



An Evaluation of the SADC Free Trade Area: A Case Study of Zimbabwe's Integration Efforts

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Abstract

The study sought to understand why Zimbabwe's trade balance continued to plummet from 2009 to 2016, despite engaging in regional trade through the Southern African Development Community Free Trade Area (SADC FTA). It uses documentary evidence, ITC database uniting ZIMSTATS statistics and calculations based on UN COMTRADE statistics and expert interviews to establish the status of policy arrangements and the country's level of intra-SADC trade in its leading exports. The study established that the country had not commissioned comprehensive comparative advantage studies in decades and instead relied on historical data and competences; there were no clear, purposive and targeted sectors for export; and that there was no proper coordination between key ministries leading to policy implementation paralysis. The introduction of Statutory Instrument 64 of 2016 (SI64/16) was clear testimony that the country was not ready for regional trade integration and that the country did not have adequate industrial capacity to increase production. The study recommended the establishment of an economic commission to oversee regional trade, evaluation of the country's comparative advantage and establishment of think tanks in government ministries.

Subject Areas

Economics

Keywords

Regional Integration, Free Trade Area, Intra-SADC Trade

1. Introduction

Regional integration has long been recognised by several scholars and institutions as key to accelerating economic growth, increase access to global markets,

reduce poverty and foster national stability. The Southern African Development Community (SADC) Free Trade Area (FTA) is one such regional organisation that was established with the main objective of liberalising intra-regional trade. The regional grouping charted a carefully phased ambitious programme that was to see the establishment of a Customs Union (CU) by 2010, a Common Market (CM) by 2015, a Monetary Union by 2016 and a Single Currency by 2018. All the milestones set were not met, leading to member states expanding their tariff goods list due to plummeting trade balances. In Zimbabwe the symptoms of unpreparedness emerged in the form of a controversial Statutory Instrument (SI64/16) introduced in June 2016 and a plummeting trade balance between 2008 and 2016. The study thus endeavoured to understand the gap between Zimbabwe's trade balance and benefits anticipated through participation in the SADC FTA.

The study sought to both contribute to the growing literature of African regional integration and inform policy. The study relied on desktop research and semi-structured interviews with trade experts therefore the following limitations were encountered; 1) reliance on secondary data used for purposes other than for this research; 2) the interviews comprised trade experts. Empirical knowledge has it that experts do not always agree on certain theories, however every effort was made to aggregate the opinions of the interviewees. The study was delimited as a case study of Zimbabwe starting from the official launch of the SADC FTA in 2008.

The Chapters are arranged as follows; Chapter 1 introduced the Research Problem and its Setting; Chapter 2 reviews the theoretical framework; Chapter 3 traces the SADC Regional Integration Agenda and its progress, Zimbabwe's Economic Policies and their implications in the SADC FTA and Zimbabwe's Trade Balances on leading exports since 2008; Chapter 4 lays out the research methodology; Chapter 5 discusses themes emerging from the data; Chapter 6 concludes the study and makes recommendations.

Background to the Study

Negotiations for the launch of SADC FTA started in earnest in 1996 when the SADC protocol on Trade was promulgated. Implementation of the SADC FTA began in year 2000; however, it was officially launched in August 2008 under the theme "SADC FTA for Growth, Development and Wealth Creation". Twelve out of fourteen SADC member states namely; Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe signed the amended SADC Protocol on Trade (2005), a blue print for establishing the SADC FTA. The aim was to consolidate SADC's ongoing efforts to liberalise intra-SADC trade, deepen long-term regional integration in order to accelerate economic growth and reduce poverty. The main objectives of the free trade area were; enhanced economic development; diversification and industrialisation; efficient production; domestic cross border and foreign in-

vestment; and liberalisation of goods and services. The underlying philosophy was that integration would create trade, shift imports and substitutes from high cost producing countries outside the region to low cost producers within the region.

Among the goals set at the launch were harmonisation of regional industrial, agricultural and competition policies; cross-border infrastructure development; value addition of exports; and diversification of the region's productive capacity in order to expand the range of products that could be traded within the region. Upon its inception and as provided for in the SADC Protocol on Trade, Article 3(1), the SADC FTA provided for the elimination of barriers to intra-SADC trade and reduction of tariffs. Such elimination and reduction were to be effected under the principle of asymmetry, starting from year 2001 and were to be completed within a period of eight years, by 2008. The Protocol also provided for goods to be categorised into different classes for the purposes of tariff reduction. Thus, goods in Category A were to be liberalised immediately in 2001; those in Category B were identified for gradual liberalisation; while Category C comprised goods identified as sensitive and whose tariffs were last to be liberalised, Category E was the exclusion list consisting of very few goods for example firearms.

By year 2008 member states had attained zero per cent duty on 85 per cent of intra-regional trade. The grouping then put in place mechanisms to allow member states to deal with impending shocks, among them, a phased programme of tariff reduction. The countries were expected to attain full tariff liberalisation on sensitive products by January 2012; derogations that included allowances of 25% import duty on sugar and paper for Malawi, Tanzania and Zimbabwe up to year 2015; product exclusion and exceptions. The 15 member grouping was expected to be fully functional by 2016.

At the centre of the SADC FTA was tariff liberalization, however, since the launch of the FTA this took effect in different strides and at different periods. Article 3 of the SADC protocol on trade obligated members to eliminate both tariff and non-tariff barriers to trade. Article 6 of the SADC protocols provided for commitments to liberalize trade through elimination of NTBs to trade and for countries to refrain from introducing new restrictions on intra-SADC trade and Article 7 restricted quantitative and quota restrictions except in specified circumstances. Article 8 prohibited member states from applying 'quantitative restrictions on exports or import duties'. However, the SADC Regional Economic Community (REC) had its own share of problems in the preceding years. Zimbabwe and Malawi experienced problems in implementing their tariff commitments on sensitive products and were allowed to suspend tariff phase-downs with annual reductions from 2012 to complete by 2014. By late 2013 most countries in the grouping had expanded their tariff goods list. According to Sandrey [1], Malawi recorded 790 tariff lines with South Africa, Mozambique imposed tariffs ranging from 2.5% to 20% on all agricultural products delivered from

South Africa, Madagascar applied 20% on all meat products, fruits and vegetables, Zambia attached levy duties on clothing and footwear especially from South Africa. Trade relations tilted in favour of South Africa and Angola with a combined 77.4% of intra-regional trade, South Africa stood out as the main import source of 8 regional countries.

Despite problems brewing in the SADC FTA, the draft SADC RISDP 2014, reported that total SADC intra-regional trade grew more than double in absolute terms between year 2000 and 2009 before stagnating at an annual growth rate of 15 per cent thereafter. However, Zimbabwe's trade balance continued to plummet from 2009, falling by US\$1 billion in 2016. The Zimbabwe National Statistics Agency (ZIMSTAT) (2016) reported that Zimbabwe imported goods valued at US\$5.6 billion against total exports of US\$2.8 billion. While regional trade was projected to foster trade growth and economic development throughout the region this was not the case for Zimbabwe during the period under evaluation.

In June 2016, Zimbabwe implemented Statutory Instrument 64 of 2016 (SI 64/2016) effectively removing 42 products from the open general import licence, instead allowing importers to obtain an alternative General Import Licence issued by the Ministry of Industry and Commerce. The import restrictions sparked widespread debate with some analysts accusing the country of taking action that undermines the SADC regional integration project.

2. Theoretical Framework

The SADC FTA should be understood within the theoretical framework that explain, predict and govern its operations. Regionalism assumptions were deemed to best describe the theory of the organization's governance. Regionalism was considered central to this study because its theoretical underpinnings appraise the foundation upon which the SADC regional integration model was founded. The SADC FTA model largely borrows from the theoretical framework proposed in the seminal work of Viner [2], amplified by scholars such as Balassa [3], Haas [4] and other contemporary scholars. The theoretical considerations in this study are largely informed by Balassa's five stages of regional integration, a framework that essentially informs the entire African integration model. The five stages comprise, creation of an FTA, a Customs Union, a Common Market, a Single Currency a Monetary Union.

Balassa [3] defines economic integration as "the abolition of discrimination within an area". In his assertion Balassa saw integration as a process of removing various forms of trade discrimination, with the ultimate goal of creating an economic region characterized by free movement of people, goods and services. The argument in Balassa's assertion is that international agreements on trade policies belong to the area of international cooperation, while the removal of trade barriers is an act of economic integration. Hence he sort to clarify that anything that does not advocate for total elimination of trade barriers by taking on board some, should lend its definition to cooperation rather than integration.

In his book *The Theory of Economic Integration* [3], Balassa describes five different stages of economic integration, which comprise, first, the creation of a free trade area where member states eliminate all barriers to trade against each other but may retain a separate trade policy towards non-member states; second, creation of a customs union where members meet the conditions of an FTA but adopt a Common External Tariff (CET) with non-member states and trading institutions to manage compliance. The third stage involves the operationalization of a common market where in addition to FTA conditions there is free movement of capital and labour among member states. The fourth and fifth stages involve creation of an economic and political union respectively where economic policies are harmonized followed by synchronization of defence and foreign policies thereby creating a federal political system.

According to Balassa [3] the theory of economic integration should take a holistic approach to the various economic effects that member states are likely to face at domestic level that may affect its participation or well-being of regional integration. Such divergences include national fiscal, monetary and other domestic economic policies. Thus economic integration should be viewed within the wider scope and as part of international economics and international trade. Balassa also advocates for the recognition of location theory, where adjacent countries remove artificial barriers that obstruct continuous economic activity through national frontiers, and the ensuing relocation of production. However in several literatures the term “economic integration” assumes different meaning. According to the UN economic opportunities create material basis for effective social integration which is fundamental to the concept of regional integration, other economic practitioners assert that different forms of international cooperation such as trade, fiscal and or monetary cooperation define economic integration, [5]. Others argue that the mere existence of multi cross border trade between independent economies, as is the case in most SADC countries, denotes integration.

Haas [4] the founder of neo-functionalism, defined regional integration as a process where political actors in different national settings decide to shift their loyalties “expectations and political activities to a new centre”, that has institutions, with jurisdiction over the pre-existing nation states. In this context Haas asserts that the nation is prepared to transfer expectations, sovereignty, loyalty, and political decision making power, to a new supra national body. Contributing important insights, Deutsch [6] defines regional integration as a relationship of mutually interdependent units. According to Deutsch therefore integration would not be restricted to state entities but would also extend to other non-state entities.

There are several benefits to be acquired in an FTA. To start with the FTA promotes intra-regional trade increasing demand and thus lowering prices of goods and services. As prices come down due to forces of demand and supply more people are able to afford the variety of goods and services outpouring from

the region. In addition there is enhanced bargaining power for the union on the global market in several areas from trade negotiations to, development aid and climate change. As the region begins to amass sufficient financial ‘muscle’ there is scope for stimulating growth of disadvantaged regions and influence world global financial transactions.

Regional organizations offer a multitude of advantages. Deichman and Gill [7], assert that they do not just offer preferential access to a wider market but also assist small economies to exploit scale economies, increase local competition, secure markets, and scale up supply capacity in regional production networks. In addition there is better competition,, improved economic stability. Aggarwal and Fogarty [8] assert that the increasing membership of less economically developed countries within the EU, Asia-Pacific Economic Cooperation (APEC) and Southern Common Market (MERCOSUR), and the successes they have scored to date, demonstrates the power of the economic stability offered by regional economic organizations.

There are several principles that inform trade liberalization as a regional policy perspective. At the centre of trade liberalization is the removal of all obstacles to trade. These include removal or reduction of tariffs, removal of obstacles such as duties and surcharges, and non-tariff obstacles, such as, quotas, licensing rules, removal of obstacles to free exchange of goods between nations and other requirements that manifest as barriers to trade, in order to promote free trade. Scholars such as Kahnert *et al.*, [9] went further to advocate for the progressive removal of “discriminations which occur at national borders”.

There are both benefits and loses to be realised through trade liberalization. The downstream effect of trade liberalisation, may lead to widespread job losses as factories close down due to diminishing demand for local goods and even loss of life due to weakened access to welfare amenities such as health. On the other hand trade liberalization can result in improved livelihoods as consumers access cheaper competitive goods, increased industrial efficiency due to competitive business environments, greater intra-national trade and a rise in GDP. The International Monetary Fund (IMF) notes that economic integration has proven to be a powerful means for developing countries to realise economic growth and development, and ultimately reduce poverty. In a study conducted over a period of 20 years, the IMF, discovered that countries that opened up to world trade grew at an average of 6 percent GDP, while those with inward looking policies did not realise substantial increases in living standards for their people (IMF, 2001). Trade liberalization has been proven to not only increase efficiency and growth but also increase opportunities, employment, wage levels and ultimately reduce poverty.

2.1. The SADC Regional Integration Agenda and Its Progress

The SADC agenda was motivated by the need to create a fully integrated regional economic powerhouse that was able to compete in international trade, foster

development and ultimately reduce poverty [10]. The agenda was anchored on the SADC Regional Indicative Strategic Development Plan, an implementation framework for integration. The framework set a number of milestones that were to be achieved within the context of the SADC Common Agenda. The milestones were to spark the process of deepening the integration agenda with a view to eradicating poverty, increase intra-SADC trade, and attain other economic and non-economic development goals in the region. However, by 2016, most of the milestones set had not been achieved. It was envisaged in the arrangement that the SADC FTA would be a precursor to a customs union that was planned for 2010 but later postponed, a common market by 2015, a monetary union by 2016 and a single currency by 2018. However, the evolution of the FTA into a CU failed to take off as planned. The SADC Department of International Relations and Cooperation (DIRC), (2012) attributed the failure to predominance of infant industries in the region and resultant supply side constraints.

Chipumho [11] maintained that the SADC region was not an optimal currency region for a successful transition to a single currency model, because of key variables such as divergent levels of economic activity and competitiveness, uneven market forces and lack of an agreed political model for the region. Politics plays a pivotal role in the establishment of an economic union; hence there was need for political unity and co-operation as well as consolidating countries into a regional alliance which would in theory increase productive efficiency and foster economic growth. Several technical and political hiccups also hindered the success of the SADC FTA. These include, reliance on primary goods, depleting export commodities, political governance and security challenges, lack of infrastructural support to enforce compliance, general indiscipline, lack of political will and conflicting membership through a spaghetti bowl of economic groupings (Ibid).

The World Economic Forum report of 2011 asserts that part of the problems were imbedded in the region's modelling along a framework of linear market integration. In addition the region concentrated on producing primary goods and unprocessed minerals whose prices are determined elsewhere on international markets that are highly inelastic to demand.

Sindzingre [12] argued that while the World Bank considered Africa to be the fastest growing region at the time, growth appeared to be "intrinsically fragile and based on distorted factors rather than sound economic fundamentals" because the region relied heavily on very few export commodities from one or two sectors [p. 16]. Sindzingre noted that most of the primary commodities accounted for more than 80 percent of total exports. Therefore real growth could not be realised when the region relied on commodity prices that fall outside the control of a country's domestic policies thus creating severe constraints on growth. In addition the creation of cheaper synthetic substitutes, tend to depress commodity prices on the world market.

At the World Bank Spring Meetings in Washington in 2011, African ministers

acknowledged that in order to make Africa's growth less volatile there was need for the continent to diversify into more labor-intensive industries and broaden its economic base to avoid dependency on commodity exports growth. This, they noted, would further cushion Africa from systemic risk such as that witnessed during the 2008 global financial crisis. The physical infrastructure in the region continued to deteriorate raising costs for transportation of goods. The regional grouping acknowledged that the road capacity connecting most of the SADC region was insufficient, needed rehabilitation, maintenance and expansion.

The Economic Commission for Africa, 2010, noted that many African countries lacked adequate infrastructure to support trade hence there was no scope to create a diversity of manufactured goods. The World Bank, advised that there was need to change Africa's trade composition that coupled with sustained efforts to improve infrastructure, and promote industrialization would be key to activating sustainable growth in sub-Saharan Africa [13].

The challenge of multiple memberships was also a major cause for concern for SADC. Some members of SADC belong to one or more of the following regional trade areas: SACU, COMESA, and EAC. There were several areas of conflict of interests, duplication, a plethora of commitments and divided loyalties. Bach [14] asserts that multiple memberships bring about tension and in part contribute to the mixed results that stall integration initiatives. Chingono and Nakana [15] noted that there were fundamental differences in approaches to integration among regional organisations. They argue that, COMESA is informed by classical Vinerian thinking where the removal of trade and non-tariff barriers forms the basis for integration, while in the SADC region the major thrust was on promoting political security and economic independence with a developmental flair and sectoral approach to integration. As a result multiple memberships were not only costly but caused operational inefficiency.

The bulk of intra-SADC trade flows also manifested substantially as informal cross-border trade mainly in agricultural and non-agricultural commodities. According to Kisukyabo, [16], this form of trade was more visible between neighboring countries and appeared to be growing at a level that could potentially contribute to sustainable growth and development. UNCTAD [17] estimated that informal trade accounted for up to US\$17.6 billion per year in intra SADC trade. This according to UNCTAD represented 30 to 40 percent of total intra-SADC trade.

2.2. Zimbabwe's Economic Policies and the SADC FTA

Implementation of the SADC FTA started a decade prior to its launch in 2008. During that period the Zimbabwean economy was in the middle of a free fall following imposition of ZIDERA sponsored sanctions in 1999, coupled with the effects of the financial crisis of 2008. As a result the country experienced a yearly fall in GDP and incremental inflation that reached an astronomical 500 billion

percent by 2008. The situation however changed following the introduction of the multi-currency regime in April 2009 marking a turning point in restoring macroeconomic stability. The introduction of the multi-currency regime also brought to an end foreign currency regulations that suppressed the country's trade efforts; awakening hopes that, all things being equal, the country was ready once again to fully participate in regional trade.

Heiss [18] traced Zimbabwe's trade strategies since the implementation of Structural Adjustment Programmes, Zimbabwe Programme for Economic and Social Transformation (ZIMPREST), and the Policy Framework for Industrial Development which was expected to take on board integration aspirations for the SADC FTA and found that there was no clearly defined strategy for trade with the FTA.

In February 2009, the Government of Zimbabwe introduced phase 1 of the Short term Economic Recovery Programme (STERP) to curb the economic downturn and revive the economy. Again the key goals of STERP did not address concrete strategies to engage the FTA. The policy thrust was to turn Zimbabwe into a progressive developmental State. In addition, the Government was trading with caution and therefore could not set realistic and pragmatic targets as it anticipated low international support in the face of a global economic recession that had slowed down growth in most major economies. However a careful run down of the deliverables outlined in the policies reveal that the major thrust did not go beyond ensuring food security at household level yet the country was expected to start making inroads into the FTA hence its policies were expected to reflect that bigger picture.

The second phase of STERP was expected to run between 2008 and 2010. During the period inflation targets dropped from astronomical figures to single digit targets as required to fulfil SADC and COMESA macro-economic convergence targets. In addition overall capacity utilization improved, GDP was estimated to increase up to 8.1% in 2010 and a projection of 9.3 percentage point's growth for 2011. Despite these efforts and projections Zimbabwe continued to lag behind recording negative trade balances with its major regional partners such as Zambia, Malawi, South Africa and Mozambique.

The trade balance continued to down spiral through 2012 despite the introduction of a new economic development plan, the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET). The introduction of the new economic agenda, albeit meant to boost economic development, had negative effects. According to the World Bank Zimbabwe's ranking in terms of "Ease of Doing business" fell from an average of 163rd country to 153rd in 2014 and 155th in 2015. This fall in world ranking speaks to the disadvantageous nature of the business regulatory environment created by the economic Policy.

The Zimbabwe national trade policy for 2012 to 2016 emphasized the need for trade integration as a vital cornerstone to achieving economic growth and prosperity. The policy proposed a number of strategies and listed priority areas led

by agro-processing in food, beverages, clothing, textiles, leather, wood, furniture, fertilizers, pharmaceuticals, metals, and electricals. While these products could effectively foster import substitution, empirical evidence revealed that the list of products did not alter the balance of trade in a significant manner.

On the regional level Kaminski and Francis [19] posited that Government of Zimbabwe policies had been rent-seeking oriented, thus they failed to “strike a balance between retributive functions and growth generation”. They accused the country of paying lip service to economic openness yet failing to restore macro-economic stability a pre-requisite to real growth in trade and economic development. They maintained that success in economic development was a product of actual practice of export oriented policies, efforts to reduce barriers to imports of goods and services, creation of a business friendly environment, macro-economic and political stability. Therefore failure to employ these economic fundamentals led to FDI flight, failure to attract badly needed new capital, hence production capacities continued to decline.

Newfarmer and Pierola [20] noted that Zimbabwe once dominated the regional market in agricultural exports other than tobacco but lost its dominance as a source of diversified products due to depleting exports. They hypothesised that de-industrialisation and continuing circular decline led to a significant drop in manufactured products resulting in a less diversified export basket. The country, they noted, increasingly became dependent on a narrow range of mineral products and to a very less extent on agricultural products. In their book *Trade in Zimbabwe, Changing Incentives to enhance competitiveness*, Newfarmer and Pierola [20] trace how the country declined in technological competitiveness and lost the better part of its labour market due to brain drain. They concluded that due to unpredictable macro-economic policies and poor economic governance the country would continue to down spiral. They argued that the indigenisation policy in particular, largely inhibited private investment and had essentially undermined investor confidence. In addition, they asserted that the country had over the years adopted an unsustainable tariff structure that dampened exports profitability and adopted competition-limiting policies in the services sector that limited Zimbabwe’s connectivity, thus raising trade costs.

In June 2016 Zimbabwe introduced SI64/16. The instrument removed 42 products from the open general import licence, and required importers to obtain a licence from the Ministry of Industry and Commerce. The introduction of SI64/16 caused much academic debate on its legality and controversial overtones to Zimbabwe’s international obligations, particularly with reference to Article XI.1 of the GATT (1994), which, prohibits member States from “instituting import restrictions through licences on the importation of goods from other member States”. The SI also contravened article 7.1 of the SADC Protocol on Trade and was largely seen as counter-productive to free trade. The protocol prohibits member States from applying any new quantitative restrictions on imports. The “quantitative restrictions” are defined under the proto-

col as restrictions that include those brought into effect through licensing. In addition the instrument did not only disregard COMESA treaties, but also bilateral trade agreements with countries such as Botswana, Zambia, Namibia, Mozambique, Malawi, and its leading trading partner South Africa, to which the country is signatory.

The government's argument was that; 1) the instrument was propagated in line with the ministry's national trade policy of 2012-2016 and falling in line with the SADC industrialization agenda; 2) The SI sought to improve the country's current account balance and balance of payments through increased export earnings and control of import expenditure; 3) the SI was meant to prevent dumping of cheap foreign products from South Africa, China, Japan and India; 4) propagating the SI would create employment for locals and that the country had capacity to produce the products. The Zimbabwe National Chamber of Commerce (ZNCC) and the Confederation of Zimbabwe Industries (CZI) praised the development as a brave move which they claimed would restore Zimbabwe's lost glory and chart an economic growth trajectory. However as most economists would contend, Ngwenya *et al.* [21] argued that the move hastily attempted to address micro-economic problems, where a few manufacturing companies would benefit, at the expense of macro-economic fundamentals that needed to be addressed, such as bold structural economic reforms that targeted macro-economic fundamentals.

The SI also antagonized cross border trade that had since been recognized as making a significant contribution to total trade realized within the SADC FTA. Murangwa and Njaya [21] traced the effects SI 64/16 on clearing agents based at Beitbridge Border Post in Zimbabwe. They discovered that the instrument threatened closure of cross border trade businesses, ordinary citizens bemoaned loss of social welfare, civil society organizations opined on infringement of several rights.

2.3. Zimbabwe's Imports, Exports and Trade Balance for Main Exports in SADC FTA

One of the fundamental aspirations of the SADC FTA was to increase intra-regional trade. A deficit in trade balance is caused by various factors, the simplest explanation being that exports are insufficient to pay for imports. A substantive limiting factor was Zimbabwe's dependence on commodities such as tobacco, nickel, iron, steel and trade in other precious minerals. These formed Zimbabwe's leading exports during the period under review. According to WTO statistics (2014) tobacco accounted for 23 percent of total exports, Nickel accounted for 20 percent. Iron and Steel were among leading exports in Zimbabwe with trade balances in the positive. According to the Zimbabwe Chamber of Mines the country had huge known iron ore reserves grading 40% Fe and above, however the industry met mixed fortunes over the years. The Zimbabwe Iron and Steel Company (Zisco), which was once one of Africa's largest integrated steel-

works, was ruined beyond resuscitation such that there was need to create a whole new plant with new and modern technologies to get it functioning again. According to the Engineering, Iron and Steel Association of Zimbabwe, 4,610 companies linked to the steel industry closed down, resulting in 55,443 job losses between 2011 and 2014. While the commodity went through a difficult phase on the global market its prospects as a product for the future remained bright not only due to its strength, durability, flexibility and adaptability but also for its key role in circular business where future products adapt to the circular model of design manufacture and recycle.

3. Methodology

The study adopted a case study design as the blue print for the collection measurement and analysis of data [22]. A case study was deemed appropriate to bring out in-depth insights into the regional trade history of Zimbabwe into easily researchable areas and to test whether a specific theory and model actually applies to phenomena in the real world. The study population was drawn from a wide array of institutions that specialize in trade and individuals classified as trade experts. The institutions included the Confederation of Zimbabwe Industries (CZI), Trade and Development Studies Centre, Zimbabwe Cross Border Association, ZIMTRADE, Buy Zimbabwe, the Competition and Tariff Commission (CTC), Reserve Bank of Zimbabwe (RBZ), Ministry of Small and Medium Enterprises. Purposive sampling was used to select both the institutions and the individuals that the researcher classified as trade analysts, academics, authors and experts in the field of trade. The individuals were selected using snowball techniques. The estimated number of trade experts was 20 located in Harare. The Slovin's formula¹ was used to determine sample size which was calculated as 19 trade experts. The total sample list thus included 8 experts from 8 institutions and the total list of individual experts had 20 experts. A total of 14 people were interviewed, the figure represented a point of knowledge saturation for the researcher where new insights could no-longer be obtained (Bertqux, 1981) [23]. The response rate was 74 per cent. Guest *et al.* [24] found that for a homogenous group only 12 interviews were sufficient to reach saturation. Ryan and Bernard (2006) [25] contented that the less the complexity of the interview the less the interviewees required.

Secondary data in the form of statistical evidence was gathered from various sources that include International Trade Commission (ITC), the World Trade Organisation (WTO) and ZIMSTAT. This involved organizing and interrogating data in ways that allowed the researcher to see patterns, identify themes, discover relationships, develop explanations and make interpretations. The document search included published materials, seminar reports, summits, performance ratings, meeting minutes, SADC website, newsletters, and marketing materials re-

¹Slovin's Formula $n = N/(1 + Ne^2)$ where n = sample size = 19, N = Population Size = 20, e = Margin of error 0.01%.

lated to regional trade². The documents were subjected to Computer-Assisted Qualitative Data Analysis Software (CAQDAS) for coding data, disaggregating it into manageable components and identifying or naming these segments. Emerging concepts, categories and themes were then easily coded, recorded or edited throughout the entire process.

4. Emerging Thematic Areas and Discussion Theoretical Framework

This section discusses themes emerging from the interviews. These include lack of clearly defined policy strategies, misunderstanding of policy intentions and policy implementation paralysis. A major concern revealed in the study was a general tendency in all Zimbabwe's policy documents to have open ended clauses that were subject to changes or introduction of ad-hoc statutory instruments to address micro-economic pressures, thus open to abuse and encourage rent-seeking and corruption. Another theme emerging from the discussions was that industrial policies were not shared by key critical ministries such as agriculture, finance and economic development, thus there was no congruency of ministry activities and no in-depth understanding of the local value chains.

The content analysis reveals that while several trade policies were proposed during the period under review, they were to a large extent inward looking and did not clearly show a link with regional trade aspirations. While the country's national policy of 2012 emphasised trade as the engine for sustainable economic growth and development, practically the country collected and continued to collect the bulk of its fiscal revenue from excise duty; customs duty, surtax and value added tax (VAT), 50 percent of which came from bilateral trade with its biggest trading partner, South Africa.

The country's policy thrust on agro-industry could not effectively drive the exports to SADC countries. The general opinion from the interviews was that most countries strive to achieve self-sufficiency in the agro-industry. In addition, Zimbabwe had ageing industrial equipment in the sector yet the level of competitiveness in the agro-industry had grown several strides globally and in the region such that for Zimbabwe to achieve export status in the agro-industry there was need for huge foreign capital injection.

The textile industry emerged as a possible gateway to regional trade, however there was strong opinion that there was stiff competition in the sector. China's textile industry was noted to dominate global markets, closer to home South Africa had moved several strides while Mauritius, a non-cotton growing country was on the rise. There was however, general consensus that the textile industry

²Websites visited, Journals and books consulted include, SADC Official website, Zimbabwe Statistical Office, Zimtrade, Ministry of Foreign Affairs and International Trade, UNCTAD, ITC, ZIMSTATS, UN COMTRADE, World Bank Group, IMF, AfDB, AU website, African Regional Integration Index, ITUC Africa, WTO, JEL, AJIBM, Sage Journals, World Customs Journal, Cambridge University Press, Springer Link, Africa Portal, Atlantis Press, Cambridge Press. Cai, K. (2010). *The Politics of Economic Regionalism*. International Political Economy Series. World Bank Documents and Publications, IMF Publications, AfDB Publications, SADC Publications.

should not be allowed to go under and Zimbabwe could court Chinese investors instead and prototype the textile industry along the Chinese model.

The study also revealed that there were other policy proposals that were brilliant but merely existed on paper. These included the proposed formation of industrial clusters and the status of export incentives particularly pertaining to the draw back system for raw materials. There was general agreement that the idea of industrial clustering appeared not to be clearly understood by the officials responsible for their implementation. For industrial clustering to be successful there was need to invest in infrastructure, ICTs, marketing services and business linkages. In addition industrial clustering follows resource endowment and should thus be located in requisite geographical towns to reduce value chain costs. There was general opinion that there is need to revisit industrial clustering theories modelled by renown theorist such as Porter [26] and possibly study success stories such as the Netherlands Flower Cluster, Pakistan cluster on surgical equipment, Silicon Valley and Brazil Sinos Valley Footwear.

The study also revealed that the country's failure to increase production capacity was complicated by three fundamental factors. It emerged from the discussions that economic sanctions imposed by the American congress through ZIDERA resulted in huge macro-economic challenges that were beyond the control of the industrialists at micro-level and the sanctions could be the largest contributor to the decimation of Zimbabwe's industries. A second factor was that after the introduction of the sanctions the country received very little investment capital therefore the industries could not grow and diversify. The third factor emerging from the study was that after the creation of the Government of National Unity (GNU), the new government issued economic policies that opened up the industry to regional giants especially South Africa. The argument that emerged was that the country was still reeling under the effects of ZIDERA and the industries were not given enough time to recover before the introduction of open market policies.

In order to achieve export status in the SADC FTA the study revealed that the country needed to focus on exporting services, an area the country had arguably massive advantages. There was general agreement that Zimbabwe did not have clear, purposive and targeted sectors for export. For example the country was rated above 90 per cent by United Nations Children's Fund (UNICEF) in terms of education and literacy thus the sector offered great scope for export. The areas that emerged from the interviews included; use of SADC protocols to create incentives to export education; reign in diaspora investment in infrastructural development in education *i.e.* universities, student accommodation etc.; renewable energy power generation; legal services; health services; and engineering services.

The study also established across the board discontent with police presence on the road which they said increased transit costs for the region and jeopardized Zimbabwe's geo-strategic advantage to provide transit facilities for products moving across the SADC FTA and prospects for the Tripartite Arrangement. It

emerged from the field study that countries such as the DRC, Angola and Tanzania had abandoned transiting through Zimbabwe and were instead constructing roads through Botswana and Mozambique.

The study also revealed that what Zimbabwe boasts as comparative advantage is grounded on archaic historical information, competences and experiences where the country's industrialists, including emerging SMEs, were stuck in the glory of yesteryear, without an in-depth understanding of moving industrial and market dynamics. There was formidable consensus from the field study that there was need to commission comparative advantage studies in all sectors of the economy.

The idea of think-tanking emerged strongly during the interviews. There was general agreement that the Ministry of Industry and Commerce could not do everything on their own hence the need to create a think-tanking mentality in all ministries in order to encourage research and evidence based decision making. In addition it was suggested that these think tank units would collaborate with a National Economic Planning Commission. The duty of the Commission would be to make evidence and research based recommendations in all thematic areas covering economic enablers including commissioning of comparative advantage studies, utility pricing policies and strategies, tax rationalization, waiver on new investments etc. However there were general sentiments that the long recognized problem of weak institutions would weigh against the work of the commission.

5. Conclusions and Recommendations

The main findings of the thesis revealed that Zimbabwe had no clearly defined strategy for trade with the FTA. Since the launch of the SADC FTA policy recommendations did not directly address what strategies the country adopted to increase regional trade. In addition the country's trade policies were not only open ended but were subject to abuse, therefore policy initiatives suffered implementation paralysis. In order to reinforce the evidence based approach to policy making the idea of think tanking was also highlighted.

The study recommends that the government establish an Economic Commission. The Economic Commission could be established as an independent autonomous body under the President's Office, however, with enough powers to enforce laws and institutional compliance. The study further recommended that the ministry of Industry and Commerce commission comparative advantage studies in all sectors and that think-tanking be introduced in government ministries.

Conflicts of Interest

The author declares no conflicts of interest.

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