TRADE DYNAMICS IN ZIMBABWE (1980-2012): *«THE UNTOLD TRADE STORY OF ZIMBABWE»*

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ABSTRACT
Zimbabwe in 1980, when it became independent from British rule, it inherited a developed and predominantly white controlled economy. Since then, the government of Zimbabwe instituted a number of reforms that transformed the economy from being more of socialism to more of capitalism, as it is today (2013). More importantly, is the change in trade dynamics between 1980 and the post 2000 period. National, global and regional trade developments and resultant policies have also contributed to the noted trade shift. The historical decade of economic contraction and political developments, from the start of the new millennium, affected the country's real economy, as was manifested in shrinking production capacity and hence the composition, value, volume and source of both exports and imports.

KEY WORDS
Exports; Imports; Trade deficit; Market concentration.

The Zimbabwean economy has, since independence in 1980, undergone a series of transition emanating from both internal and external business and political environments. Such economic evolution was reflected in production and trading trends over the period 1980-2012. In as much as trade is strictly interwoven with production dynamics, movements in the latter where partly reflected in the following changes of the former; composition of exports/imports, value of exports/imports, export and import market concentration and participation in regional and global trading groupings.

When the country attained independence in 1980, it was still under the 1965 economic and political international sanctions imposed against the Unilateral Declaration of Independence (UDI) government, headed by Ian Smith. The government of Smith has, as such, instituted policies that promote self sufficiency and economic independence. The new government of Zimbabwe in 1980 adopted the previous regime's management and further promulgated several economic and social policies, which included the capping of interest rates, foreign exchange controls and trade restrictions.

During the period 1980-1990, the economy of Zimbabwe was characterised by strong economic linkages; the backward and forward sectoral connections stimulated growth and development. The dual agricultural sector was heavily supported by the government to provide the much need food and raw materials to the manufacturing sector.[1] The manufacturing sector was the chief economic growth driver, followed by agriculture and the retail and hotel industry. The average sectoral contribution to gross domestic product (GDP) for the period 1985-1990 were as shown in Chart 1 below. The real annual growth rates during this period ranged between 3-4%, with the highest growth rate of 7.6% recorded in 1988.

The economic growth after 1990, which averaged 3.2%[2], was accompanied by the adoption of a series of major market oriented economic reforms, chief of them being the Economic Structural Adjustment Programme (ESAP) of 1991. ESAP was succeeded by ZIMPREST (1996-2002), whose objective was to complete and consolidate all achievements of ESAP in a way that would impress the nation. However, by as early as 1998, the country started to experience effects of economic slowdown and subsequently entered into a recession in 2000.

[1] *Dual agricultural system refers to the peasant and commercial farming practises.*

[2] *Understanding reform: the case of Zimbabwe. A research proposal submitted to Global Development Network by Dr. Takawira Mumvuma , et al.*

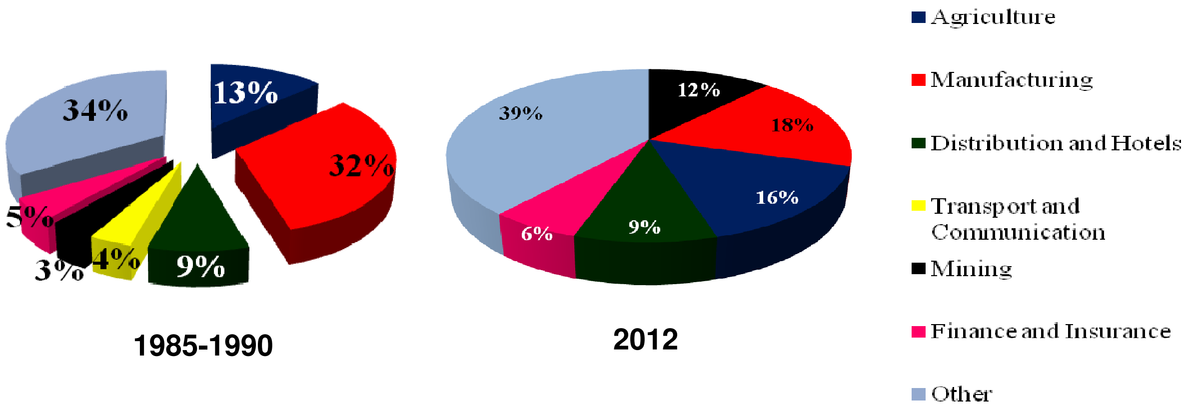

Chart 1 – Sectoral contribution to GDP

Zimbabwe experienced a decade of severe economic recession from 2000 to beginning of 2009, when the country adopted a multicurrency system. The government of Zimbabwe, in response to the noted economic recession between 1998 and 2000, pronounced an economic policy called Millennium Economic Recovery Programme (2000-2002). This, however, failed to turn around the nation from slump to growth, but rather the economy continued to plunge into deep economic crisis.

The folding of major agricultural activities after the government's fast track land reform programme in 2000 paralysed the backward and forward linkages, especially, with the manufacturing sector. As such, the contribution of the manufacturing sector to GDP fell by atleast 90% between 1997 and 2008. Production capacity fell to levels below 11% by end of 2008. During the period 2000-2008, unemployment rose to over 80%, inflation soared to one million and imports outweighed exports. The economy plunged into serious current account deficit, which reached US$5 billion by end of 2011.

In February 2009, the country went through a political transition giving birth to the Government of National Unity (GNU). Since then, Zimbabwean economy went through several economic phases starting from stabilization to recovery. However, the recovering process was constrained by the global economic crisis of 2007-2010 and internal financial and or liquidity challenges[3].

The economy of Zimbabwe was at its best in 1996/1997, after which the country went through a decade of progressive economic contraction from 2000-2008. The two periods, 1990-1999 and 2000-2012, are associated with contrasting differences in trade patterns, composition, value and policies. In the 1990s, 60% of the country's major trading partners were developed countries, such as, Germany, United States of America, the European Union, the United Kingdom and Japan. Besides, the proportion of trade with these aforementioned partners was reasonably shared, no country accounted for more than 15% alone; that is trade risk was spread. In contrast, South Africa is currently Zimbabwe's dominant trading partner accounting for close to 60% of total trade in 2011. That is, Zimbabwe currently has all its eggs in one basket, South Africa. More importantly is the observation that after 2000, there has been a significant trade shift of exports and imports from the European Union (EU) to neighbouring countries, mainly South Africa and Zambia. Chart 2 below, shows a comparison of export concentration between the year 1992 and 2011. The change in both market concentration and spread of export market risk is clearly visible.

In 2012, Zimbabwe's major export commodities were stemmed/stripped tobacco (16%), semi-processed gold (15%), industrial diamonds (11%), ferro-chromium (10%), nickel ores and concentrates (9%), ginned cotton (8%) and raw cane sugar (5%). That is to say, over 65% of Zimbabwe's exports are primary commodities or semi-processed products. This is an unsustainable situation because it entails low export returns, export of jobs, high import bill

[3] Budget Statement, 2009, Government of Zimbabwe

on manufactured products, does not foster technology transfer and no control over international prices which can be volatile.

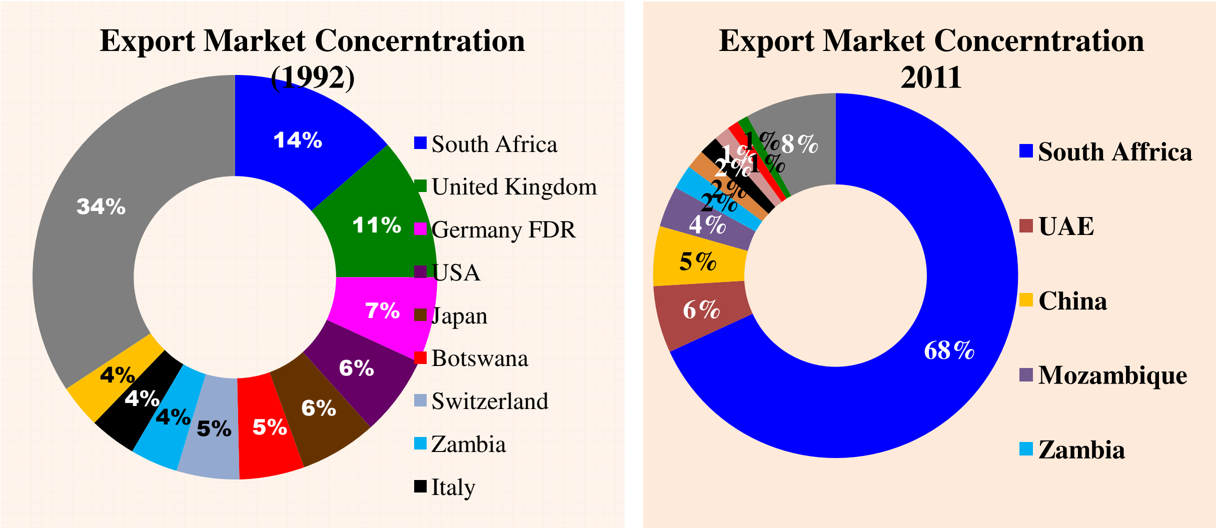

Chart 2 – Comparison of export market concentration: 1992 vs 2011 (Source: Zimstat)

The Zimbabwean economy moved from being close to self-sufficiency in the 1990s to a totally import dependent by 2008. There was a total economic transition from being export-oriented to import-oriented. Imports prior to 1997 were mainly industrial products, such as industrial machines, and this had boosted the productive capacity of the country. Source markets were mostly developed countries, mainly the European Union (EU) and United States of America.

The effects of economic recovery reforms by the GNU and the translation of the policies into actual production by economic agents, especially the private sector, have a time lag. Henceforth, the country continued to absorb imports which can be easily noticed by deepening trade deficits in 2011. Poor performance of the agricultural sector, liquidity constraints, antiquated industrial equipment are among the factors that kept production capacity depressed, below 30% in 2012. Most of the imports were consumption goods such as second hand motor vehicles, electrical generators, fertilizers, cooking oil and cereals.

The Government of National Unity which came into effect in 2009 started the recovery programme by the adoption of the multicurrency system in February. This initiative brought price stability and sanity in the banking system. In March, the GNU adopted the Short-Term Emergency Recovery Program (STERP), which led to 5.7 percent growth in real GDP in fiscal year 2009/2010. Other policies that were instituted by the GNU were the Medium Term Policy (MTP), Industrial Development Policy and the Trade Development Policy. The following Chart 3 summarises the projections of each of these aforementioned policies.

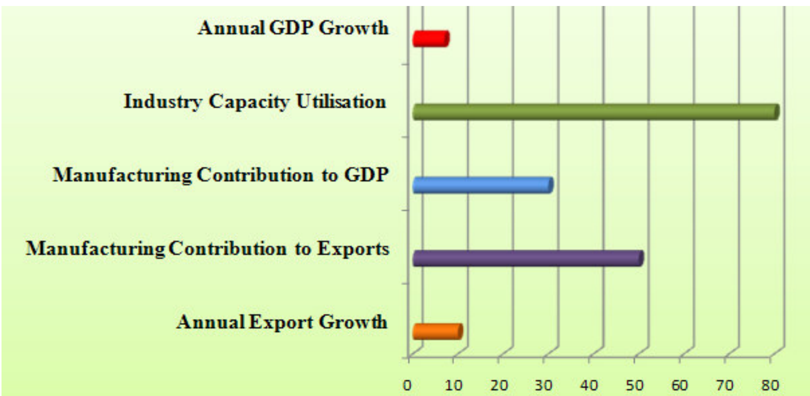

Chart 3 – Selected Economic Projections of MTP, IDP & NTP by 2016

CONCLUSION, OR «WHAT OUGHT TO BE DONE AND BY WHO»

What ought to be done	By who?
Setting an enabling economic and political environment: Stable and consistent policies; Provision of infrastructure - promoting and increasing accessibility; Greater financial support and technology transfer.	Government
Investing in Technology: Creativity; Innovation.	Private sector
Research and Development: Skiving for investment and trade opportunities.	Private sector
Value-addition	Government/Private Sector
Sound policies on importation of capital or industrial products: Removal of duty, where possible.	Government
Revival of the agricultural sector: Financial support; Investment security; Subsidies, where necessary.	Government
Change of perception: Adopting workable business models.	Private sector
Attracting foreign investment: Protection of investments; Win-win joint ventures.	Government/Private Sector

Effects of sound developmental policies (by Government and private sector participation): export market diversification; value-addition of commodities; spread of trade risk (export and import market concentration); sound investment; economic stability; low and stable inflation; own stable currency.

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