in the study mentioned that as sanctions began some quotas thought that they were going to be a panacea for regime change in the country without realising the ripple effect that the sanctions would have on companies and individual jobs.

CHAPTER FOUR: ANALYSIS OF IMPACT OF SANCTIONS ON ECONOMIC AND SOCIO POLITICAL RELATIONS

4.1 Introduction

It is evident from the research findings that sanctions had an impact on socio economic and political relations in Zimbabwe. Respondents from the study acknowledged the influence of the regional blocs such as SADC in maintaining peace in Zimbabwe as well as trading with the country.

Figure 4.1 Influence of regional blocs on sanctions in Zimbabwe



Source: Research data.

53% of the respondents strongly agreed that regional economic blocs assisted the Zimbabwean economy during sanctions. 44% agreed and 3% disagreed. The economic situation in Zimbabwe was at its worst in 2008. The Reserve Bank of Zimbabwe reported that money supply growth surged from 81000 % in January 2008 to 431.9 quintillion % in

December 2008.⁶³ The growth rate was reflective of inflationary pressures entrenched in the economy. According to a report by Bulawayo, inflation in 2008 reached over 35million %.⁶⁴

Table 4.1 Zimbabwe vs Global economic growth rates (%) 2013-2016

	2013	2014	2015f	2016f
World Output	3.4	3.4	3.3	3.8
Advanced Economies	1.4	1.8	2.1	2.4
US	2.2	2.4	2.5	3.0
Emerging market and developing countries	5.0	4.6	4.2	4.7
Japan	1.6	-0.1	0.8	1.2
China	7.7	7.4	6.8	6.3
India	6.9	7.3	7.5	7.5
Sub Saharan Africa	5.2	5.0	4.4	5.1
Zimbabwe	4.5	3.2	1.5	3.5
Latin America and the Caribbean	2.9	1.3	0.5	1.7

Source: World Economic Outlook Update (July 2015), ZIMSTAT and RBZ Projections

4.2 Trade flows

Zimbabwe witnessed a decline in some of its exports. EU banned export of Zimbabwe beef which hugely affected the country's foreign earnings. Cold Storage Commission

⁶³Excerpt from the Reserve Bank of Zimbabwe Annual Report 2008, pp21

⁶⁴Bulawayo P., Zimbabwe phases out local currency at 35 quadrillion to US\$1, Reuters, published 15 June 2015

(CSC), the country's largest abattoir was forced to shutdown because it became unsustainable.

Table 4.2 Zimbabwe's top exports to South Africa 2006-2012 (ZAR millions)

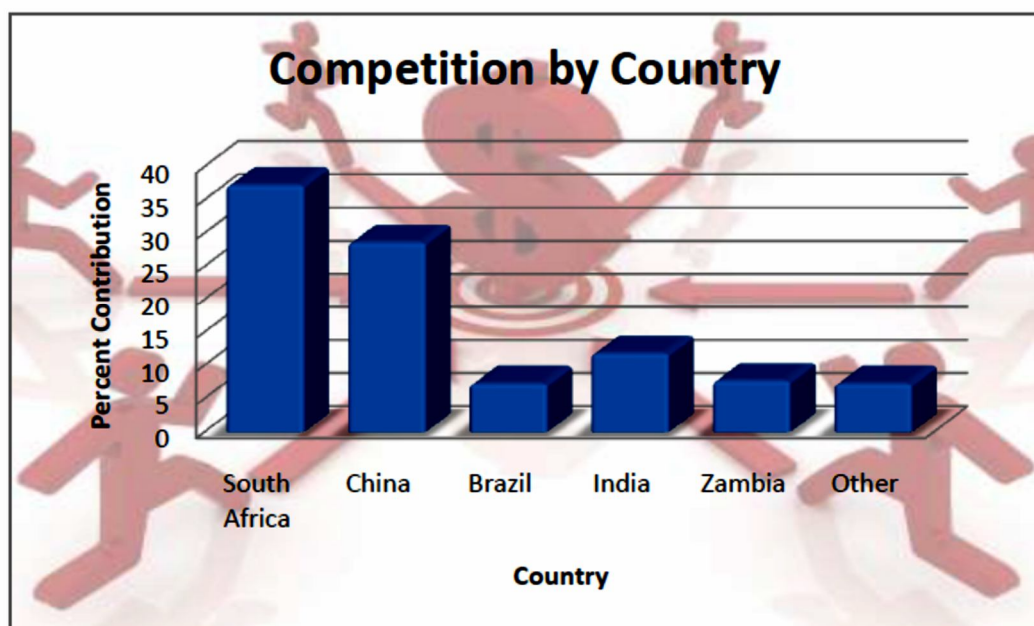
Product description	2006	2007	2008	2009	2010	2011	2012
Mineral products	1236.6	1675.1	2076.1	73.7	0.133	1204.1	1268.7
Prepared foodstuffs, beverages spirits and vinegar, tobacco and manufactured tobacco substitutes	179.7	237	390.6	347.4	22.6	562.6	466.1
Natural and cultured pearls, precious or semi-precious stones, precious metals clad with precious metal and articles thereof, imitation and jewelry coins	7.3	10.2	5.3	7.7	0.21	335.8	296.6
Textiles and textiles articles	335.2	314.7	313.3	347.4	30.8	487.8	294.3
Base metals and articles of base metal	2218.6	3226.4	3085.2	474.5	13.8	261	182.1

Source: <http://www.sars.co.za>

4.2.1 Manufacturing sector

In an effort to boost trade the Government of Zimbabwe is putting measures to boost productivity in the manufacturing sector as well as promote competitiveness on the global scene. According to a manufacturing survey by the Confederation of Zimbabwe Industries external and internal pressures continue to weigh in on the Zimbabwean economy and the manufacturing sector is succumbing to the pressure. Efforts by government to resuscitate the sector through tariffs continue to be undermined by the depreciation of the regional currencies. Zimbabwe is operating a dollarized economy and has the rand and pula in circulation as well. The 2015 Manufacturing Sector Survey shows a decline in the sector compared to 2014. The weighted capacity utilization shed 2.2 percentage points from 36.5% to 34.3%. The constraints to capacity have remained the same since dollarization: Low domestic demand; Capital Constraints; Antiquated Machinery and Machine Breakdowns; and Competition from imports.

Figure 4.2 Zimbabwe's top industry competitors



Source: Confederation of Zimbabwe Industries Manufacturing Survey 2015

According to a survey by CZI, 76% of the respondents indicated that they have a cost and capacity analysis of critical resources in place. Forty seven percent of the respondents carried out new capital investment in 2014 while 41% carried out investment in 2013. The bulk of the investment (97%) was directed at machinery and equipment for replacement (60%) and expansion (40%). Profit plough back remains the largest source of financing of new capital as evidenced by a response rate of 71%. Forty four percent expect to increase their level of capital investment in 2015/2016. The current economic environment remains largely deterrent to FDI a major source of capital investment. CZI has previously called for the review of legislations that have a bearing on FDI. This includes the review of indigenization and empowerment act and the resolution of the debt overhang. Strides have been made towards debt resolution with Zimbabwe's strategy being accepted by World Bank. The five most problematic infrastructure factors according to the survey are: Power cuts and shortages, Poor road Infrastructure, Inefficient rail network within the country, water shortages, poor transport infrastructure for access to ports.

Table4.3: Zimbabwe’s sources of market liquidity 2009- 2015 (US\$ millions)

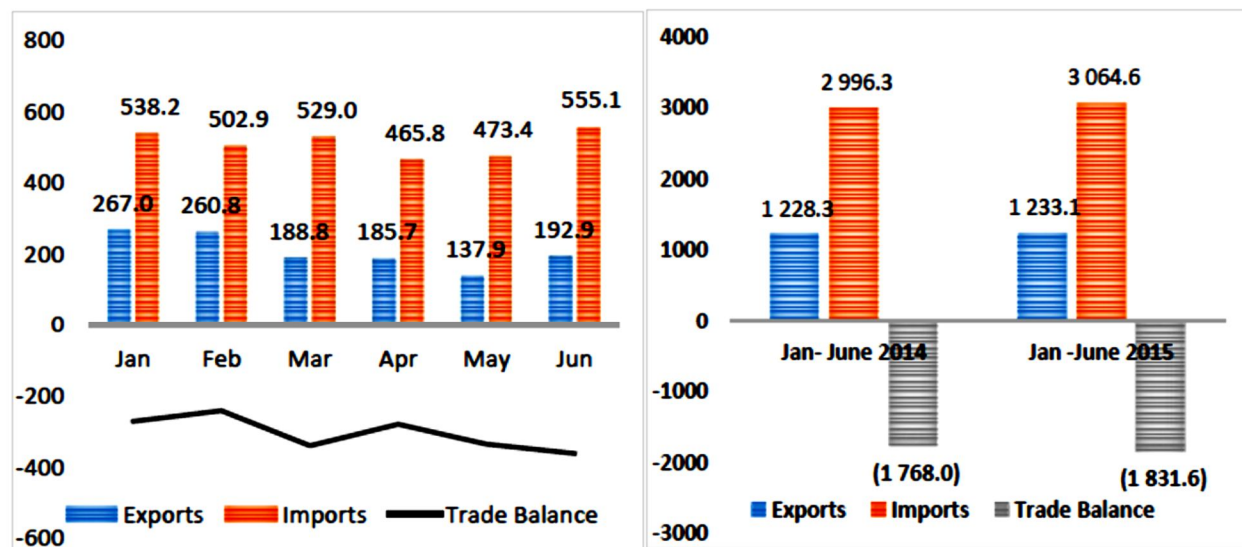
Category	2009	2010	2011	2012	2013	2014	2015 Jan- June	% Contribution
Export proceeds	1.613	3.244	4.416	3.808	3.694	3.558	1.826	61%
Diaspora remittances and IOs	711	629	1.798	2.028	1,887	1.756	933	27%
External loans	28	43	167	477	688	825	328	7%
Income receipts	104	66	237	291	203	77	26	3%
Foreign Investments	9	0	152	250	400	162	96	3%
Total	2.465	3.982	6.770	6.854	6.872	6.378	3,209	100%

Source: Reserve Bank of Zimbabwe Mid-term monetary policy statement 2015

4.2.2 Balance of payment developments

As Zimbabwe operates under sanctions, inspite of the fact that there are adverse effects of declining commodity prices and the appreciation of the US\$ against the country’s major trading partner currencies, the country is on a recovery path. Exports for the period January to June 2015 increased by 0.4% from US\$1,228.3 million in 2014 to US\$1,233.1 million in 4.22015. Imports, however, increased by 2.3% from US\$2,996.3 million for the period January to June 2014 to US\$3,064.6 million in 2015. Figure 4 below shows the merchandise trade developments for the period January to June 2015.

Figure 4.2 General Merchandise Trade (\$ Millions)



Source: Zimstat

4.3 Investments

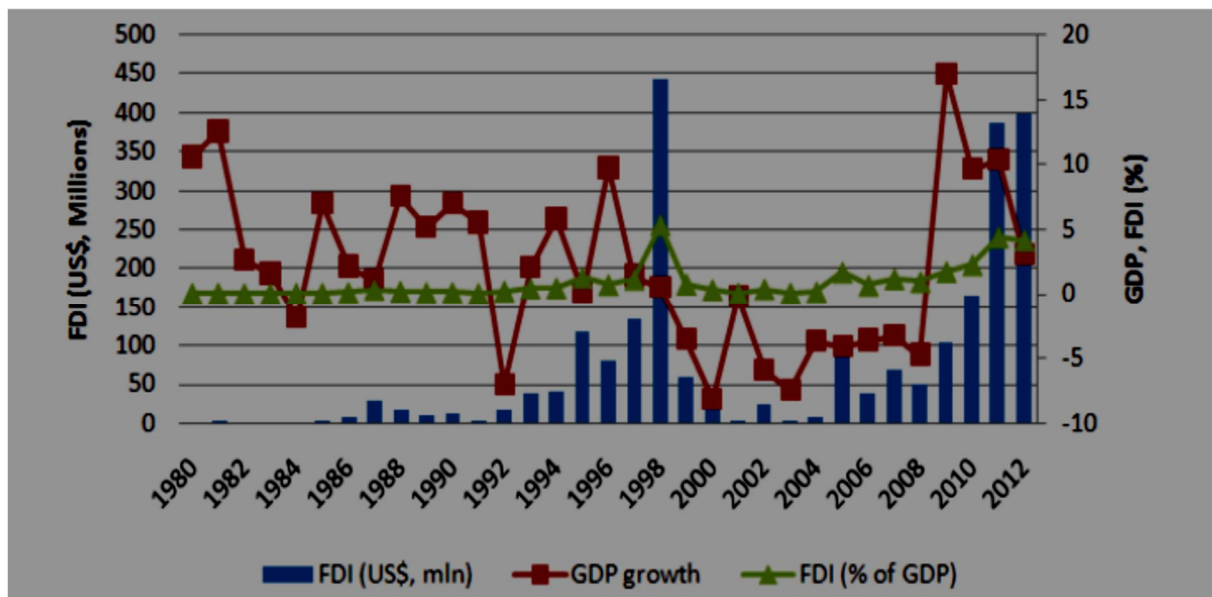
Foreign direct investments for Zimbabwe as a percentage of GDP have been lower than 5% from 1980 with signs of recovery from 2009 as shown in the diagram below:

Table 4.4 FDI as a percentage of GDP (1980-2012)

Year	DRC	Madagascar	Malawi	Mozambique	Tanzania	Zimbabwe
1980	1.11	-0.02	0.56	0.09	0.06	0.02
1985	1.46	-0.01	0.03	0.01	0.16	0.04
1990	-0.15	0.73	0.97	0.31	0.00	0.10
1995	-0.40	0.31	0.30	1.96	2.47	1.23
2000	1.37	2.14	1.65	3.23	2.71	0.31
2005	3.71	1.71	5.07	1.64	6.46	1.65
2006	2.90	5.34	1.14	2.17	2.73	0.66
2007	18.03	10.53	3.41	5.32	3.36	1.14
2008	14.47	12.42	4.63	5.98	6.48	0.94
2009	5.95	12.47	0.99	9.23	4.32	1.71
2010	22.28	9.25	1.82	11.05	7.69	2.23
2011	10.50	8.23	2.16	20.77	5.04	4.37
2012	18.49	8.94	2.72	35.02	5.93	4.13

Source: UNCTAD World Investment Report 2013.

Figure 4.3 Zimbabwe GDP and FDI trends 1980-2012

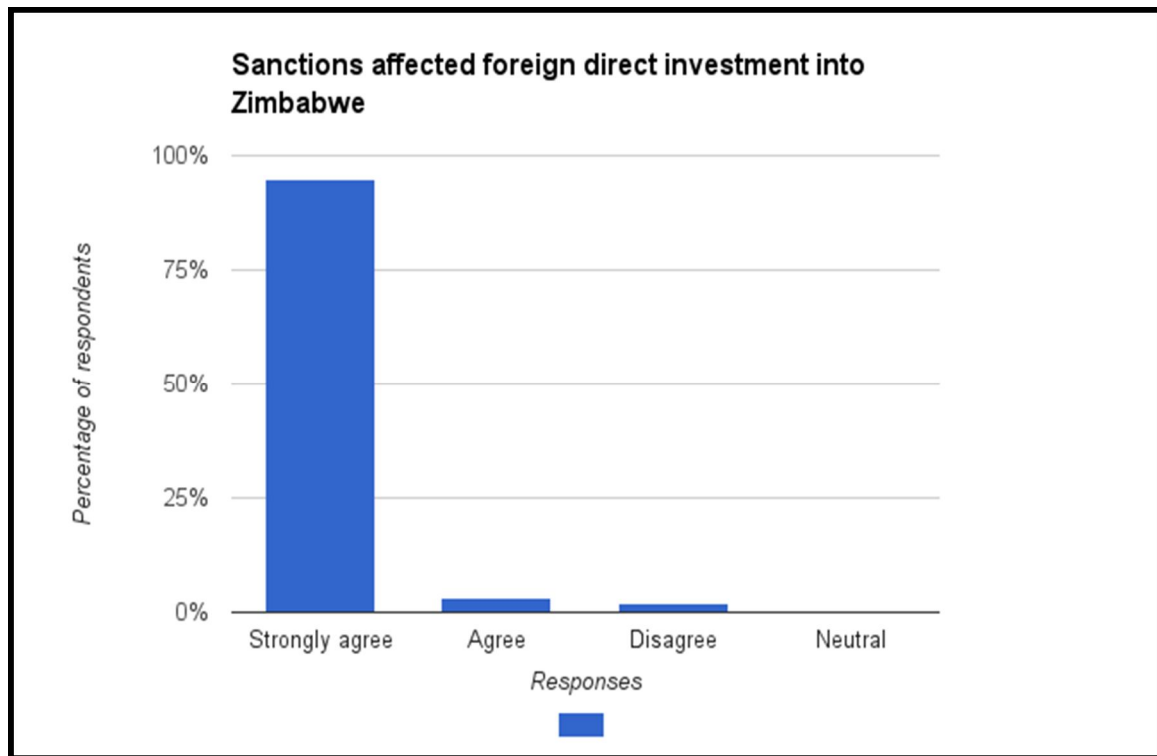


Source: UNCTAD World Investment report 2013.

In addition to sanctions which presented a risk for investors there were also policy issues such as the indigenization policy and empowerment policies which were received with mixed views by investors. Zimbabwe also is in debt distress.

Notwithstanding the sanctions, Zimbabwe produced the largest Mergers and acquisition (M&A) deal in 2012 among landlocked developing countries (LLDCs) on the continent with the divestment of gold ore producer Unki Mines, owned by Anglo American (United Kingdom), to Zimbabwe's own Investor Group for over \$300 million. The second largest deal in Africa was the purchase by Diageo (United Kingdom) of Meta Abo Brewery S.C. (Ethiopia) for \$255 million. These and 13 other deals in Africa were among the top 30 M&A deals in all LLDCs.⁶⁵

Figure 4.4 Sanctions and FDI



Source: Research data

From the research data, 95% of the respondents strongly agree that sanctions affected foreign direct investments into Zimbabwe. 3% agreed and 2 % disagreed. Therefore the study rejected the alternative H_0 that sanctions did not affect the flow of foreign direct investment into Zimbabwe.

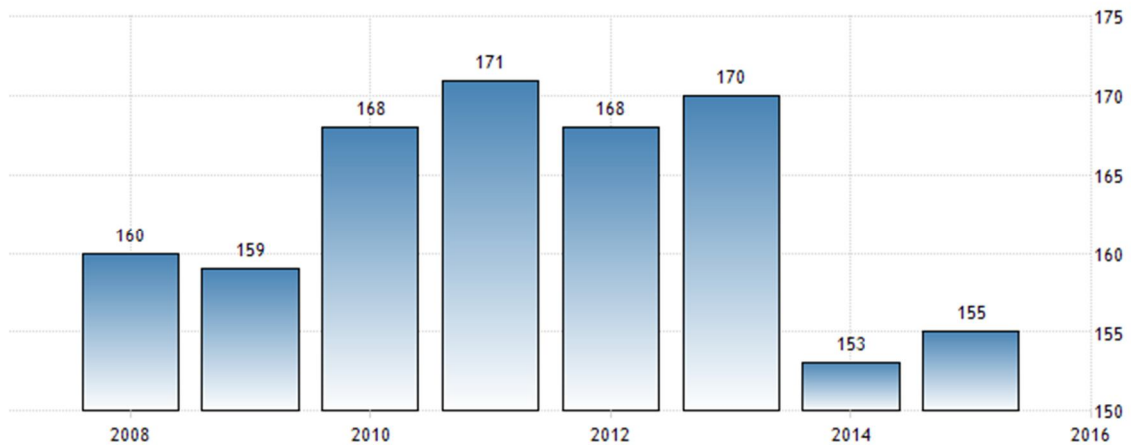
Hypothesis testing

Chi square tests	Value	Asymp.sig (2 sided)
Pearson Chi-square	7.63	0.0543

The p value is 0.0543 and is less than α so we reject the H_0 hypothesis and accept the alternative hypothesis. That is sanctions affected trade flows in Zimbabwe.

During the sanctions period, some respondents mentioned that the Zimbabwean environment became difficult to operate in, although there are still companies with some foreign investors that are performing well in Zimbabwe. Table below shows a slide in the ease of doing business in Zimbabwe.⁶⁶

Figure 4. Ease of Doing business in Zimbabwe



Source: World Bank

4.4 Movement of currency trillions to dollarization (pound and rand), inflation

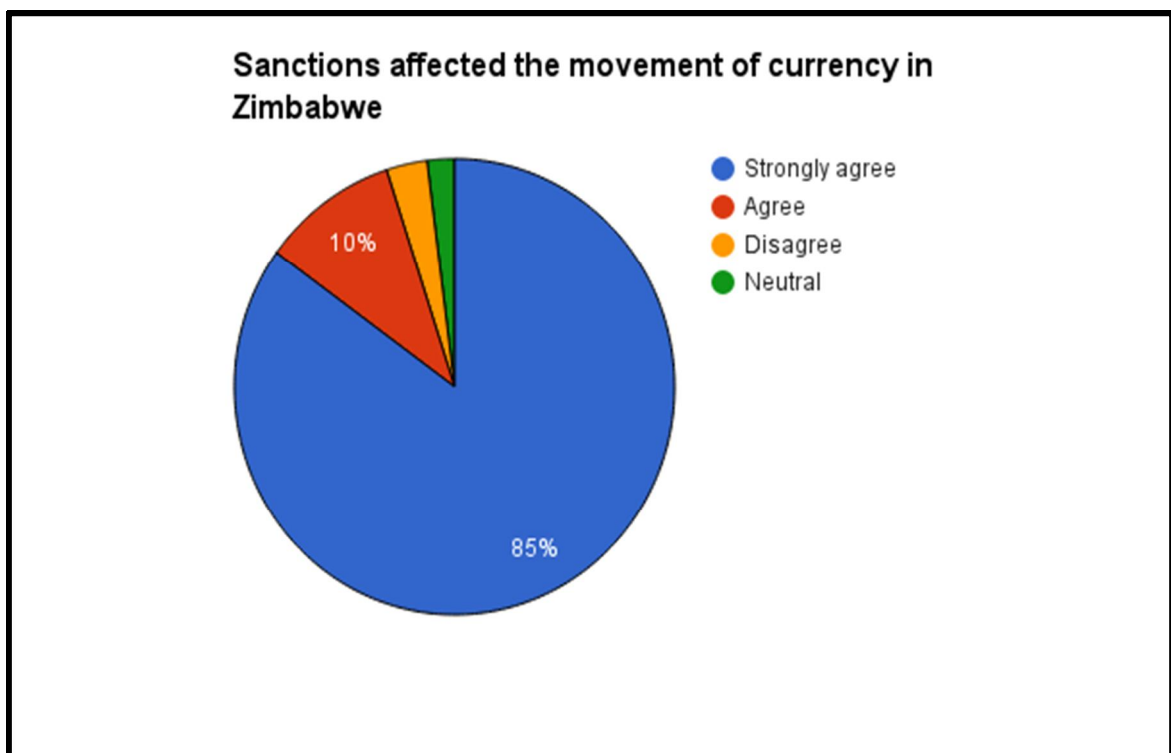
The Zimbabwean currency was hard hit by the effect of sanctions which fuelled black market activities on the local scene. Inflation soared and the currency could not stand the heat.

⁶⁶ Ease of doing business ranks economies from 1 to 189, with first place being the best. A high ranking (a low numerical rank) means that the regulatory environment is conducive to business operation. The index averages the country's percentile rankings on 10 topics covered in the World Bank's Doing Business. The ranking on each topic is the simple average of the percentile rankings on its component indicators. World Bank, Doing Business project (<http://www.doingbusiness.org/>).

The country went through a number of phases in an effort to stabilise the exchange rate. The Reserve Bank of Zimbabwe (RBZ) took measures to manage the exchange rate movements. Initially there was the conversion of all individual foreign currency accounts to local Zimbabwean dollar accounts. Then there was the removal of zeros.

The RBZ then devalued the Zimbabwean dollar, then went through a process of dollarization of the economy. Demonetisation of the local currency took place and bond coins were introduced.

Figure 4.6 Sanctions and currency movements



Source: Research data

The study shows that sanctions also affected the depreciation of the local currency and demonetization. 85% of the respondents strongly agreed that the local currency movements were affected by sanctions, 10% agreed, 3% disagreed and 2% were neutral.

4.5 Negotiations that were held as well as how Zimbabwe plays in the international arena.

When Zimbabwe's economy took a nose dive and reeled under sanctions, countries in SADC were viewed by respondents to have assisted in the social and economic sustenance of the country.

4.5.1 Global Political Agreement

Former President of South Africa Thabo Mbeki was recalled during negotiations for a government sharing pact between the ZANUPF and MDC which was known as Global Political Agreement, which then resulted in the formation of Government of National Unity in Zimbabwe for the period.

Zimbabwe opened a Permanent Commission in Pretoria, South Africa to deepen bilateral ties. According to Sibanda South Africa is Zimbabwe's biggest trading partner, with trade between the two countries standing at R19,2 billion in 2011, compared to R16,5 billion in 2010 and R14,8 billion in 2009.⁶⁷

A Joint Cooperation Commission was formed and progress was made in facilitating the removal of visas for Zimbabweans travelling to South Africa, implementation of the cross border programmes to combat malaria and communicable diseases.

⁶⁷Sibanda G. Trade with SA declines, The Herald, Harare 2011, Business <http://www.herald.co.zw/trade-with-sa-declines/page 1>

4.5.2 Tourism

Zimbabwe and South Africa signed a Memorandum of Understanding on Bilateral Tourism Co-operation, in May 2012. The agreement facilitates the development of strategies for joint promotion of tourism and participation at each other's tourism fairs.

4.5.3 Labour

Zimbabwe and South Africa signed agreements to facilitate the establishment of the Labour Migration Centre in Beitbridge- which is the border between Zimbabwe and South Africa. There were movements in labour from Zimbabwe following the imposition of sanctions and most workers fled to the neighbouring country.

Table 4.5 Relationship between sanctions and unemployment

Is there any relationship between sanctions and unemployment levels Yes /NO? Please explain your answer.

Response	Percentage of respondents
Yes	84
No	16

Source: Field Survey Data

The study established that there was a relationship between unemployment levels and sanctions. The majority of the respondents 84% respondent yes when asked whether there was a relationship between sanctions in Zimbabwe and unemployment levels. 16% responded no. Most of those who responded in the affirmative mentioned that as the

economy succumbed to economic challenges brought about by sanctions most companies downsized their workforce.

As a result of the scaling down of operations by most companies in Zimbabwe both skilled and unskilled labour fled the country in search of greener pastures

According to the International Labour Organisation, the unemployment level in Zimbabwe dropped from 60 % in 2001 to 95 % in 2009.

Table 4.5 Unemployment rate in Zimbabwe (%) 1999-2009

Country	1999	2000	2001	2002	2005	2009
<u>Zimbabwe</u>	50	50	60	70	80	95

Source: CIA World Factbook

In a repeat of history for Zimbabwe, as argued by Strack, not only were sanctions ineffective in terms of securing policy objectives, they were possibly 'counter-productive', causing 'the deterioration of a situation they were designed to alleviate.'⁶⁸

4.5.4 Investment

A Bilateral Investment Promotion and Protection Agreement (BIPPA), was signed by the South Africa and Zimbabwe in 2009, which was expected to lead to the opening up of the much needed lines of credit to enable the recapitalisation of industrial entities in Zimbabwe.

⁶⁸Strack H., *Sanctions: the case of Rhodesia*, Syracuse: Syracuse University Press, 1978, pp 237-238

Other agreements include the Search and Rescue Agreement, which facilitates co-operation in the event of flight disasters and the ratification of the Limpopo River Basin Agreement.

4.4.5 Leadership appointments

It was evident during the research that a number of leadership appointments were made in as much as Zimbabwe was under sanctions. Notably the President of Zimbabwe was appointed Chairman of SADC and Chairman of AU. Zimbabwe also chaired the Food and Agricultural Organisation under the World Food Program WFP.

4.4.6 Trade

Various bilateral and multilateral trade negotiations were held as Zimbabwe was under sanctions and the country was not discriminated against because of sanctions. Zimbabwe echoed its voice in the lobbying and negotiations for the SADC-EU Economic Partnership Agreements.⁶⁹ Zimbabwe was also involved in the signing of the Tripartite Free Trade Area agreement between three regional blocs; EAC, COMESA and SADC with the aim of removing trade barriers among the signatory states and ease the movement of people in the region. According to the TFTA will open up a market of \$1.2 trillion for a population of 632 million people. According to the Competition and Tariff Commission most countries in the TFTA including Zimbabwe are in dire need of foreign

⁶⁹ The EU concluded negotiations on an Economic Partnership Agreement (EPA) on 15 July 2014 with the SADC EPA Group comprising Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland. Angola has an option to join the agreement in future. The other six members of the Southern African Development Community region – the Democratic Republic of the Congo, Madagascar, Malawi, Mauritius, Zambia and Zimbabwe – are negotiating Economic Partnership Agreements with the EU as part of other regional groups, namely Central Africa or Eastern and Southern Africa.

direct investment to stimulate growth and the TFTA is expected to be a pull factor for investment for the region.⁷⁰ Export trade volumes for Zimbabwe were however affected.

Zimbabwe also had bilateral trade agreements with countries in the region including Zambia, Malawi, Mozambique and South Africa. The areas of cooperation for trade with South Africa include dairy products and textiles. A duty free regime or preferential tariff quota applies to items including dairy products, potatoes, birds, eggs. Specified types of woven fabric, for example cotton, are subject to concessional tariff rates when they meet the specified levels of Zimbabwean content: 75 percent in most cases. Most recent version of the agreement was signed in August 1996 at which time the tariffs and quotas on textile imports into South Africa were lowered.

The trade agreements aimed to stimulate trade between Zimbabwe and South Africa through the elimination of tariffs and other non-tariff barriers to trade.

⁷⁰www.competition.co.zw

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The findings of the study were that economic integration has an impact on the international relations and survival of a country under economic sanctions. The research further established that there is a relationship between trade flows and economic sanctions, unemployment levels and sanctions. The study also established that sanctions affected the stability of the local currency as well as foreign direct investment.

The study further found that economic integration boosts trade in favour of exporting countries when a country is under sanctions because when the country under sanctions' market is depressed the cost of importing raw materials soars and global competitiveness of locally produced products becomes a challenge. In addition, the study established that regional economic communities' respect a country's sovereignty despite sanctions and that depending on a country's economic requirements there continues to be intra-regional trade despite a country being under sanctions.

The study additionally established that sanctions affect foreign direct investment into a country, although investment policies also play a part in shaping investment decisions.

5.2 Conclusion

The study established that there is an improvement in international relations for a country under sanctions if it is involved in economic integration. The study further established that sanctions crippled the Zimbabwean economy leading to a huge flight of skills from the country and economic integration helped Zimbabwe in withering the storm. The areas

that were largely affected include exports, labour, agriculture, infrastructure and the monetary system. The study also concludes that sanctions were targeted at a political level and have affected the whole economy. The study further found that there is a relationship between economic sanctions and trade flow in a country.

In addition, the study findings were that that sanction can be both positive and negative for a country. Positive in that the hardships brought about by sanctions engender an entrepreneurial spirit among the populace and negative in that sanction can bring a country to its lowest ebb.

5.3 Recommendations

It is evident from the study that economic integration has helped Zimbabwe during sanctions. For the country to recover from its current situation there is need for sanctions on Zimbabwe to be lifted. The next era of Zimbabwe's economy will largely be determined by the position on sanctions as well as the country's policies and the governance structures and policies that will be put in place. The political environment after the 2018 elections will largely influence the country's economic landscape. The same will also determine the pace at which business will pick up and the flow of foreign direct investment and economic stability.

- The study recommends the removal of sanctions on Zimbabwe to unlock some of the country's potential which can boost regional trade. The study recommends a new way of implementing sanctions which does not affect innocent civilians.
- The study found out that government had done tremendous work in signing some partnership agreements and some of the beneficiaries were not aware and the

study recommends intensified efforts in communicating on trade agreements such as the Tripartite Free Trade Area.

- The study recommends a revision of the empowerment and indigenisation policies to attract and retain more foreign direct investment.
- The study recommends a structured way of engagement between government and business in order to boost exports and promote international competitiveness of locally produced goods and services for a country under sanctions.
- The study found that the economic integration helped Zimbabwe during sanctions and recommends continued participation in regional economic integration.
- The study recommends continuous engagement between the private and public sector to create an enabling environment for products from Zimbabwe to remain globally competitive.

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APPENDICES

Appendix 1 –Questionnaire

Dear Sir/Madam

My name is Paidamoyo Nyamakanga. I kindly request you to fill in the research questionnaire below for the research project- Impact of economic integration on international relations: A Case study of Zimbabwe under economic sanction,2000-2004.

The research will be used in partial fulfilment for the award of a Master of Arts in International Studies Degree at the University of Nairobi.

The findings and outcomes of this research project will be treated with confidentiality and only restricted for academic purposes. Thank you in anticipation.

1. What are your views on sanctions in Zimbabwe? Have they affected Zimbabwe
Yes/No

2. What challenges do you face because of sanctions?

3. What measures are your organisation, family, government putting in place to alleviate the effects of sanctions?

4. Do you think that regional blocs have helped Zimbabwe's economy during sanctions?

Strongly agree []

Agree []

Disagree []

Neutral []

5. Do you think that economic integration among developing nations improves international relations? Yes/ No

Strongly agree []

Agree []

Disagree []

Neutral []

6. Are you aware of the trade protocols available for Zimbabwe in the regional blocs and international organisations. Yes/No. If yes what are the benefits to your organization?

7. How has the leadership of the country been viewed in the regional blocs and the rest of the international arena?

8. Which other areas do you know have been highly affected by sanctions?

	Strongly agree	Agree	Disagree	Neutral
Trade				
Movement of labour				
Local currency				
Foreign Direct Investments				

9. Is there any relationship between sanctions and unemployment levels Yes /NO? Please explain your answer.

10. Do you think that regional blocs such as SADC, COMESA, AU have assisted the economy of Zimbabwe under sanctions? Strongly agree, Agree, disagree

Strongly agree []

Agree []

Disagree []

Neutral []

APPENDIX 2: Zimbabwe Statistics

Zimbabwe

BASIC

INDICATORS

		Rank in world trade,	<u>Expor</u>	<u>Imp</u>
		2014	<u>ts</u>	<u>orts</u>
Population (thousands, 2014)	14 599	Merchan		
GDP (million current US\$, 2014)	13 663	dise	123	135
GDP (million current PPP US\$, 2014)	27 134	excluding intra-EU trade	98	108
Current account balance (million US\$, 2014)	...	Commercial services	154	131
Trade per capita (US\$, 2010-2012)	68 7	excluding intra-EU trade	127	104
Trade to GDP ratio (2010-2012)	83. 9			

Annual percentage change

	2014	2010- 2014	2013	2014
Real GDP (2010=100)	13 3	7	4	3
Exports of goods and services (volume, 2010=100)	14 1	9	6	6
Imports of goods and services (volume, 2010=100)	15 5	12	21	-4

TRADE

POLICY

WTO accession	5 March 1995	Contribution to WTO budget (% , 2015)	0.01 9
Trade Policy Review	19, 21 October 2011	Import duties collected (% , 2010-2012)	
GPA accession	-	in total tax revenue	26.7
Tariffs and duty free imports		to total imports	...
Tariff binding coverage (%)	22. 2	Number of notifications to WTO and measures in force	
	<u>Appli</u>	Outstanding notifications in WTO Central Registry	41
MFN tariffs	<u>Final bound 2014</u>	Goods RTAs - services EIAs notified to WTO	4 - 0
Simple average of import duties		Anti-dumping (30 June 2015)	...
All goods	16. 88.0 3	Countervailing duties (30 June 2015)	...
Agricultural goods (AOA)	1 23. 41 7		

	.1		
	1		
Non-agricultural goods	0.15	Safeguards	0
Non <i>ad-valorem</i> duties (% total tariff lines)	0.6	Number of disputes (complainant - defendant)	
MFN duty free imports (% , 2013)	6.0	Requests for consultation	0 - 0
in agricultural goods (AOA)	17.0	Original panel / Appellate Body (AB) reports	0 - 0
in non-agricultural goods	17.8	Compliance panel / AB reports (Article 21.5 DSU) Arbitration awards (Article 22.6 DSU)	0 - 0
Services sectors with GATS commitments	21		0 - 0

MERCHANDISE TRADE	<i>Value</i> 2014	<i>Annual percentage change</i>		
		2010-2014	2013	2014
Merchandise <i>exports</i> , f.o.b. (million US\$)	3064	-1	-10	-13
Merchandise <i>imports</i> , c.i.f. (million US\$)	4200	3	-2	-2
	2014			2014
Share in world total exports	0.02			
Breakdown in economy's total exports				
By main commodity group (ITS)				
Agricultural products	39.6			
Fuels and mining products	20.7			
Manufactures	22.3			
By main destination				
1. South Africa	67.0			
2. Mozambique	18.8			
3. European Union (28)	5.0			
4. Zambia	3.4			
				2014
Share in world total imports				0.02
Breakdown in economy's total imports				
By main commodity group (ITS)				
Agricultural products				15.6
Fuels and mining products				26.4
Manufactures				57.3
By main origin				
1. South Africa				42.9
2. Singapore				18.3
3. European Union (28)				8.6
4. China				6.3

5. United Arab Emirates	3.1	5. Zambia	2.8
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COMMERCIAL SERVICES TRADE

	<i>Value</i> 2012	<i>Annual percentage change</i>		
		2010-2012	2011	2012
Commercial services <i>exports</i> (million US\$)	359	8	18	-1
Commercial services <i>imports</i> (million US\$)	963	6	34	-16
	2012			2012
Share in world total exports	0.01			

Breakdown in economy's total exports

By principal services item	
Goods-related services	...
Transportation	40.9
Travel	49.8
Other commercial services	9.4

Share in world total imports 0.02

Breakdown in economy's total imports

By principal services item	
Goods-related services	...
Transportation	79.4
Travel	6.2
Other commercial services	14.4

INDUSTRIAL PROPERTY

Patent grants by patent office, 2001

<u>Residents</u>	<u>Non-residents</u>	<u>Total</u>
...	29	29

Trademark registrations by office, 2001

<u>Direct residents</u>	<u>Direct non-residents</u>	<u>Madrid</u>	<u>Total</u>
2	18	...	20

<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Country=ZW>

Appendix 3: Map of Southern Africa

