

DECLARATION

I, **Memory Hwengwere** declare that this is my original work that has not been submitted to this or any application for a post, degree or any other qualifications. The information contained herein depended on the credibility of the responses received from various individuals and other sources consulted.

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DEDICATION

I dedicate this research to all the Zimbabweans who have endured innumerable sufferings due to the imposition of sanctions in the country and despite all odds continue to strive to make ends meet. This also goes out to my late mother, Jessbel Hwengwere, whom I owe all that I am and hope to be, to Mrs Pfende who has believed and supported me no matter the many times I made mistakes and to Godfrey Muduve, your love and support is what kept me going.

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ABSTRACT

The study investigated the impact of sanctions on the economic performance of Zimbabwe under UDI and ZIDERA. Zimbabwe is not the first country in the global system to be slapped by international sanctions but what makes its case unique is the fact that the country has experienced the same fate twice. Although the circumstances surrounding the imposition, the nature and the objectives behind the sanctions are different, the two eras provide a platform through which diverse economic and social impacts related to the burden of international restrictions can be analysed. Significantly the periods between 1965-1979 and 2001-2015 have witnessed both regimes come up with impressive sanctions busting measures. Despite prudent economic strategies by both governments, the question that remains is whether these measures were successful or not in combating sanctions and which of the two was more effective in dealing with the intended effects of the international restrictions. Texts analysis, questionnaires and interviews were used to engage with the different people that had knowledge on the subject matter and these include historians, academics and economists. Findings brought into light the fact that Rhodesia managed to successfully boost and sustain its economy despite sanctions and this has been largely attributed to its robust policies that include import substitution and industrial growth which eventually led to self-sustenance. On the other hand, Zimbabwe in spite of many busting strategies, policies and programmes, the country's economy has experienced a serious distress and this mainly due to problems related to implementation, lack of funding, overreliance on imports and corruption among other factors.

ACRONYMS/ABBREVIATIONS

USA- United States of America

UDI- Unilateral Declaration of Independence

UN- United Nations

ZIDERA- Zimbabwe Democracy and Economic Recovery Act

EU-European Union

UNSC- United Nations Security Council

GDP- Gross Domestic Product

GFCF-Gross Fixed Capital Formation

INTRODUCTION

BACKGROUND OF THE STUDY

Since the end of the Second World War and the Cold war respectively, international economic sanctions have been a prominent feature in the international system. This has seen super powers like the United States of America and Great Britain joining forces with multilateral institutions and regional bodies to effect sanctions on states.

Zimbabwe is among many other nations to be sanctioned, as a means through which policy change could be effected, the logic being that the extraordinary costs of sanctions will enforce compliance to the anticipated change. The genesis of Zimbabwe's sanctions dates back to 1965 when the then government of Southern Rhodesia made a Unilateral Declaration of Independence (UDI) in 1965 separating itself from Great Britain in a bid to slow and in the long run alter the changeover to black majority rule. The government of Great Britain immediately imposed economic sanctions and targeted many imports and exports to/from Rhodesia, an action which eventually extended to more comprehensive United Nations sanctions in 1966, (Prinslow, 2010). Importantly due to the ineffectiveness of these sanctions the UN resorted to a total embargo of trade against Rhodesia with the exemption of certain humanitarian, medical and educational cases. It is worth noting that during this era, the country's economy experienced massive growth despite the rigorous sanctions imposed upon the Smith regime. These sanctions, initially imposed by Britain and subsequently the UN, were meant to cripple the country economically and thus force the Ian Smith regime to step down. They instead heralded the start of a highly successful industrial drive that was to see the

Rhodesian currency and economy firm to record highs
(<http://allafrica.com/stories/201206290560.html>).

In 2001 Zimbabwe experienced another wave of economic sanctions following the adoption of the controversial Land Reform Programme. The international community condemned the process through which the policy was implemented as a direct violation to property rights and democratic principles. According to the Zimbabwe Democracy and Economic Recovery Act (S. 494), this piece of legislature was passed by the United States Congress and endorsed to provide for a transition to democracy and to promote economic recovery in Zimbabwe. Chigora et al (2009) also notes that the bill was opposed to giving bilateral and debt relief and assistance to Zimbabwe until government restores the rule of law, provides a platform for democratic elections, implements an equitable, legal and transparent land reform program, withdraws troops from the Democratic Republic of Congo and establishes firm civilian control of the military, police and other state security forces (<http://www.academicjournals.org/AJPSIR>). Importantly the European Union also joined in with the imposition of ‘targeted measures’ on pro-ZANU-PF entities, including high-ranking political officials, business figures, journalists and military personnel. According to Chigora et al (2009), for any state in the developing world, that certainly contributes to state decay and overall weakening of the state. This research therefore seeks to make a comparison of the two eras to determine the nature and circumstances associated with the imposition of sanctions and the related impacts on economic performance and social life.

Statement of the Research Problem

Sanctions do not necessarily result in stunted economic growth but it is how a government reacts to the nature, structure and magnitude of the sanctions in question that makes a whole lot difference in the end.

A cursory look at sanctions profile on the economic indicators of UDI and ZIDERA in Zimbabwe reveal the inherent different impact of sanctions on the performance of the country's economy in both regimes. My research study will thus focus on determining the long run relationship between sanctions and economic performance through a critical analysis of the two sanction eras in Zimbabwe namely UDI and ZIDERA.

Research Questions

This research seeks to investigate the impact of sanctions on the economic performance of Zimbabwe under UDI and ZIDERA and therefore attempts to answer the following research questions:

1. What are the circumstances that led to the imposition of sanctions under UDI and ZIDERA?
2. How did the imposition of sanctions affect the economy and social life in both the UDI and ZIDERA periods?
3. What did the authorities in both governments do to bust the sanctions?
4. Which of the two regimes was more effective in dealing with/ surviving the sanctions?

Objectives of Study

The broad objective of this study is to determine the impact of sanctions burden on economic performance in Zimbabwe specifically investigating the two eras UDI and ZIDERA. However in order to do so the following objectives need to be taken into consideration:

1. To identify circumstances that led to the imposition of sanctions under UDI and ZIDERA.
2. To determine how the imposition of sanctions in both regimes affected the economy and social life.
3. To examine the strategies employed in order to counter the negative impacts of sanctions by the governments under UDI and ZIDERA.
4. To establish on which of the two regimes was more effective in dealing with/surviving sanctions.

Scope of Study

The study seeks to comparatively examine the UDI and ZIDERA sanctions and their impact on the economic performance of the country. An in-depth investigation will be carried out using data covering the two eras of sanctions the country experienced which is 1965-1979 and 2001- present. Importantly these two periods were specifically selected to cover the UDI period under the Rhodesian government and the post Land Reform era under the Zimbabwean government to create a conducive environment for a comparative analysis.

Significance of Study

Sanctions have been a great cause of concern to the current Zimbabwean government and the populace at large which has seen the country plunging into great economic distress. It was through the enactment of The Zimbabwe Democracy and Economic Recovery Act, 2001. (ZIDERA) that the country lost all access to external funding, was supposed to meet loan payment deadlines without fail and was not to be considered for any debt cancellation prospects. This saw the county's economy dismally falling and the government making drastic measures to ensure they make work the few resources they had and in some instances diversion of funds from key humanitarian areas to ensure that they meet debt payment schedules thereby burdening the ordinary Zimbabwean.

This study therefore is significant in that it seeks to investigate the impact of sanctions on the economic performance of Zimbabwe using a comparative study of UDI and ZIDERA in which the former's economy prospered while that of the later has greatly suffered. From a practical perspective it is important to take note of the fact that UDI's success creates hope for a thriving economy in the face of sanctions and provides relevant information as well as lessons for the ZIDERA era. From an academic point of view, the study will be useful reference material for academics and other researchers. This research will help bridge the knowledge gap left out by previous researchers thus providing necessary evidence on how sanctions impact the economic performance of a country.

Theoretical Framework

The Economic Sanctions Theory argues that adequate pressure upon a target nation can help that country to conform to a more acceptable behaviour (Prinslow 2010).

According to Prinslow (2010), the Economic Sanctions Theory is based on a number of assumptions that are:

- If country 'X' needs commodity or product(s) A,B and C, and these are restricted or cut off, then country 'X' will be motivated to change its policy/behaviour.
- The costs imposed by sanctions may be direct, indirect, forgone potential costs, capital effects or a combination of these. To be successful the direct and indirect costs must be made intolerable in the targeted country.
- Participation in international trade has a positive real income effect that allows the consumption possibilities frontier to move beyond the domestic production curve; however any forced diminution or withdrawal from trade will tend to reduce income.

As cited in Prinslow (2010), the purpose of economic sanctions is to restore the status quo or to alter it and establish or enforce norms of international standards or laws, for example decolonization, non-discrimination and human rights. (Doxey, International Sanctions in Contemporary Perspective, 91).

Another notion to be used in this research is the targeted sanctions theory. As cited by Prinslow, (2010), Cortright and Lopez notes that, this theory assumes that targeting individuals or governmental entities with specific economic sanctions has the goal of enhancing the political effectiveness of sanctions while minimizing unintended consequences, especially adverse humanitarian impacts. Cortright et al goes on to argue that;

- The impacts of smart sanctions must be sufficient, even if selective, to impose real costs on targeted leaders.
- The smartness of sanctions and their appropriateness are linked to the legitimacy of the broader policy framework in which they are applied

- Selective sanctions do have fewer humanitarian consequences than results under comprehensive sanctions, political leaders often redirect the pain of sanctions onto the vulnerable, or against political opponents regardless of whether these sanctions are selective or comprehensive.

Targeted sanctions often include, freezing of assets and bank accounts, travel, commodity and arms embargoes among other directed measures.

As can be noted these theories were used respectively to effect sanctions on the Rhodesian and Zimbabwean governments, and helps explain the circumstances, nature, objectives and impacts related to the imposition of sanctions in both eras.

Conceptual Framework

Sanctions can be viewed as an alternative to military force thus by punishing an offending party economically, socially, or politically, rather than militarily, those who impose sanctions hope to solve a conflict without the mass suffering and sacrifice required by war (Smith, 2004).

Economic performance can be understood as an assessment for an organization of its success in areas related to its assets, liabilities and overall market strength. In this scenario, the organisation being scrutinised is the country of Zimbabwe.

The main gist of the thesis statement is to be able to measure how Zimbabwe fared when challenged by the evil of sanction on two separate occasions. In order to understand how the whole idea of economic performance, one needs to be aware of the basic indicators which define economic performance. These indicators include national income, poverty datum line, employment levels, debt levels and trade among other gages.

As mentioned in the background, the UDI and ZIDERA were the results of two grumbling superpowers not happy over the affairs of the country. The UDI was a British driven initiative

aimed at altering the status quo of the government to include the black majority. On the other hand, ZIDERA was driven by the USA's need for the observance of democracy in the country. Both of them were aimed at influencing political decisions although masked as economic sanctions. Thus the main thrust of this research is to examine the different ways that these two regimes dealt with sanctions and how on separate occasions this burden impacted the economy of the country.

Research Methodology

This is a qualitative study which will largely rely on historical/document analysis as the method of data collection because the focus of the study is to answer "how" sanctions impacted the country's economy in both eras and also the reasons behind the imposition of such measures. The study employed uses a mixed methodology to execute the assignment. The approach involves desk research and face to face interviews with a sample of key persons in the academia, history and economic arenas.

Descriptive/observational research design will be conducted for this research since the aim of the research is to examine the effects of sanctions on the economic performance of Zimbabwe. In light of this, the researcher will collect information that describes events leading to and during the imposition of sanctions. This data will be organised through the use of graphs and tables for clearer information display and for better presentation.

This research will make use of the snowball sampling technique. Snowball sampling requires the researcher to select someone who fits the selection criteria of the study and that individual will in turn refer the student to the people who are able to give the accurate information required. In this case the key informants will be divided into three different categories, namely academics, historians and economists, thus the researcher will pick one person from each

category who will be able to refer the student to the people who are well versed with the sanctions situation in both the UDI and ZIDERA periods.

The researcher will collect information using data sources and interviews. Key informant interviews will be carried out using a selected group of individuals that are likely to provide the needed information, ideas, and insights on the effects of sanctions on the economy of Zimbabwe in the two periods of sanctions UDI and ZIDERA as well as their impacts on the social life of the general populace.

Data Sources

This research will make use of data obtained from reports, academia journals, articles, newspapers, student papers and other statistical sources.

Data analysis

The data analysis is qualitative in nature and the focal point is on ‘text’ rather than numbers. Data will be analysed using the thematic content analysis approach which comprises of interview transcripts analysis, theme identification, refining of key concepts and validating assumptions on the basis of the reliability targeted informants as well as their ability to adequately respond to the issues at hand. Thus all information given is subject to scrutiny.

Ethical considerations

Ethical considerations are critical and it is the responsibility of the researcher to ensure the protection of the rights of the participants. The Ethical Standards of the American Educational Research Association (AERA) states, that it is of paramount importance that educational researchers respect the rights, privacy, dignity, and sensitivities of their research populations and also the integrity of the institutions within which the research occurs.

Literature Review

The literature examining the impacts of sanctions on the economy has been very diverse and intensive, therefore this section aims to assess the views of other studies in relation to the topic of concern and the gaps inherent in previous researches.

Sanctions

Prinslow, (2010) defined sanctions as actions that one or more countries take to limit or end their economic relations with a target country in an effort to persuade that country to change its policies or behaviour.

Galtung, (1967) also views sanctions as actions initiated by one or more international actors (the 'sender') against one or more others (the 'receivers') with either or both of two purposes: to punish the receivers by depriving them of some values and/or to make the receivers comply with certain norms the senders deem important.

According to Paul and Akhtar (1998), sanctions are typically well known for cutting off trade and investments, preventing a target country from buying or selling goods in the global marketplace and in some instances they aim at particular items like arms or oil. They may cut off air traffic, suspend or drastically curtail diplomatic relations, block movement of persons, bar investments, or freeze international bank deposits.

Wallenstein, (2000) indicates that 'sanctions' effectiveness varies, and though widely used their use is much more common than their success: studies indicate that only five to, at most, 30 percent of sanctions result in the desired change. Importantly, Paul and Akhtar, (1998) goes on to highlight that although sanctions have enjoyed a good reputation that many now question, many critics have viewed them as cruel, unfair and even violent.

According to a report by the Reserve Bank Zimbabwe economic sanctions and related restrictions are by far the most important of all sanctions imposed on a nation. In the main, they consist of the withdrawal, or threat of withdrawal of trade and financial relations, including technical cooperation.

Economic Performance

According to The Economics Online (2015), the performance of an economy is usually assessed in terms of the achievement of economic objectives. These objectives can be long term, such as sustainable growth and development, or short term, such as the stabilisation of the economy in response to sudden and unpredictable events, called economic shocks. These indicators include

- Levels of real national income, spending, and output. National income, output, and spending are three key variables that indicate whether an economy is growing, or in recession. Like many other indicators, income, output, and spending can also be measured in per capita (per head) terms.
- Growth in real national income.
- Investment levels and the relationship between capital investment and national output.
- Levels of savings and savings ratios.
- Price levels and inflation.
- Competitiveness of exports.
- Levels and types of unemployment.
- Employment levels and patterns of employment.
- Trade deficits and surpluses with specific countries or the rest of the world.
- Debt levels with other countries.
- The proportion of debt to national income.

- The terms of trade of a country.
- The purchasing power of a country's currency.
- Wider measures of human development, including literacy rates and health care provision. Such measures are included in the Human Development Index (HDI).
- Measures of human poverty, including the Human Poverty Index (HPI).

Rhodesian and Zimbabwean Regimes on Sanctions

Hurungo, (2010) made an interesting inquiry into the two sanction eras and he notes that; Sanctions have been applied on both Rhodesia and Zimbabwe to achieve certain outcomes. Under Rhodesia, the British government and the United Nations Security Council called for economic and trade sanctions to ensure that the government conforms to the UN requirements. According to Mlambo (2008), crucial to an understanding of the initial ineffectiveness of international sanctions, however, is the fact that Rhodesia's immediate neighbours, South Africa and Portugal for their role in underwriting the Rhodesian economy, with calls being made for punitive measures against them. Mlambo (2008), goes on to note that there was considerable press coverage at the time of South Africa's alleged violation of international sanctions, particularly with regard to oil supplies to Rhodesia.

With Zimbabwe, the violence accompanying the land reform exercise, the deaths on the farms and the allegations of human rights abuses on the part of the ZANU PF government were enough bases for the West's imposition of sanctions against the country (Makaye and Munhande, 2008). Hurungo, (2010) also notes that under Zimbabwe, the US government and subsequently the European Union called for targeted sanctions meant to force these individuals to refine government policies in a manner that will ensure that country is managed in a democratic manner. Makaye et al, (2008), highlighted that travel bans were imposed on Mugabe's cabinet ministers such as David Karimanzira, Emmerson Mnangagwa, Didymus Mutasa, Chinamasa, Olivia Muchena, M. P Mangwana and many others. Deputy Ministers and

senior civil servants were also included. The list was extended at some later time so as to capture more ZANU PF sympathizers who had been missed by the first net.

Hurungo, (2010) goes on to highlight that both the Rhodesia government and the Zimbabwean government made some efforts to bust sanctions. He also explains why Rhodesia managed to counter the negative effects of sanctions and why the Zimbabwean economy continued to sink into economic doldrums. Consequently the research will aim at bridging that gap to comprehensively account for all sanctions related materials in both periods. Importantly there is also a gap with regards to the conceptualisation of democracy and fails to account for the circumstances surrounding the imposition of ZIDERA.

According to Tawanda Hondora, ‘there are no doubt other reasons why Zimbabwe’s economy is in the doldrums; chief of which are myopic, ill-advised ZANU PF government policies and corruption. But one cannot ignore the damaging effect the sanctions have had on the economy and how the country and its economy are being slowly asphyxiated by the blockade on access to international capital markets’.

It is important to note that a gap can be noticed in most of the literature available on this topic as many scholars seem to place emphasis on one of the two eras than the other. Thus this research aims to give a balanced analysis of ZIDERA and UDI and also seeks to go a bit further than most of the previous researchers did and look at other external factors that featured at the same time as sanctions and contributed to the economic performances of these two economies. It also seeks to analyse circumstances, effects, and strategies related to both sanction periods. The research also aims at giving a close introspection into the standard economic indicators so as to determine the effects of sanction on the economic performance of Zimbabwe under UDI and ZIDERA.

Outline of Study

This study is divided into three chapters as well as the introduction and conclusion.

The first part comprises of an introduction which provides the background to the study, statement of problem, scope of the study, significance of study, objectives of the study, research questions, theoretical framework, conceptualisation, literature review, research methodology and data sources.

Chapter one examines the circumstances leading to the imposition of sanctions in Rhodesia and Zimbabwe as well as highlight the nature and objectives of the restrictions.

Chapter two provides an in-depth analysis of the impacts of sanctions on the economic performance and social life of Rhodesia and Zimbabwe.

Chapter three consists of the sanctions busting measures used by both the Zimbabwean and Rhodesian government during their predicaments. It also tries to determine on which of the two regimes was more effective than the other.

The last part therefore consists of the recommendations and conclusion.

Chapter 1: Circumstances That Led to the Imposition of Sanctions under Rhodesia and Zimbabwe

Introduction

Zimbabwe has experienced two waves of sanctions in both the prior and post-independence periods. The major objective behind the sanctions on both regimes was to influence policy change. The Unilateral Declaration of Independence by the Smith Regime resulted in Britain and the United Nations Security Council imposing economic and trade restrictions on the country. In post-independent Zimbabwe sanctions were once again imposed but this time they were targeted in nature. These sanctions by the EU, USA and Australia targeted individuals in the government who were viewed as the main proponents behind abuse of property rights, the undermining of democracy and the economic crisis the country was experiencing.

1.1 Rhodesia and Sanctions (UDI)

Between 1965 and 1979 Rhodesia existed as an unrecognized state in the international system after it affirmed the Unilateral Declaration of Independence on 11 November 1965. Notably before this declaration, Smith had on several occasions attempted to convince the British government to grant Rhodesia. Britain turned the plea down and instead recognized Sir Humphrey Gibbs as the only legal authority in Rhodesia. According to BBC News, in direct contradiction and total ignorance to the crown's directive appointed Deputy Prime Minister DuPont, as the Officer Adminstrating the Government ("Rhodesia breaks from UK". BBC News. 11 November 1965.).

Prior UDI, Britain had adopted the policy, *No Independence before Majority African Rule*, a policy that advocated for the inclusion of the majority into the systems of government which

had been previously dominated by the minority. In a bid to delay this transition and eventually stop it all together the Rhodesian government declared its own independence.

Seeing that diplomatic negotiations had failed in resolving the independence issue at hand, Britain, the Commonwealth and the United Nations ascertained Rhodesia's independence as unlawful, and retorted to the imposition of economic sanctions. This was notably UN's first experiment on sanctions since its inception after the Second World War. Significantly the first call was resolution 295 in which the UN called upon states to negate Rhodesia any assistance or recognition. This action was followed by an all-inclusive United Nations sanctions termed resolution 232. Due to the futility of these initial sanctions the UN accordingly adopted resolution 253 which was more comprehensive.

1.1.1 Sanctions Position

British sanctions entailed the following:

- The British High Commissioner was withdrawn and the Southern Rhodesian High Commissioner in London was asked to leave.
- Export of arms, including spares was effectually stopped
- Special exchange control restrictions were applied
- All tobacco, petroleum and sugar purchases from Rhodesia were barred
- Passports issued or renewed under this illegitimate government were not recognisable in the British an Commonwealth states
- All Rhodesian citizens owing allegiance to the Crown in Rhodesia were to desist from rendering any assistance to the Smith regime, for example, the army and the police in Southern Rhodesia were not to take up arms in support of the this illicit administration or aid them to pursue their illegitimate ways. The same applied to public servants and citizens as they were not allowed to help further the success of the insurgence.

Fiscal Restraints:

- The Ottawa Agreement of 1932 which governed trading relations with Rhodesia was suspended.
- Rhodesia was suspended from the Commonwealth Preference Area meaning that her goods no longer received preferential treatment on entering the United Kingdom.
- British aid was effectively clogged
- All exports from Britain to Rhodesia were not allowed except humanitarian related items.
- Removal of Rhodesia from the sterling area
- Seizure and freezing of assets belonging to Rhodesia Reserve Bank in London

- Rhodesia's access to the London capital market was blocked

According to Prinslow, (2010), United Nations sanctions on 16 December 1966, passed resolution 232 prohibiting;

- The import from Rhodesia of asbestos, iron ore, chrome, pig iron, sugar, tobacco, copper, meat and meat products, hides, skins and leather;
- Any activities which promote or are calculated to promote the export of these commodities from Rhodesia including the transfer of funds;
- The export to Rhodesia of aircraft, all types of military material and equipment and motor vehicles, oil and oil products

Prinslow (2010), also indicate that as a result of the incompetence of the initial sanctions, the UN adopted resolution 253 in May 1968 providing for a total embargo of trade against Rhodesia except in certain humanitarian, medical and educational cases.

1.1.2 Objectives of the Sanctions

The resolve behind these sanctions was to restore order in Rhodesia and once that was done, provide a platform through which the majority would also be incorporated into the main systems of government. The common argument by the powers behind the imposition of these sanctions was that the cost of sanctions would be key in determining the success of the expected result.

1.2 Zimbabwe and Sanctions (ZIDERA)

Chgora et al, (2009) highlights that at the turn of the new millennium, Zimbabwe has seen its Relations with the West souring which is largely attributed to the dubbed controversial policies as well as human rights violations. These policies include, implementation of the controversial land reform, renunciation of the Structural Adjustment programmes (ESAP), payment of war veteran perquisites and involvement in the Democratic Republic of Congo.

The DRC conflict saw the intervention of many nations in the African continent, Zimbabwe included. Zimbabwe's assistance to Laurent Kabila in 1998 was a major challenge to its international relations which together with many other factors like the abandonment of SAPS culminated to the imposition of sanctions. According to Campbell (2003), this deployment to assist Kabila was for economic and political intentions. Economically it was to secure Inga Dam, from which Zimbabwe received a third of its electricity and politically it was to defend the territorial integrity of a SADC member state as well as give the country an opportunity to represent itself as a regional political and military power. Nonetheless, Zimbabwe's participation in DRC was costly, resulted in a sharp decline of the Zimbabwean dollar, created animosity with the west, depleted foreign currency reserves and increased budget deficit. Hence the suspension of the Structural Adjustment lending by IMF and subsequently the

abandonment of ESAP by the government of Zimbabwe. In order to re-write its wrongs and address the crisis looming in the country, the Mugabe administration embarked on a controversial land policy.

The land reform was meant to adequately address the inequitable distribution of land that existed in Zimbabwe prior and post-Independence. The British government failed to honour its commitment to provide funds for the purchase of land for distribution as agreed in the Lancaster House agreement. This led to the formulation of a policy that allowed the compulsory acquisition of land. According to Chigora et al (2009), The Government and the ruling party in Zimbabwe blame the international community in general and Britain, the ex-colonial power, in particular for the breakdown in the negotiated process of land policy. Chigora et al (2009) notes that Britain's failure to resume funding of the land reform led to the creation of a law and order vacuum, which was exploited by the veterans of Zimbabwe's guerrilla style liberation struggle who could not even approve of any attempt to reverse the land redistribution exercise. This policy received widespread condemnation by the international community and subsequently led to the imposition of targeted sanctions.

Chigora et al (2009), highlight that the ruling party ZANU PF and its allies that comprise of war veterans, youth militia and service chiefs were accused of fomenting intimidation, arson, kidnapping and murder. Hence the United States of America, the European Union and Australia resorted to the imposition of economic sanctions coupled with targeted measures against Zimbabwe. On the part of the USA, this is commonly known as the Zimbabwe Democracy and Economic Recovery Act (ZIDERA) of 2001. It was meant to facilitate economic recovery, promote democracy and re-establish the rule of law in Zimbabwe.

1.2.1 Sanctions Position

It is essential to note that prior the enactment of ZIDERA, some institutions had already suspended financial flow into the country. According to the findings by the United States Congress as stated in the ZIDERA Act, the following are the suspensions that had taken place:

- In September 1999 the IMF suspended its support under a “Stand by Arrangement”, approved the previous month, for economic adjustment and reform in Zimbabwe.
- In October 1999, the International Development Association (in this section referred to as the “IDA”) suspended all structural adjustment loans, credits, and guarantees to the Government of Zimbabwe.
- In May 2000, the IDA suspended all other new lending to the Government of Zimbabwe.
- In September 2000, the IDA suspended disbursement of funds for ongoing projects under previously-approved loans, credits, and guarantees to the Government of Zimbabwe.

Zimbabwe Democracy and Economic Recovery Act of 2001; under this Act, the statement of the policy highlights that it is the process through which the United States is to support the people of Zimbabwe in their struggle to effect peaceful, democratic change, achieve broad-based and equitable economic growth, and restore the rule of law.

Financial Restrictions

Section 4 (c) 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.

Targeted Sanctions

These restrictions targeted individuals and this group comprised of certain people in the ruling party ZANU PF, top government offices, war veterans, youth militia, military personnel, business figures, journalists and service chiefs who were viewed to be responsible for deterioration of the economy and the undermining of democratic principles in the country. Notably the EU, USA and Australia joined hands in ensuring the imposition of these targeted measures. Their fate involved; travel restrictions and visa bans as well as freezing of bank accounts. According to Hurungo (2010), these sanctions essentially calls for restoration of the rule of law, free and fair elections are held, commitment to equitable, legal and transparent land reform, fulfilment of agreement ending war in DRC, military and National police to be subordinate to civilian government and support for democratic institutions, free press and independent media

1.2.2 Objectives of the Sanctions

Remarkably the main objective of these sanctions was to influence these key entities to revise policies under scrutiny in a way that guarantee economic recovery and adherence to democratic principles. According to the Act, these restrictions can only be repealed only when the government of Zimbabwe starts to observe the internationally acknowledged basic human rights/needs and good governance.

Chapter 2: The Effects of the Imposition of Sanctions on the Economy and Social Life of Rhodesia and Zimbabwe

Introduction

This chapter seeks to describe and analyse the economic and social environment of Zimbabwe during the UDI and the ZIDERA eras.

Rhodesia faced the imposition of economic sanctions by Britain and the United Nations in 1965 and during this period, the country witnessed massive economic growth. This is largely attributed to policies such as import-substituting and industrialization among other strategies that were put into place by the Smith regime to counter the negative impacts of sanctions. Hurungo (2010), argues that Importantly 1965- 1973 saw the Rhodesian economy at its best however, years following 1974 this economic boom was undermined by other external factors such as the global recession owing to oil shock, the worsening liberation war, decrease in commodity export earnings, droughts, loss of Mozambique as an ally and the cumulative white relocation to other countries. Socially the black majority suffered greatly while the Smith regime made huge efforts to ensure they keep the white electorate happy

Unlike Rhodesia, the imposition of sanctions in Zimbabwe consequently resulted in a serious deterioration of the economy. Since 2000, the ZIDERA era experienced sky rocketing inflation, deficiency in basic commodities and foreign currency, capacity underutilisation and migration of skilled manpower among other indicators. Some analysts have however accredited Zimbabwe's economic crisis to sanctions while others point to politics. In the social arena the sanctions had a huge toll on the general populace specifically due to the above mentioned economic implications.

Overview of the Macroeconomic Environment Prior the Rhodesian Sanctions

A cursory look at the 1940s shows Rhodesia enjoying a mixed economy that included agricultural production (tobacco, maize and cattle rearing) and mining (asbestos, gold, coal, chrome, copper, cobalt and lithium), which made considerable contributions towards export earnings.

Notably the Federal decade (1953-1963) witnessed a remarkable growth of the Rhodesian economy which remained a force to reckon with even after its dissolution in 1964. Hawkins (1967) notes that real growth rate of gross national income at constant 1954 prices fluctuated considerably from year to year reaching a high of over 10% in 1956 and a low in 1962.

On the other hand however, the major flaws were over reliance on imports, specifically fuel and ammunition as well as tobacco exports. Nevertheless this did not have major implications as the export earnings were able to effectively feed into the country's economy.

2.1 Effects of Sanctions on the Rhodesian Economy (UDI Era 1965-1979)

Table 1: Major Developments between 1966 and 1975

Year	Developments
1966	Sanctions
1967	
1968	Severe Drought
1969	Bumper crop: mining manufacturing expansion
1970	Low rainfall
1971	Mining output up+15%, Construction +17%
1972	Inflation up: bumper crop
1973	Severe drought
1974	World-wide rise in commodity prices
1975	World-wide recession

Source Hurungo (2010)

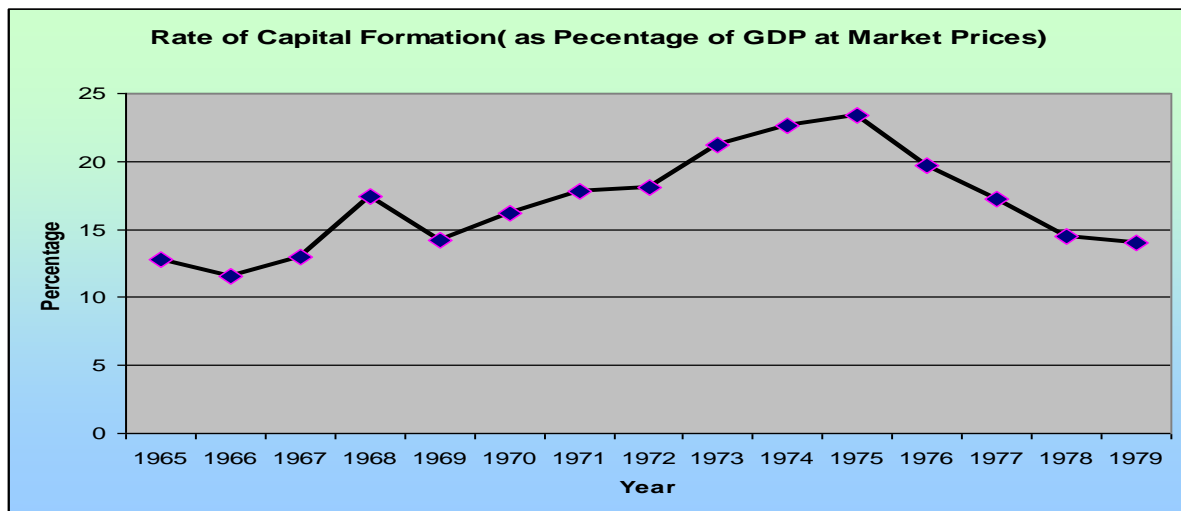
The above mentioned developments in Table 1 all had a role to play and help explain the different impacts of sanctions on the economy. According to Hurungo (2010), the decade 1966-1975, the average rate of growth in Rhodesia's gross domestic product was 5.42% and is mostly attributed to the ability of the country to adjust to self-sufficiency, to design and build

forges and machine shops, pipeline castings and a variety of industrial products in a small market which was far greater than expectations.

2.1.1 Investment Levels

As shown in the figure below, with the imposition of sanctions, investment slowed down which subsequently decelerated the rate of economic growth specifically between 1965 and 1968. However due to interventionist policies implemented around the same time investment increased by 10% between 1969 and 1975 hence a positive impact on economic growth. The period 1976 to 1979 the rate of investment starts decreasing again due to external issues such as droughts and the liberation war among other factors. Notably the rate of investment remained strong during the sanctions era hence accounting for the robust industrial growth the country experienced.

Figure 1: Rate of Capital Formation

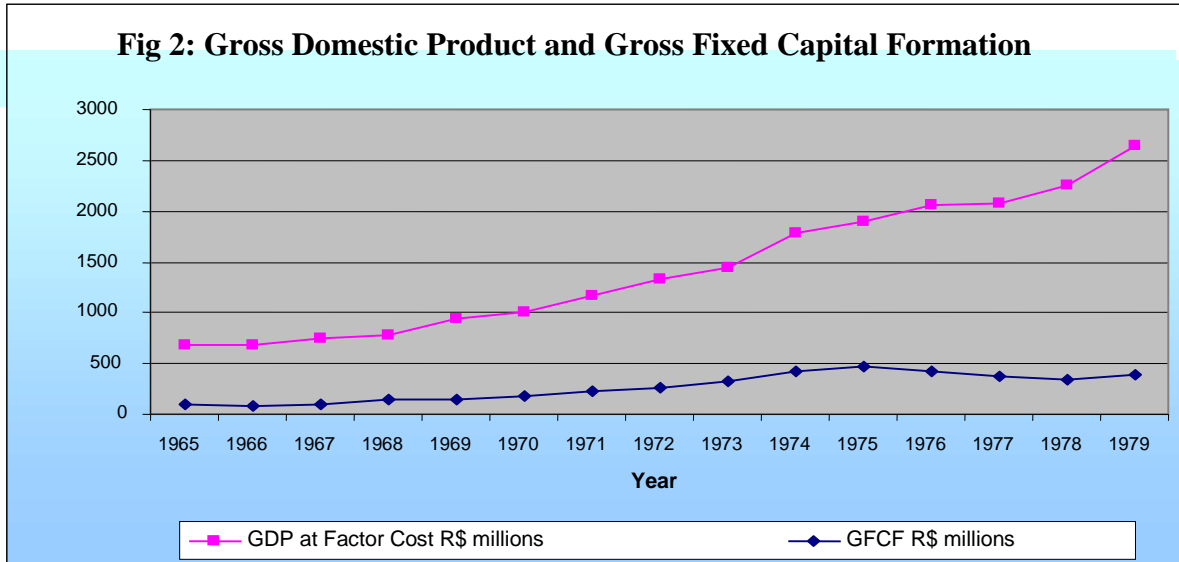


Source: Hurungo (2010)

Significantly as shown in Table 2, in 1967, Hurungo (2010) explains that, the rate of gross fixed capital formation as a percentage of GDP started to increase reaching a peak of 23.42

percent in 1975 before declining to 14 percent in 1979. This in turn led to an upsurge in investments through to 1979, thereby positively impacting the Gross Domestic Product (GDP).

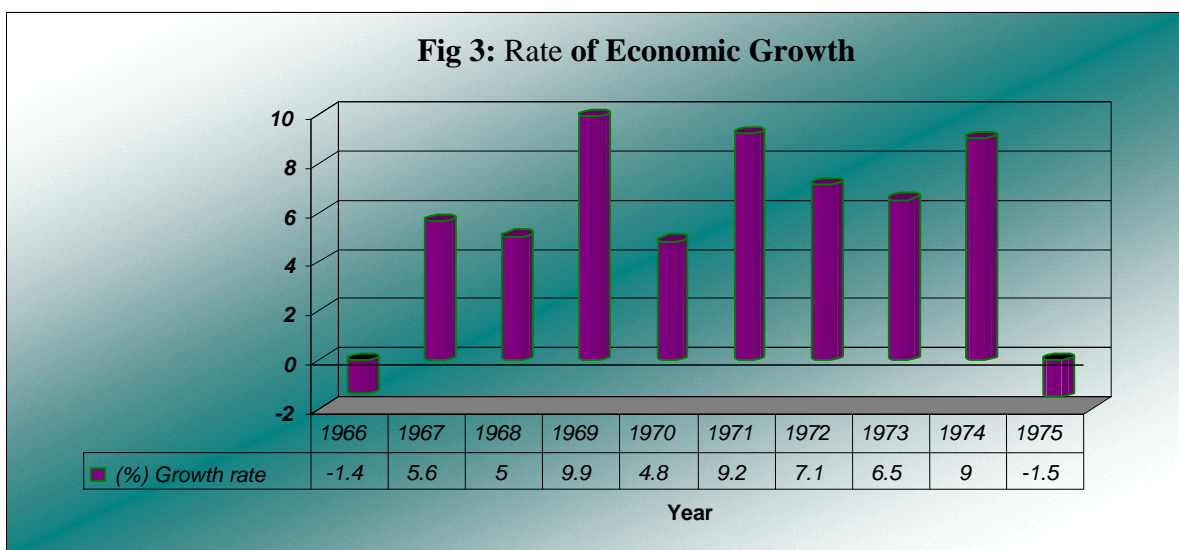
Figure 2: Gross Domestic Product and Gross Fixed Capital Formation



Source: Hurungo (2010)

2.1.2 Rate of Economic growth/Gross Domestic Product (GDP)

Figure 3: Rate of Economic Growth



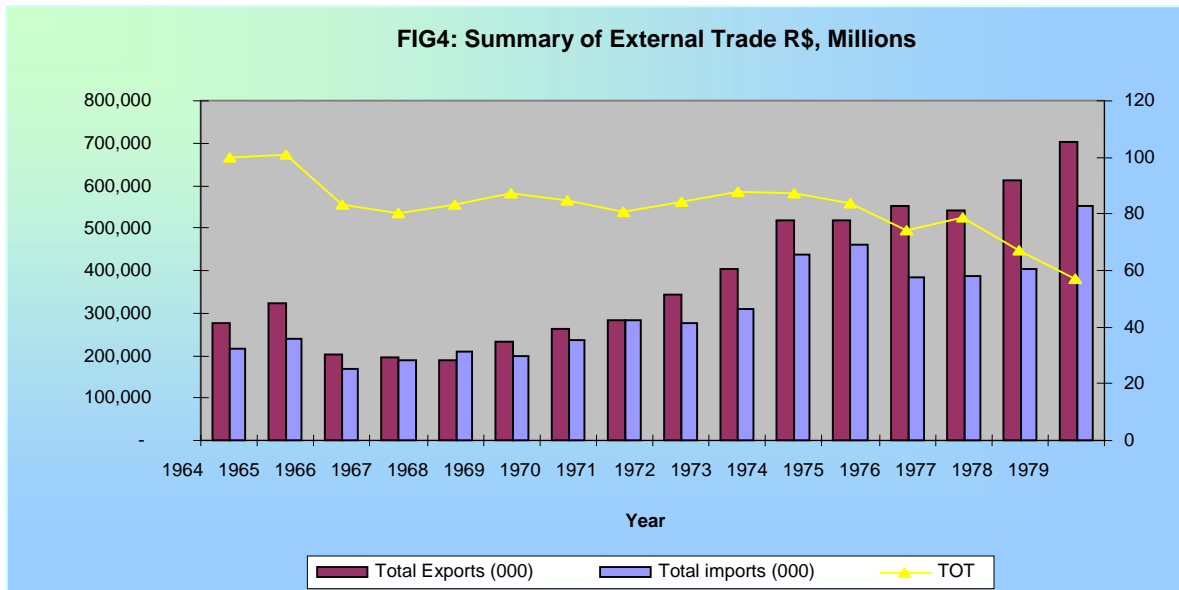
Source: Hurungo (2010)

With regards to fig 3, Hurungo (2010) makes the following assessments; in the year 1966, the country witnessed a degeneration in its economy's growth rate which was recorded to be -14% after the UN comprehensive sanctions in 1966. Due to a number of fundamental developments in the macroeconomics of the country, specifically the stout interventionist policies they employed, the Domestic Gross Product enumerated to 5.6% in 1967. A standard of about 5, 42% was to be sustained through to 1975.

2.1.3 Trade Deficits and Surpluses

The 1964 bilateral trade agreement between South Africa and Rhodesia created a platform through which the Rhodesian locally produced goods could be exported thereby sustaining the manufacturing industry despite the limitations created by the international economic sanctions. Consequently South Africa and Portugal violated resolution 216 Rhodesia continue its trade endeavors.

Figure 4: Summary of External Trade R\$, Millions



Source: Hurungo (2010)

Hurungo (2010) argues that in 1965, the Rhodesia government became more prosperous with a 17% expansion of exports that gave the country foreign currency reserves. Tobacco generated more than half of Rhodesia's foreign currency throughout the UDI era and a highly-organized cartel smuggled it out to world markets disguised as South African or Portuguese product (Hurungo 2010). Nonetheless tobacco production was heavily affected, the tobacco export earnings (Hawkins (1967), however records a 60.1 million pounds dearth in export earnings in 1966 compared to the years prior sanctions and he attributes this to the loss of the British market especially tobacco and a sharp contraction in the Zambian Market. Earnings decreased by almost half compared to the pre sanction period. Notably this was much higher contrary to the perceived fall that the sanctions crafters expected.

2.1.4 Levels of Savings and Savings Ratios

Significantly, Rhodesia experienced a strident growth in domestic savings to an approximated value of \$65 million. This remarkably contributed to 18.5% of the GDP and helped preserve the economy in the face of the hostile sanctions.

2.1.5 Agriculture

The UDI period saw many changes in the agricultural sector and this included a shift towards the production of maize and beef for sale on the local market. Taringana (2014), argues that, Tobacco was the largest sector accounting for above half of total agricultural output and one third of all Rhodesian exports and as a result of sanctions, the tobacco industry was the hardest hit and owing to its central position in the country, the entire economy was affected. This led to a shift towards other agricultural produces. Importantly sanctions fostered strong agro based industries through the creation an artificial protection for domestic manufacturing. Between 1965 and 1975 Strack notes that Rhodesian manufacturing increased 88% and the number of products went from 88 to 3837.67. According to Hurungo (2010), however, this shift towards maize production created competition to black farmers, whose share of marketed home food production declined from **65%** to **30%** during the UDI period. Also the mass movement of about a seventh of the African population during the liberation war impacted negatively on the African agricultural sector but nevertheless this did not make any major changes on overall economy.

2.1.6 Employment Levels and Patterns of Employment/Levels and Types of Unemployment.

It is important to note that in a bid to maintain the white electoral support, the policies employed affected the employment levels of the black majority. The imposition of sanctions saw an increase in the rate of African unemployment and the deportation of non-local blacks. To the

white minority, however, it was business as usual, levels and types of employment remained, and only in certain instances would they change to suit the situation at hand.

2.2 EFFECTS OF SANCTIONS ON THE SOCIAL LIFE OF THE RHODESIAN POPULACE

Notably sanctions had social consequences and in some instances the government would extend its control over individual political rights and civil. It is worth noting that to the Rhodesian government sanctions became a political opportunity through which it could gain as well as increase its support base with the white electorate. This is reflected mainly in the policies implemented to counter the international sanctions and it subsequently had its own repercussions on the well-being of the black majority in the country.

Prinslow (2010) points out that, the Rhodesian experience also supports the theory that withdrawal from trade tends to increase relative rates of return to owners of capital and skilled labour and reduces returns to unskilled labour. In Rhodesia's case, sanctions reduced the absolute level of living of Africans, while at the same time increasing the absolute level of living of whites.

Importantly the success of the interventionist policies employed by the Smith regime as well as the unwillingness of the international community to reconsider the sanctions culminated in the worsening of racial relations in the country. *The blacks were at the bitter receiving end as they were viewed as the main reason behind the predicament Rhodesia found itself in; after all the international community was fighting for their inclusion in the government,* highlights Mr Francis Nzenze a historian in Macheke. This deterioration in relations was heavily felt on the African social services such as education and health. Like employment, education and health favoured the whites and much more was spent on the few white children than on the many

Africans. This led to a very disgruntled black population which later led to the insurgence in the UDI period.

The UDI government resorted to the use of tyrannical methods in a bid to contain African resistance and thus lengthening the rule of Smith. Through the Law and Order Maintenance Act and the Emergency Powers Act of 1960, the police, army and magistrates had power to arrest and detain suspects without trial. Accordingly, in 1972, the Rhodesian government declared a State of Emergency and it;

- Barred political gatherings by Africans
- It was mandatory for every adult Africans to carry identity cards at all times.
- It was obligatory for missionaries to seek permission first before entering African communities
- Assistance to guerrilla nationalist attracted heavy penalties

Importantly the sanctions era witnessed the mass movement of Africans concentration camps so as to kill guerrilla expansion whose growth hinged on their aid. This negatively impacted the African economy which was agro based and subsequently worsening the already devastating poverty they were in.

It is also significant to note that because of the intensifying social problems on the ground and uncertainty created by sanctions the white population started migrating to other countries. According to Professor J.R.T Wood, the white population rapidly declined through emigration to about 90,000 compared to the pre-sanctions period which had at least 300 000 whites.

It is in this light that one can argue that although the Smith regime sustained a vibrant economy throughout the sanctions era, the social life was not as vivacious. The black majority suffered greatly as all policies benefited the whites and the expense of the blacks. Importantly as

evidenced by the rate of migration, despite the economic boom, the whites were not equally happy as well.

Overview of the Macroeconomic Environment Prior the Zimbabwean Sanctions

➤ Post – independence (1980-1990)

With the commencement of independence in 1980, the Mugabe administration adopted a well-functioning economy that pre-dominantly featured an underprivileged rural sector and a moderately advanced modern sector. Much effort was put into redressing disparities created by the colonial system particularly in the social arena and the expansion of education and health sectors. Due to financially motivated redistributive programmes, removal of sanctions, and access to external markets not enjoyed by the UDI period, Zimbabwe's gross domestic product reached 10.7% in 1980 and was almost consistently so in 1981 with 9.7% (UNDP, 2008). On the other hand, however, 1882 forward Zimbabwe experienced commendable progress on the social arena which was very much contrary to the economic returns. The newly independent country faced low investment and capital formation, waning out of Zimbabwean exports on the international market as well as foreign currency deficits. According to Parson (2007), due to the financial and current account deficit, recession was inevitable and measures had to be taken to address the situation hence the adoption of the Structural Adjustment Programme (ESAP) to redress the impending disaster.

➤ ESAP era (1990-1999)

ESAP was basically aimed at refocusing policies so as to create a platform for an open market driven economy; market based interest rates, liberalisation of the financial sector; opening of one stop investment centre; commercialisation of the parastatals; and liberalisation of the labour market (UNDP 2008). Instead of accelerating growth and reviving the economy, the

Economic Structural Adjustment Programme, further worsened the situation as it featured closure of some industries and increase in unemployment levels owing to retrenchments especially in the public sector. ESAP together with the 1992/3 droughts, the grant payment to ex-combatants 1997 which crashed the domestic currency, Involvement in the Congo crisis worsened the situation in the country. According to UNDP (2008) GDP dropped from 0% in 1998 to -7.4% in 2000.

With the worsening of the crisis in 2000, Zimbabwe embarked on a controversial land reform programme whose implementation did not go well with the international community. Once again the global community is seen rallying behind Britain's grievances towards Zimbabwe and subsequently led to the imposition of sanctions by the USA, EU and Australia.

EFFECTS OF SANCTIONS ON THE ZIMBABWEAN ECONOMY (ZIDERA ERA 2000-2015)

Table 2 : Main features of the Zimbabwe economy under sanctions

<p style="text-align: center;">Declining</p> <ul style="list-style-type: none"> • Agriculture • Manufacturing • Tourism • Private sector • Formal economy • Domestic output • 'Real' investment • Large formal firms and farms 	<p style="text-align: center;">Growing</p> <ul style="list-style-type: none"> • Mining* • Distribution and trade • Telecommunications, finance, real estate • Public sector • Informal sector • Foreign trade • 'Financial investment' (speculation) • SMEs/subsistence farming
<p style="text-align: center;">Diminishing</p> <ul style="list-style-type: none"> • Middle-income segment • Income from domestic employment • Differentiation – style, quality, branding • Skills and entrepreneurship 	<p style="text-align: center;">Increasing</p> <ul style="list-style-type: none"> • Low-income segment • Diaspora remittances • Down-trading and cost leadership • Low skills and low technologies

Source: UNDP (2008)

The table below gives an overview of the country's overall economic performance since the imposition of sanctions in the new millennium.

Table 3 provides an overview of Zimbabwe's economic performance since 1980 to 2006 and is the basis from which the researcher used to analyse the economic performance of the country since the imposition of ZIDERA.

Table 3: Zimbabwe's Economic Performance, 1980–2006

Economic Indicators	1980-1990	1991-2000	2001-2006
Average Annual GDP Growth (%)	4.3	0.9	-5.7
Employment Growth (%)	1.9	0.4	-7.5
End of Year Population	9.75	16.34	11.95
Formal Employment (% of Population)	12.2	10.9	7
Manufacturing VA average growth (%)	4.6	-0.7	-7.4
Manufacturing Employment Growth (%)	3	-0.7	-5.3
Inflation in Final Year (%)	12	56	238
Manufacturing Volume Index in final Year of period (%)	138.1	100.7	67.8
Export-GDP in final year of period (%)	23	43	24
Manufacturing as % of GDP	20.35	17.7	15
Agriculture as % of GDP	16.2	14.9	17
Mining as % of GDP	4.3	4.2	4
Savings-GDP	16.5	17.9	-10
Investment-GDP	16	19.4	6.3
Budget Deficit as (% of GDP)	-2.1	-6.3	-5.8

*estimates were made for 1986-1990 only

Source: UNDP 2008

Importantly all indicators with the advent of sanctions suffered negative progression and by 2008 the country was in a deep economic crisis.

2.3.1 Gross Domestic Product (GDP)

Importantly, sanctions were imposed on an already suffering economy and the GDP was already going the negative direction with a record of -7.4% in the 2000. Years following sanctions in 2001, saw the GDP further decreasing. According to the central statistical office, in 2003, the GDP hit a -10, 4% mark and averaged at around -5, 4% from then on till 2007. Compared to other surrounding African nations, the African Development Bank notes that, Zimbabwe compared to other SADC countries with which it had earlier equated favourably with regards to GDP growth shows that she dropped to an average negative growth for 2000–2006 of 5.7 percent compared to these countries' average positive growth of 4.8 percent during the same period. (UNDP 2008)

With the advent of the Government of National Unit (GNU), the period 2009-12 was marked by an impressive economic recovery resulting from the employment of the multiple currency system. Notably the economy grew at an average rate of 11.0% per annum (Monyau and Bandara 2015).

Monyau et al (2015) argue that despite the economic rebound experienced from 2009, the GDP growth however, GDP decelerated sharply from 10.6% in 2012 to 4.5% in 2013 and an estimated 3.1% in 2014.

2.3.2 Price Levels and Inflation

According to UNDP (2008), inflationary pressures started building up from 1997, when it rose from 19 percent in that year to 56 percent by 2000, to over 1,000 percent by 2006, and to an average of 12,563 percent in 2007. The country's deflation is largely attributed to excessive

government spending, financed by the continuous printing of money in an already suffering economy, which brought the country into a hyperinflationary mode. Hurungo (2010) alluded to the fact that expansionary monetary policies pushed inflation toward triple-digit levels and created an asset price bubble. Once the country was in hyperinflation all aspects of the economy were literally paralysed and it was on a free fall. (Central Statistical Office). The table below shows the ever increasing inflation levels from 2000-2008.

Table 4: Zimbabwe Inflation Rate

Year	Rate
2000	55.22%
2001	112.1%
2002	198.93%
2003	598.75%
2004	132.75%
2005	585.84%
2006	1281.11%
2007	66 212.3%
2008	2 310 000 000%

Source: ZIMSTAT

Significantly since 2009, inflation levels decreased due to the introduction of the multiple currency system. Monyau et al (2015) notes that against the background of weak domestic demand, tight liquidity conditions and the appreciation of the US dollar against the South African rand, inflation was slightly negative in 2014, and it is projected to remain low in 2015.

2.3.3 Investment Levels and the Relationship between Capital Investment and National Output

According to UNDP (2008), investment as a percentage of GDP declined from an average of 15 percent in the 1995– 2000 period to 4 percent from 2000 to 2006. UNDP (2008), goes on to note that the fall of investment is further validated by the decline in the figures of gross fixed capital formation (GFCF) which declined from an average of 23 percent between 1995 and 1997, picking up slightly to 25 percent in 1998 before declining precipitously in the post sanctions period. The Central Statistical Office Quarterly bulletins highlights that GFCF in the 2000–2006 period averaged only 6 percent, declining to 2 percent in 2005. Importantly this fall in investment is largely attributed to the unfavourable policies that were employed to counter the impacts of sanctions, and also the worsening economic crisis in the nation stalled foreign direct investment (FDI).

Table 5: FDI net flows in Zimbabwe

Year	Net inflows (US\$)
2000	23 200 000
2001	3 800 000
2002	25 900 000
2003	3 800 000
2004	8 700 000
2005	102 800 000
2006	40 000 000
2007	68 900 000
2008	52 000 000
2009	152 000 000

Source: Trading Economics.com/World Bank/Mid-Year Policy Review Statement, 14 July 2010.

Zimbabwe experienced a high net investment inflow in the 1990s. It however dropped significantly from 2000 due to the imposition of sanctions. Notably, governance is a pre determinant of investment opportunities. The imposition of sanctions tainted the country as a poorly governed state which did not observe the rule of law and was in constant violation of human rights, thus scaring away investors.

2.3.4 Levels of Savings and Savings Ratios

Sanctions also affected saving levels in the country. Gross National Savings (GNS) is a key contributor to growth. The Central Statistical Office (CSO) data indicates that the savings–GDP ratio declined from 28 percent in 1995 to a low of 5 percent in 2001, rising to 17 percent in 2004 before slightly dropping to 14 percent in 2005. The depreciation of the economy had so many antagonistic socio-economic implications, the most awful being the loss of national savings at different societal statuses such as the government, household and even company levels. Nevertheless, the rates of saving never did not reach the negative end it always remained in the positive range and continued with the same trend during and post the GNU era

2.3.5 Competitiveness of Exports, Trade Deficits and Surpluses

Since 1980, foreign currency deficiency has intensively featured, subsequently deterring progression of the economy thereby negatively affecting export performance. World Economic Outlook Database (2008); shows that average export and import growth (in US dollars) during the 1980–2007 period were on average higher than in the deepening crisis period of 1997–2007. Since the turn of the new millennium per capita exports have declined by more than a third compared to the 1980 rate, precisely 2007 imports per capita were 35 percent lower than at independence.

2.3.6 Levels and Types of Unemployment/Employment Levels and Patterns of Employment

The deterioration of the economy led to the downsizing, relocation across borders and even closure of many industries. This ultimately led to retrenchments of many workers hence increasing the rates of unemployment. Table 6 highlights the different unemployment rates since 2000-2009.

Table 6: Unemployment rates 2000-2009

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

Source: Index Mundi

Since the imposition of sanctions, unemployment rates have continuously increased thereby increasing the informal sector as an alternative to survival in the hostile environment. Importantly other factors like the land reform which is also a main driver behind sanctions imposition left a lot of Zimbabweans jobless following the eviction of their former employers. Notably emigration of skilled labour has been a key feature during the sanctions era. This brain drain heavily affected the economy which was already under stress. This however managed to sustain the many unemployed Zimbabweans at home through the sending back of remittances by the diaspora community.

2.3.7 Debt Levels

By 2011, Zimbabwe's external debt had reached US\$10, 7 billion and the largest chunk of it was owed to the International Monetary Fund (IMF), World Bank, African Development Bank

(ADB) and European Investment Bank (EIB). Targeted sanctions coupled together with economic fiasco, fiscal indiscipline, corruption and lack of a comprehensive debt policy resulted in the failure to meet its commitments resulting in the accumulation of interests. More so, the targeted sanctions blocked debt relief initiatives till the terms of the restrictions have been met. Thus a huge strain on the already suffering economy

2.3.8 Decline in Balance of Payment (BOP) Support

According to the 2005 MONETARY POLICY REVIEW STATEMENT, combined effects of declared and undeclared sanctions on Zimbabwe have been to worsen the country's BOP position as characterized by the following:

- Zimbabwe's balance of payments position deteriorated significantly since 1997. In 1997, it deteriorated from a deficit of US\$21 million to US\$740 million. This unfavourable development emanated from the combined effects of poor export performance, high import demand, and reduced capital inflows, on the back of adverse publicity.
- A combination of current account deficits and reduced capital inflows, resulted in excessive pressures on foreign exchange reserves, which, as a result, declined from US\$830 million (3 months import cover in 1996) to US\$272 million (1 month import cover) by end 1997.
- The attendant foreign exchange shortages severely constrained the country's capacity to meet foreign payment obligations and finance critical imports, such as drugs, grain, fuel and electricity.
- Reflecting the shortages of foreign exchange, there has been a significant build up in external payments arrears. At the end of 1999, total foreign payments arrears amounted

to US\$109 million and have since increased astronomically to US\$2 073.7 million by end of 2005.

- This unfavourable development in the external sector has worsened the country's creditworthiness as the country's risk profile was heightened. This subsequently led to the drying up of traditional sources of external finance from the donor community.
- The withdrawal of the multilateral financial institutions from providing Balance of Payments support to Zimbabwe had a demonstration effect as some other bilateral creditors and donors also followed suit by either scaling down or suspending disbursements on existing loans for both Government and Parastatal loans.
- Prior to these developments, the country had an impeccable record of prompt debt servicing and was highly rated in the international financial markets.
- The capital account, traditionally a surplus account, has been in deficit since 2000. This largely resulted from the perceived high country risk by both multilateral and bilateral creditors. As such, international investors preferred other countries for investment, thus depriving Zimbabwe of the much-needed foreign direct investment.
- The overall balance of payments position is estimated to have recorded a deficit of US\$266 million in 2005. This was financed through the accumulation of arrears which ended the year at US\$2 073.7 million.

2.4 EFFECTS OF SANCTIONS ON THE SOCIAL LIFE OF THE ZIMBABWEAN POPULACE

The sanctions on Zimbabwe not only impacted the economy negatively as anticipated in order to influence political decisions and policies but the citizens at large were heavily affected.

With the advent of sanctions came the further deterioration of social services which had already begun to decline during the ESAP era. Zimbabwe since the imposition of sanctions has witnessed a setback in the areas of social development such as health, education, infrastructure

development, and water and electricity delivery due to the reversal of funding by international institutions. This meant that the government had to squeeze the little reserves available and this lefts many sectors bleeding specifically the social arena. This has had overwhelming effects on social services provision such as HIV and AIDS programmes and irrigation schemes among other social factors. This further reversed the gains of development that had been made thereby increasing poverty levels in the country.

Since the start of the new millennium which is also the ZIDERA sanctions era, the Zimbabwean education system worsened with economic meltdown. *Even though Zimbabwe still dominates the high ranks in literacy levels in Africa, the quality has since depreciated*, notes Hebert Nyikadzino an upcoming economist. The emigration of the skilled forces to other countries was also inclusive of qualified and experienced teachers, lecturers and professors. This greatly affected the delivery of quality education. Key quality indicators such as infrastructure, student teacher ratio, student book ratio among other gages were greatly affected. The general populace no longer trusted even the Zimbabwe Examination Council that many parents resorted to Cambridge examinations. School dropout levels increased mainly due to lack of funds as many people were not employed. However, from 2009, the education sector has witnessed some improvements.

The health sector has also been affected by the imposition of sanctions. Qualified personnel such as doctors, nurses and other health professional also relocated to other countries for better living conditions. Infrastructure deteriorated and there were momentous deficiencies of drugs in hospitals. The UNDP (2008) points out that Zimbabwe experienced very high rate of HIV/Aids epidemic thereby reducing life expectancy to 37 years for men and 34 years for women in 2007, about 1.6 million adult Zimbabweans under 50 years were suffering from HIV/Aids and this is a group of economic active people signifying greater impact on the economy. Importantly the economy was already heavily strained due to sanctions thus the

inability of the government to effectively respond to the social needs of its people. Importantly the economic strain had adverse effects on the wellbeing and living conditions of the general populace. Due to unemployment and the economic crisis many rural populations plunged into poverty.

According to Kennedy Mugochi, an academic and also a sociologist, *rural urban migration increased as a result of sanctions thereby straining the cities and the municipal owing to insufficient funds were not able to provide for the increasing urban population. Major high density suburbs were at the receiving end of all insufficient service delivery specifically water, and often experienced a series of sewage burst which had gone for years without service.*

Widespread of diseases such as cholera and diarrhoea became a common feature in these areas.

In light of this one can argue that whatever the intentions of sanctions were by the international community, the ordinary person suffered immensely.

Chapter 3: Strategies Employed In Order to Counter the Negative Impacts of Sanctions by the Governments Under UDI and ZIDERA.

Introduction

Both the Rhodesia and Zimbabwean governments had to come up with policies and strategies to deal with anticipated challenges that sanctions could bring. There are a number of aspects that the UDI and the ZIDERA governments used in bursting sanctions. This chapter thus seeks to explore the different strategies that both governments used to survive in the hostile environment.

3.1 SANCTIONS BUSTING IN RHODESIA

According to Hurungo (2010), the Rhodesian government was repeatedly warned well in advance of the imposition of economic sanctions and both the government and the public had time to take precautions. These pre-sanctions precautions as highlighted by Hurungo (2010) include:

- The stocking up of imported goods and to get exports out of the country just before UDI.
- Execution of import control measures shortly before UDI to control this rush to stock up, and thus the import control weapon was ready to use when sanctions actually were imposed.
- The government also removed a substantial amount of its foreign exchange reserves from London in the weeks just before UDI.
- The policy of stockpiling tobacco and sugar provided some breathing space for the agricultural sector to readjust itself to the new situation .Stock piling was financed through judicious monetary policy and without any significant increase in taxation and this did not add any inflationary pressures.

3.1.1 Trade Policy

One of the major weaknesses of the Rhodesian economy was over reliance on imports and exports for its sustenance. With sanctions targeting these key elements the government had to make huge strides towards a changeover from the former import and export led growth to self-sufficiency. The ban on Rhodesian exports and imports meant that the country would experience excess production of goods in industries with no market and an increased demand in formerly imported goods. The government had to navigate between these two extremes and provide a solution that would ensure that none of the two elements would suffer. Instead of producing for exports and relying on imports, the solution lay in import substitution, import controls, diversification, industrial reform and protectionism.

Import Control

Due to the perceived consequences of the Unilateral Declaration of Independence, the Smith regime took precaution measures to counter these effects when they would finally come to reality. The Rhodesian government was thus in a better place to exercise import restrictions after the imposition of sanctions in 1965.

Notably the Rhodesian economic and social livelihood was largely depended on imports. Rhodesian imports constituted mainly of consumer goods, raw materials and capital equipment. Hence with the anticipation of sanctions if Rhodesia was to declare its independence led to an import rush which saw large scales of imports coming through to the country. These import reserves meant that imports could be delayed for some time before they could cause severe implications to the economy. According to Hurungo, (2010), Rhodesia made about £43.9 million worth of consumer goods imports in 1964 which would be relatively easy to reduce.

It is worth noting that the 1965 sanctions involved a reduction in Rhodesian foreign exchange earnings, a move which was aimed at deterring its ability to purchase foreign goods. Rhodesia's resolve was thus the introduction of import controls which also entailed the rationing of foreign exchange. Importantly the precaution measures taken prior the imposition of sanctions created an environment through which the government could implement import control measures. This move helped the government to buy time for the adoption of other policies without the economy plunging into a serious decline.

Import Substitution

The Smith administration later backed the import control policy with the substitution of imports to deal away with the gap created in domestic consumption. Imports had been a thorn in the flesh to many local businesses because of competition and the ban on imports eliminated that competitive factor. This created hope for the thriving of a local market to many domestic manufacturers. This saw a massive expansion of the Rhodesian industry which was also a force to reckon with in the region despite burden of sanctions.

Investment Controls

The main aim of this investment control was to safeguard the import substitution policy. The government created the Industrial Development Corporation (IDC) whose main aim was to facilitate industrial development. It focused on projects that were risky for the private sector to venture into as well as outside their product range and then sell them to the private sector after all risk factors had been eliminated. The investment control was also used to avert duplication of projects as it barred new firms from manufacturing goods already on the domestic market. The earnings from these sold projects would be used for starting new ones.

Export Reform

Export restrictions meant that the costs of production would be higher than normal if industries were to continue manufacturing for foreign markets and refocusing on domestic markets was the cheaper option. Export oriented manufacturing was dumped by many companies to pave way for domestic focused production. Significantly not all companies changed focus meaning that there was limited pressure on export earnings and it also eliminated the dependence factor there by creating a balance on the economy. The local market became more profitable and saw firms shifting from export manufacturing and diversifying into new local prospects.

Diversification

Diversification was also adopted in the agricultural sector which saw farmers moving away from tobacco as the main source of income to other crops that was especially appealing to the local market. Rhodesian is seen during the sanctions era producing crops such as tea, coffee and maize. The shift towards maize production by white commercial farmers had huge implications on the black population who had been reliant on this crop for income, hence saw many Africans suffering as a result. However this implication on the African economic life did not affect the overall performance of the country's economy as a whole.

3.1.2 Industrial Policy

With trade restrictions suffocating the main economic elements of growth the government introduced the industrial policy to counter the economic sanctions as well as reduce dependence on imports and exports. The main economic reasons behind the industrial drive were that this sector was in a better capacity to absorb the excess labor force available, had a future for further development and expansion in the long run and if appropriate technologies, skills and incentives was applied, it was capable of value addition on export products compared to the mining and agricultural arena (Hurungo 2010). A close introspection into the UDI era proves

the above reasons to be true, Rhodesia created an industry to be envied by many which helped create employment and highly competitive goods on the foreign market. These industries included steel and steel products, heavy equipment, transportation equipment, ferrochrome, textiles, and food processing.

The success of the policy hinged on the cooperation of industrialists and farmers as well as their efficiency in production. To ensure this cooperation and efficiency the government resorted to incentivizing local manufacturers and producers as way of increasing their capability to deliver. In light of this incentive process, Hurungo (2010) notes that the foreign exchange regulation regime was so liberal, only the industrial efforts of the entrepreneur justified the allocation.

3.1.3 Protectionism and Subsidies

To guard against foreign completion the government introduced the protectionist policy aimed at protecting the domestic market which was vital for industrial growth. Imports of goods that competed with those locally produced were not allowed in the country. This policy also ensured the success of the import substitution strategy employed with the advent of sanctions.

Hurungo (2010) notes that in a bid to spread the burden of sanctions fairly, the government took it upon itself to subsidize severely affected firms. He also goes on to highlight that the government also helped firms diversify by providing loans or grants to meet expenses during the transition period. Although it was economically right to do so this has been viewed by many scholars as a political move in that if firms were to suffer any losses this would result in the loss of confidence in the government.

3.1.4 Product Rationing

In a bid to control consumption as well as limit the over reliance on imports Rhodesia with the advent of sanctions introduced the rationing system. There are some foreign goods that were vital for the economy of the country and in order to ensure that this supply was not disturbed, the government introduced rationing of foreign exchange, which was priority based and exhibited through a quota system. It was meant to ensure that imports did not constitute the larger part in consumption goods. This helped with the preservation of foreign currency reserves, a move that assisted in keeping inflation levels down. Rationing was not limited to foreign exchange earnings but also stretched to raw materials and also gasoline. Petrol rationing was meant to save fuel reserves until alternatives had been reached. In this regard, the preservation of vital economic elements was critical in influencing the sustainable growth of the economy.

3.1.5 Strengthening of Old and the Establishment of New Links with Non-Sanctioning States.

Trade is a key component in economic growth and to ensure that it got the better of it despite the trade restrictions, the Smith Regime maintained trading relations with willing already existent trading allies as well as the establishment of new market links. The already existing partners that were willing to continue business with Rhodesia South Africa, Zambia, Botswana and Portugal. Hurungo (2010), highlights that in defense of resolution 253 (1968) which imposed duty on all states to prevent the importation into their territories of all commodities and products originating in or exported from Southern Rhodesia, the Rhodesian government worked closely with the South African

Smith's economic endeavors were able to continue due to the assistance received from South Africa and Portugal as they negated breaking diplomatic relation with Rhodesia. Significantly

South Africa refused to interfere with private trade between its people and Rhodesia while Portugal's East African ports remained open to all landlocked countries, accordingly Rhodesian access was not denied as well. Notably and to the dismay of the sanctioning powers foreign goods entered Rhodesia nonstop and exports used the South African route were they were stamped with South African trade names and then marketed. In a bid to deal with the problems of origin validation South Africa resorted to the exportation of all locally produced tobacco and used the Rhodesian tobacco instead for its industries. South Africa was an important trade partner in that it had a large market which comprised of an enormous urban population as well as a thriving industrial sector. The "Preferential Trade Agreement" of 1964 also made this partnership strong. Hence this help from South Africa made a great difference to the Rhodesian economy.

The sanction era thus saw large amounts of petrol crossing into Beitbridge from Messina daily and even larger amounts came through Lourenco Marques and then transported into Rhodesia by railway. Significantly, the Mozambican government did not stop the Rhodesia-Mozambique Oil Pipeline Company from supplying crude oil to Rhodesia through Beira to Umtali. West Germany, France, Switzerland and Japan all continued oil supplies to Rhodesia through the South African State Oil. In light of this unimpeded access to oil and petrol, the government repealed the gasoline rationing policy which had been enacted with the commencement of international sanctions.

It is important to note that with the declaration of sanctions on Rhodesia Zambia pledged to place embargoes on Rhodesian goods. However an economic outlook on Zambia's imports during the sanctions period prove that Rhodesian exports to the country were even more compared to the pre UDI era. Importantly Zambia relied on Rhodesia's railway system for its imports from South Africa and hence could not cut off Rhodesia completely as it was vital for

its economic growth. Rhodesia remained a strategic business partner for many countries hence many resorted to the violation of sanctions.

To establish new market linkages, Rhodesia capitalized on the amplified demand for minerals such as asbestos, copper, chrome and iron ore. With this increased demand Rhodesia offered lower rates for these strategic minerals hence creating a preference to its products thus continued violation of sanctions by many states. This saw the United States of America pass a controversial act commonly known as the Strategic Minerals Act of 1972. Through this act, the Rhodesian chrome was selected as part of the strategic minerals vital to the USA's economy. Hence indirectly meant continued business with Rhodesia. USA like South Africa intentionally did not interfere with its citizens interactions with Rhodesia which saw continued support for the tourism sector by the American people. Importantly this action accounted to about a fifth of Rhodesia's trade and was a key contributor to foreign exchange earnings.

The Rhodesian government also took advantage of the relations created during the Federation period (1953–1963), which helped provide a market for Rhodesian goods. In this regard one can argue that this helped counter the trade restrictions, move that rendered the sanctions objective invalid.

3.1.6 Emergency Powers Order

The Emergency Powers Order was a policy that was meant to contain price levels in the country. According to this policy, 27 goods were listed that were not to be sold at an unreasonable profit. According to Hurungu (2010), an unjust profit was defined as any excess of price over that for which the highest-priced similar good was sold in October 1965.

This price control policy entailed that anyone who wished to increase their prices above the prescribed level had to do so by first proving that the costs related to production or buying of

the product had increased compared to earnings they are getting after selling. Thus by controlling economic activities the government managed to keep the economy intact and cost of living bearable to its citizens.

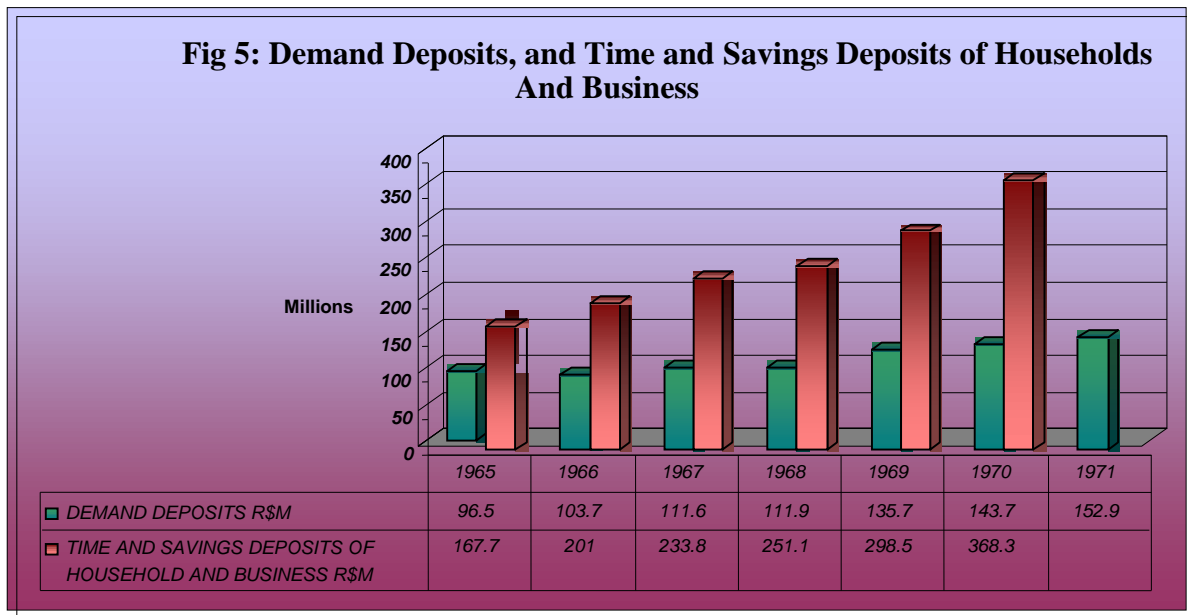
3.1.7 Maintenance of a Dual Economic System

The UDI government took advantage of the dual nature of the economy to deal with issues of inflation. Rhodesia had a cash and non-cash economy, therefore with the advent of sanctions the government and its citizens maximized on the non-cash economy which Hurungo (2010) defines as the traditional, relatively non-technological and largely subsistent barter system. The wide use of this system by the general population reduced pressure on the use of hard cash thus minimizing the rate at which inflation would have hit if it was highly dependent on the cash economy. This dualistic nature thus helped preserve the economy.

3.1.8 Fiscal Policy

The imposition of sanctions by Britain and UN had serious impacts on the flow of capital into the country hence forcing reliance on domestic sources. In an attempt to counter the negative impacts of sanctions, the uncertainties brought by these restrictions there was widespread saving by the general population. The figure below shows that personal savings increased substantially from R\$15.2 million in 1965 to R\$43 million in 1966. The figure below also clearly illustrates the rate at which personal savings were increasing during the sanctions era.

Figure 5: Demand Deposits, Time and Savings Deposits of Households and Businesses



Source: *Economic Survey of Rhodesia. Ministry of Finance, April.1971.pp16*

Though savings were impressive this led threat of liquidity and pressed profits. In a bid to acquire financial asserts the government thus became the only means through which this threat could be quelled.

The table below shows an outlook on the credit market between 1965 and 1970 clearly highlighting the government as the biggest borrower during that time. Government stock as indicated in the table improved from R\$ 87.8 million in 1965 to R\$ 152.2 million.

Table 7: Holding of Treasury Bills by the Banking Sector as a whole

TABLE 7: Holding of Treasury Bills by the Banking Sector as a whole: R\$M					
1965	1966	1967	1968	1969	1970
17.1	77.7	90.6	40.7	36.9	44.5
GOVERNMENT STOCK					
87.8	89.2	106.0	119.2	133.1	152.2

Source: *Economic Survey of Rhodesia. Ministry of Finance, April.1971.pp16*

Hurungo (2010) notes that the lists for the subscription of medium and long term loans have been heavily oversubscribed and the government has purposely planted these securities with non-banking investors rather than commercial banks, thereby avoiding inflationary pressures. Importantly in a bid to maintain the value of the Rhodesian currency, the government linked it to the South African Rand instead of devaluation.

3.1.9 Infrastructure Development

Infrastructure development is an impressive feature of the UDI era. The period 1965 to 1979 saw the development of electricity, dams, telephones, roads and rails among other things. It is important to note that the Smith administration focused on infrastructure that was critical to the economic growth of the country. In light of this Hurungo (2010) notes that there was the development of serviced industrial land, efficient and cheaper transport to and from ports of entry as well as an efficient, well maintained internal transport system which consisted of a network of internal rail system and roads connecting future major mining, agricultural and industrial centers.

3.1.10 Debt Policy

Financial restrictions prohibited debt servicing and was meant to block Rhodesian access to foreign exchange. The move was meant to cripple her ability to meet her debt commitments and Smith's government stroke back by defaulting its debts. Hurungo (2010), notes that the blocking and freezing of dividends, profits and interest payable to Rhodesians by Britain and Zambia reduced Rhodesia's income by £5.1 million in 1966. However the retaliatory measures by Rhodesia reduced the income paid abroad by £8.8 million leaving a useful net gain by the Rhodesian government of £3.7 million (Hawkins 1967).

This default by Rhodesia in repayment of British loans helped the country save considerably with regards to foreign currency.

3.2 SANCTIONS BUSTING IN ZIMBABWE

The period 2000 till present has seen the Zimbabwean government embarking on a number of policies and programmes to counter the impact of sanctions. The Reserve Bank of Zimbabwe has largely featured in most of these policies, mainly because the financial sector was the most hit by sanctions.

3.2.1 Industrial Policy

In 2001, USA, EU and Australia imposed sanctions on Zimbabwe whose targeted nature hindered the ability of the country to source financial assistance from the donor community and international financial institutions. This resulted in an economic meltdown that was characterised by high inflation, foreign currency deficiency, declining foreign direct investment, lack of investor confidence and closure of many firms. Hence to address these imbalances created by sanctions, the Mugabe administration resorted to an industrial led growth approach which aimed at focusing on the manufacturing of processed goods for the domestic and regional market. The government of Zimbabwe (2004), noted that this growth would be facilitated through:

- the provision of incentives for local production and industrial development;
- innovation, technology and value addition;
- situational assessment of the causes of dying industries and their recovery;
- provision of funding for industrial sector;
- creation of industrial parks;
- infrastructural support;
- encouraging spatial development projects;

- synchronisation of regulations governing the sector;
- Formation of a committee to promote industrialisation.

Though this initiative was well meaning it had many loopholes to it which resulted in slow progress in this area and the country continued to face company closures compared to the anticipated growth. Importantly due to the resolve by ZIDERA to effectually stop the flow of capital into the country, this project was under funded. Notably sanctions also affected the country's ability to attract foreign investment and even the local entrepreneurs were intimidated by the environment leaving an overburdened government to spearhead the process alone. Local production was also heavily affected by external competition, the local market continuously preferred foreign products and the international market was not any better. This was an indication of the half backed policy which did not include adequate protection to the local goods.

3.2.2 Fiscal Policy

2004 sees the Reserve Bank of Zimbabwe turn into a power hose even more than the parent ministry (Ministry of Finance). The country witnessed a rush of policies by the government supported by the Reserve Bank Zimbabwe. Due to lack of funding, RBZ financed these projects through the printing of bearer checks and no due attention was payed to the effect this would have on price stability. This continuous printing of money fuelled inflation and nothing was done to control the money supply. The table below shows some of the projects implemented by the Mugabe administration and financed by the RBZ.

Table 8: Central Bank Programmes Administered

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

Source: Reserve Bank of Zimbabwe

Mzumara (2012) notes that in the absence of revenue base and donor support, the central bank became a ‘cash cow’ for government ministries, parastatals and others. Consequently the value of the Zimbabwean dollar began to depreciate to unbearable levels.

Agriculture Mechanization Programme

Due to demands of foreign exchange reserves and food shortages, the Reserve Bank in a joint venture with the government introduced the agriculture sector productivity enhancement

facility (2005) and the farm mechanization programmes meant to revive agricultural production and spearhead the Land Reform Vision. According to Hurungo (2010), the objectives of the programme were;

- to enhance national food security through increased agricultural production;
- to increase the overall export potential of Zimbabwe's farming community as contribution towards self –sustenance

Parastatals and Local Authorities Reorientation Programme

The Central Bank also made interventions in parastatals that were strategic to the country's economy. Hurungo (2010), notes that between 2005 and 2007, the Reserve Bank of Zimbabwe provided financial assistance and advisory services on (budget preparations) to over twenty-six Local Authorities which accessed loans for various projects as well as training of management and workers representatives in performance management. This intervention, however, did not achieve the expected results due to corruption and the inflation rates that continued rising.

Dam Construction

In a bid to increase areas under irrigation that would subsequently lead to an increase in agricultural production, the Central bank facilitated a countrywide dam construction programme. Dams constructed and funded under this initiative include Chigavakava in Buhera, and the Gwayi-Shangani Dam. This again like many other initiatives did not achieve the desired results.

Alternative Energy

The Bank also sought to cushion the country from the exogenous shocks of escalating energy costs through the development of alternative sources of energy, such as bio-diesel production. This project was intended to benefit the economy immensely as the increased availability of diesel will alleviate the supply constraints and also save foreign exchange through import

substitution. Reduced dependence on imported fuel was also going to curtail the attendant inflationary pressures in the economy.

BACOSSI

This was followed through by a programme commonly known as Basic Commodities Supply Side Intervention (BACOSSI) which saw RBZ supplying groceries at heavily subsidized prices in a country facing serious shortages. It was meant to ensure that the general population had access to the basic commodities at affordable prices.

Multiple Currency System

The introduction of the multiple currency system left the RBZ heavily indebted and it also brought to a halt its ability to print money hence put a stop to their joint project implementation with the government. This was a great relief to the economy and was a great boost to the industrial sector. For the first time since the imposition of sanctions, the county experienced some form of economic stability and the general wellbeing of the general populace improved.

Bond Coins

The introduction of the multiple currency system was not able to adequately supply the country with smaller denominations hence the introduction of the bond coin which was as at par value with the United States Dollar (USD). It is important also to note that the multi-currency system had reduced the central bank's status and the bond coin was a way of trying to regain its lost glory. It has since proved to be effective and its link to the USD has helped strengthen it, though at a limited extent it is a notable improvement on the part of RBZ.

3.2.3 Price Control

During the crisis as brought about by sanctions the government introduced the Price Control Commission. It was meant to control the prices that were becoming unbearable to the general public. In response to the price control firms resorted to selling their products on the parallel market. In response to this violation by many firms the Commission began raiding shops found

wanting and the products were given to the people for free. The resultant effects of this was the disappearance of products from the shops altogether, only to resurface on the black market which was out of reach to the commission. Consequently the price control strategy failed and it actually increased shortages and failed to contain inflation escalation.

3.2.4 Short Term Emergency Recovery Programme (STERP I)

STERP I of 2009 was aimed at the recovery of the Zimbabwean economy and the objectives of the programme were:

- To facilitate value restoration of the domestic currency and its stability;
- To increase capacity utilization in all sectors of the economy
- To ensure adequate availability of basic commodities
- Revival of the social, health and education sectors and;
- Improved service delivery specifically water supply

In its nine month life span it managed to create some form of stability and the availability of basic commodities on the domestic market significantly increased. Instead of restoring to value the Zimbabwean dollar it opted for the multiple currency system instead which was actually a better alternative as it brought about stability. Of importance the Government of National Unity had hoped that by creating a vibrant and comprehensive policy it would be able to attract external funding but the international community was reluctant to do so. Without funding and clear strategies as to how these goals would be achieved, the programme failed to meet its targeted objectives. Hence the launching of STERP II, addressing the major weaknesses of this first attempt.

3.2.5 Short Term Emergency Recovery Programme (STERP II) 2010-2012

STERP II was a three year macroeconomic policy whose life span is from 2010-2012.

According to Zimbabwe Government (2009c:22-382) STERP II intends to:

- Improve the agriculture sector whose growth has been seriously affected between 2000-2009
- conduct land audit so as to solve the problem of security of tenure and prevent new farm disruptions
- to attain growth rates in the sector of upward 20%
- To increase capacity utilization from almost below 10% to above 60% by the expiry of the programme
- to remove surrender requirements, beneficiation added value, exploration, enacting new regulations for mining rights and reform in pricing of minerals
- to improve the image of Zimbabwe in the tourism sector
- To generate enough and reliable energy supplies to enable industries and mines and other productive sectors to improve on capacity utilization
- Rehabilitation of both rural and urban networks.

Although it managed to make remarkable improvements in the economy, but just like its predecessor, it failed to fully comprehend and outline its implementation strategy and was also unable to attract adequate funding.

3.2.6 Medium Term Plan (MTP), 2010-2015

The Medium Term Plan (MTP) was spearheaded in 2011 by the Ministry of Economic Planning and Investment Promotion. The MTP aimed at creating a globally competitive economy,

employment creation and the upholding of democratic principle. According to the Government of Zimbabwe, (2010) the objectives of MTP are outlined as follows:

- macroeconomic stability;
- good governance,
- maintenance of political stability;
- diversified economy
- access to social services by all; a
- acceleration of rural development;
- equal opportunities for all;
- development and utilization of modern science and technology;
- to achieve a vibrant and dynamic culture; and
- sustainable utilization and management

This programme as well did not achieve much and its implementation strategy leaves a lot to be desired.

3.2.7 Indigenization and Economic Empowerment Act (Chapter 14:33)

Sanctions have continued to seriously implicate the economy and in order to deal with these continued negative impacts, the Mugabe administration introduced the Indigenisation Policy. According to Indigenisation and Economic Empowerment Act (Chapter 14:33) the objectives highlight that:

- at least 51% of the shares of every public company or any other private company or business shall be owned by indigenous Zimbabweans;
- no unbundling of business or demerger of two or more businesses shall, if the value of any business arising from the unbundling or demerger or restructured entity unless indigenous Zimbabweans are representative and the 51% is represented by indigenous Zimbabweans;

- no merger or restructuring of the shareholding of two or more related or associated business or acquisition by a person of controlling interest in a business, if the value of a business is beyond threshold ;
- no projected or proposed investment in reserved sector of the economy available for investment by local or external investors is reserved for indigenous Zimbabweans are in control;
- all central government purchases shall endeavour procured according to Procurement Act (Chapter 22:14) for which indigenous Zimbabweans do not have controlling interest any subcontracting to businesses in which indigenous Zimbabwean have a controlling interest.

According to the Act an '*indigenous Zimbabwean*' as any person who, before the 18th April, 1980, was disadvantaged by unfair discrimination on reasons or grounds of that person's race , and any descendant of such an individual and extends to any company, association, syndicate or partnership of which indigenous Zimbabweans are the majority or have controlling interest.

Like many other policies by the Zimbabwean government, the policy is well meaning but has received a lot of criticism. Instead of empowering the poor, it has largely benefited the elite at the expense of the less fortunate. It has also scared away investment and some companies have resorted to closure rather than compliance. It has heavily affected the mining and agricultural sectors.

3.2.8 Look East Policy

Sanctions imposition on Zimbabwe by the EU, USA and Australia was a clear reflection of souring relations between this African country and the West. After several unsuccessful attempts to get these powers to change their mind the Zimbabwean government was left with no choice but to look for new friends outside of the hostile environment it was in. The Mugabe

administration decided to tap in to the South to South cooperation concept. The government thus developed the Look East Policy aimed at looking for new acquaintances in the east to facilitate development in the country and revive the economy from the mess it was in due to lack of investment and other factors brought about by sanctions. According to Makwiramiti, Zimbabwe's traditional trading partners in the European Union and the United States had drastically scaled down on business or stopped completely, it was natural for the government to look elsewhere in order to save the country from total collapse, (<http://www.misa.org/pipermail/misanet/2-005-July/000000.html>).

Since then there has been increasing cooperation with the Asian states like China, India, Malaysia and Iran. The government believes that this is the breakthrough that Zimbabwe needs to deal with the current economic crisis. It is important to note that no real benefits have achieved and this move has been criticized because of the lack of substantial evidence to show the impact these relations have had on the economy. Chigora et al (2009), notes that benefits have come though little and at a cost to solve the huge gap that surmounts the crisis. Chigora et al (2010) and Chigora (2008), records the following notable benefits:

- Business partnerships between the Government-controlled Industrial Development Corporation (IDC) and the Midex Overseas Limited of India, who are currently constructing a multi-seed oil processor plant in Chitungwiza. This plant has a capacity to process over 20 000 tonnes of cotton seed and Soya beans per year and create more than four hundred jobs for Chitungwiza residents and those of surrounding areas.
- China and India helped supply the country with essential equipment for rural electrification programme, which by 2005, 4 229 projects had been completed while 1 157 projects were at various stages of completion.
- Growth in the numbers of Asia tourists which is vital for the economic growth of the country.

- Purchase of aircrafts and buses from China
- Establishment of cheap retail shops to service the domestic market, though their products are criticised to be of cheap quality, they have become popular with the local citizens due to the low prices.

3.2.9 Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim Asset)

The sanctions in Zimbabwe since the turn of the new millennium has continued to undermine the economic performance of the country and cause great suffering to the general populace. This continued existence of sanctions is what made the ZANU PF led government in 2013 to come up with the Zim Asset policy meant to ensure sustainable growth and development of the economy. This policy has been able to a certain extent to provide employment alternatives or rather provide sources of income to the many unemployed Zimbabweans through the informal sector. It is however too early to determine whether it has been successful as well as its direct contribution to the country's GDP. Despite all this it is another beam of hope to the Zimbabwean people for a better situation in the country.

3.3 Ascertaining On Which of the Two Regimes Was More Effective In Dealing with/Surviving Sanctions between Rhodesia and Zimbabwe

It is difficult to effectively compare these two entities, however there are a number of interventions that provide a leeway through which one can ascertain on who was more successful in achieving the desired result. The success gap between these countries in bursting sanctions can be attributed to a number of factors:

The Rhodesian government introduced import controls to deal with their over reliance on imports. This was a move meant to bring imports in line with limited foreign exchange

earnings. Whilst Zimbabwe did not put in place any import controls but they rather increased and bled on the limited foreign currency reserves the government had.

Rhodesia did focus on closed doors but rather immediately began to establish new market links and maintained all links with all old partners that were willing to continue working with them. Zimbabwe on the other hand spent a lot of time waiting upon the hostile partners in the hope that they would change their minds and finally changed focus to the east. However this new link has only increased the country's reliance on imports, despite the benefits the partnership has accrued.

Rhodesia developed industrial friendly policies that resulted in a robust industrial led economy. Whilst Zimbabwe's industrial policy was under funded and half backed. Also the government has been in constant fights with the private sector and viewed them as opposition instead of collaborating with them to come up with a viable policy.

This was one of the elements that helped Rhodesia achieve self-sustenance and was also a platform through which industrial growth was facilitated. For Zimbabwe the import substitution measures were limited hence failing the economy the boost it needed.

Both governments created an arm of the government that would facilitate investment and industrial growth. Greenfields of Rhodesia managed to serve its purpose, as it made it a point to hand over all projects to the private sector once they were at a risk free level. The Zimbabwe Industrial Development Cooperation is still holding on to many companies making industrial growth impossible.

Hurungo (2010) notes that the Rhodesian government realized and understood the effects of expansionary monetary policies and recurrent government expenditures on inflation and implemented tight measure to curb inflation. While the Zimbabwean government's recurrent expenditure ballooned and money printing was the order of the day resulting in the country plunging into a hyperinflation mode which destabilized every other sector of the economy.

Of importance as well with regards to the success gap between the two regimes is the population aspect. Rhodesia had far less the population than Zimbabwe has at this particular point in time, which makes it hard for the current government to effectively execute sanctions busting measures. Also Rhodesia adopted sanctions on an already functioning and stable economy, while Zimbabwean sanctions were imposed on a suffering and dismally falling economy making it difficult to counter the negative impacts brought about by the international restrictions.

In this regard one can argue that Rhodesia together with her prudent economic measures managed to effectively counter the negative impact of sanctions whilst Zimbabwe is still struggling to keep things together in the face of sanctions and a lot has to be done to improve the situation.

CONCLUSION AND RECOMMENDATIONS

CONCLUSION

Significantly both governments made remarkable efforts in countering and dealing with the burden brought about by sanctions. A close introspection into the busting measures employed by both government shows that Rhodesia proved a victor in all this. Despite the presence of sanctions, droughts, worsening liberation war and many other crippling factors the Rhodesian economy remained a force to reckon with. On the hand Zimbabwean efforts have not yielded much and has instead seen it plunge in a deep economic crisis.

It is important to realise that sanctions in both governments were imposed under different conditions and so impacted differently on each government's resolve to deal with these restrictions. On the one hand, Rhodesia was well aware of the consequences that would result from the Declaration of Independence from Britain. Hence had time to prepare for the inevitable implications of their decision. In light of this they were well prepared and were in a position to survive for some time while effectively planning on the most prudent economic policies. Rhodesia had for a while enjoyed stability in its economy thus an added advantage if it were to come up with policies to maintain that status. At the same time Rhodesia then had a manageable population and only the whites had access to the means of production, so if anyone was to suffer it would be the Africans whose value to the economy did not make much difference.

On the other hand, however Zimbabwe did not have the same time factor that Rhodesia had. The government when it embarked on the compulsory land acquisition scheme, it did not anticipate the response it got from the international community. It had no time to plan whatsoever for the consequences of their action, to them it was a move to revive the economy

but to the rest of the world it was a breach of the international law and warranted punishment. Sanctions were further imposed on an already suffering economy hence making it difficult to come up with prudent policies like that of Rhodesia, for it had to revive the economy and at the same time deal with sanctions. Importantly unlike Rhodesia, Zimbabwe had almost five times more population than its predecessor who almost had an equal access to the means of production and were all waiting to be serviced by the government.

Conclusively, one can argue that it is unfair to compare the two regimes as the circumstances, nature, objectives and the environments under which sanctions were employed are different. What totally stands out, however is the fact that Rhodesian sanctions were intensive and covered almost all aspects of the economy and if the Smith regime had not carefully handled the situation, the economy would have exploded into a big mess. On the other hand, the post-colonial government of Zimbabwe rather had a lighter sentence as the sanctions were targeted in nature and left out key economic features. In light of this, the Rhodesian era provides many lessons to which the current administration can use to revive the economy and achieve self-sustenance. Importantly to move from this mess Zimbabwe finds itself in, the Mugabe administration should focus on establishing new trade links and should shy away from hostile partnerships, the Look East Policy is a commendable start. The answer does not lie in bowing down to the great powers so they can assist the country but rather it is in realising Zimbabwe's potential and capitalising on it so she can be self-sufficient again and return to her former glory.

RECOMMENDATIONS

Zimbabwe survived sanctions once under the Smith regime and it can survive it again now. Zimbabwe is endowed with many strategic minerals, an educated populace, people that are ready to do anything to see the situation change in the country and highly fertile soils for agricultural production. Zimbabwe has enough resources to bring the change it wants on its

own without so much dependence on external factors. It is thus important to come up with vibrant policies that will ensure sustainable economic growth. The first step is however to accept that sanctions or not measures have to be taken to alleviate the situation and take responsibility of the role the country has played in this crisis it finds itself in.

The government should come up with policies that will restore personal savings and investor confidence if the economy is going to have any hope for growth. It is worth noting that savings is a key component of economic development as it influences investment. Sanctions worsened the economic situation in the country as it resulted in ever increasing inflation rate and closure of some financing institutions which led to a lack of confidence in the country's financial sector. This lack of confidence was further exacerbated by the introduction of the multiple currency, though it brought stability, saw a lot people losing their lifetime savings. This was mainly because the introduced currencies were too powerful hence the changeover meant that their Zim dollar savings amounted to nothing. Thus negatively impacting potential entrepreneurs as they failed to access loans from the financial institutions. In other words investment was slow and in some instances stalled thereby affecting economic growth. Importantly if personal savings increase then potential entrepreneurs have access to the relevant funding needed for industrial growth. If the country can facilitate investment through its own savings it will reduce dependence on foreign direct investment and focus on self-sustenance.

Also to encourage investment, business laws and processes should be softened to ease the way business is established. There is also need to deal with dependency syndrome that allows the country to think that it can develop itself without external assistance. In this regard it is of particular importance to realize that savings are the first step to investment which will in turn facilitate industrial growth, a key driver of economic development.

The government should also focus on revisiting the country's education system to ensure that it directly contributes to economic growth and development. It is important that the country in cooperates the progressivism philosophy of education. This system entails that education should specifically target production (education for production) and has successfully boosted the economies of countries like China and Japan. Hence if adopted in Zimbabwe it will boost industrial growth.

Over 15% Zimbabwean live in the diaspora most of which are the country's best skilled forces and are doing well abroad. Policies should specifically target this population to attract them to reinvest in their country as Zimbabwe's industrial sector will do with all the investments they can get. Importantly countries like China rose from diaspora savings and can also work wonders to the economic crisis Zimbabwe finds in itself today.

Cooperation between the government, Civil Society and the private sector are key to industrial growth. These three entities have in recent times been critical of each other and have often disagreed on serious issues. According to Hurungo (2010), Zimbabwe's development strategy needs to set forth, for instance, a view about the role of government, and within the public sector, a framework for decentralization: it needs to describe areas where the private sector and civil society should take the lead, and more broadly the "terms of the partnership" among government, private sector, and civil society. The relationship between the private sector, civil society and the government have helped with the development in many countries and Rhodesia a testimony to it and if employed in Zimbabwe improvements will be noted.

The Government should put in place import substitution strategies that will create platform through which local firms can flourish. After the collapse of the industry, Zimbabwe resorted to imports for its sustenance deterring economic growth and limiting the prospects of industrial growth. Henceforth import substitution policies should aim to empower local industries by eliminating the competitive factor which is imports.

In line with brain drain the country has experienced which has seen the migration of skilled forces. Policies should be implemented that will provide security and ensure that Zimbabwe contains and preserves the skilled labor that's left in the country. Prudent economic policies can also attract the coming back of many skilled Zimbabweans abroad to come help build the economy.

To increase agricultural production, land distribution policies should also seek to target agriculture graduates who have not had a chance to make a difference in the sector. Also in line with increasing agricultural yields, should implement robust policies that include, subsidization of farmers, introduction of advanced technology and mechanization as well as diversification. Amendment number 17 of the constitution which gives 99 year leases to landholders should be repealed to give farmers title deeds. This will help farmers access loans from financial institutions and it gives banks confidence as land can be used as collateral. Zimbabwe should return to its former glory of being the continent's bread basket.

Policies should also target infrastructural development as it is key in the development of the country. The coming of sanctions saw the deterioration of infrastructure in Zimbabwe thereby affecting industrial growth. Henceforth the government should rebuild and advance information and communication technology and transportation which are key elements to a robust industrial drive in the face of globalization and to keep up with modern markets. This can only come to fruition if the government employ suitable atmosphere that is favorable to

private and public sector for infrastructural development and provision of clear maintenance strategies once this form of development is underway.

Strides must be made to reengage the International community as the isolation created by sanctions have continuously stalled investments prospects in the country. This pulling away of international support has been a major reason behind the economic crisis finds itself in. If the Zimbabwean populace were to be given a voice they would advocate to the international community for the removal of sanctions as it has had far reaching effects on the citizens rather than the targeted personnel.

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Appendices

Appendix 'A'

INTERVIEW GUIDE FOR KEY INFORMANTS (academics, historians and economists)

A Comparative Study of Zimbabwe's Economic Performance under UDI and ZIDERA

Key Informants

ISSUES FOR DISCUSSION

PLEASE TICK WHERE APPROPRIATE

1. What do you understand by the term sanctions?

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2. What were the circumstance leading to the imposition of sanctions in 1965 (Rhodesia)?

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3. What was the nature of the sanctions?

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4. What were the main the main reasons behind the imposition of sanctions on the Smith regime?

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5. What effects did the sanctions have on the Rhodesian economy?

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6. What were the effects of the sanctions on the social life of white elite?

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7. What were the effects of the sanctions on the general black majority?

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8. Did the government do anything to counter the negative effects brought about by sanctions and if so, how?

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9. In your opinion what were the circumstances leading to the imposition of sanctions in post-colonial Zimbabwe?

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10. What is the nature of sanctions on Zimbabwe?

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11. What are the objectives behind the imposition of sanctions on Zimbabwe?

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12. What effects did the sanctions have on post-colonial Zimbabwe?

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13. What were the effects on the social life of the Zimbabwean population?

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14. In your opinion, is the government doing anything to bust the negative impacts of sanctions and if so how?

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15. Of the two regimes which one was more effective in dealing with sanctions?

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16. What do you think is the way forward for the current Zimbabwean government for it to survive the sanctions?

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THANK YOU