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CONSENSUS BUILDING, SOCIAL CONTRACTS AND THE ROLE OF VISIONARY LEADERSHIP AND STRATEGIC MANAGEMENT IN SOCIO-ECONOMIC TURNAROUNDS

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CHAPTER ONE

1. INTRODUCTION – THE UNIVERSE OF HUMANITY AND CONTEMPORARY GLOBAL FORCES

A snapshot of the world economy at any given point in historic time starkly reveals that the disparities between rich nations and poor nations has not narrowed and in most cases has widened, with innumerable societies living under extreme poverty. The United Nations defines extreme poverty as that case where on average an individual lives under US$1 per day.

In trying to understand the root cause of this "sticky" nature of poverty, several factors emerge which sit at the foundation of socio-economic retrogression. These factors are:

(a) The extent to which the world order has under-estimated the importance of historical and initial conditions of given regions, given countries, and of a given people. The central thesis here is that initial conditions set up an important dimension that either springs nations to prosperity or dent a people's regenerative capacity in growing and developing their economies. This point will be developed further in the Thesis;

(b) The absence of or skewed nature of the dialogue and consensus building platforms at national regional and international levels. A look at the history of global flash points of civil unrest, wars, and social decay reveals that one of the critical missing links are episodes of communication break-downs which fostered civil strife and wars;

(c) The world's underestimation of the centrality of Visionary and Principled leadership in instilling the essential fabrics of cohesive discipline, integrity, loyalty and hardworking among the people;

(d) The inert greed of richer nations, richer regions, richer villages and richer individuals that invisibly propels the phenomenon of “the curse of natural resources” where predominantly cases of abundance of natural resources have historically turned out to have been a paradoxical source of economic deprivation and civil strife for the weaker sections of society;

- Extensive documented economic histories of both developing and contemporary industrialized economies is fraught with cases where availability of abundant natural resources can actually become the seed for chaotic disharmony among a country’s nationals, as well as with other external countries and institutions. A case in point are the multiplicities of civil wars that erupted in many parts of the world on the back of such minerals as diamonds (Sierra Leone) and oil (The Middle East, Nigeria);

- In the case of Zimbabwe, the prevalence of high-value minerals and vast tracts of arable land has been a defined source of both internal and external frictional tensions. The Land Reform program had to be implemented as an inevitable course, against the background where the majority of Zimbabweans had continued to squeeze a living from non-productive, rocky patches of land into which they had been driven by the former colonial masters;

(e) The role of religion and societal notions of spirituality in polarizing humanity also remains a largely underestimated causal force in explaining the global tensions that characterize the world we live in today;

(f) The amazing deficiency of the strategic “9 C’s” in societal progression. In his book “Where Have All The Leaders Gone?”, Lee Iacocca identified the strategic Leadership 9C’s as:

- That leaders at all levels in society have to show **CREATIVITY** through thinking outside the box;
- That leaders have to show **CURIOSITY** through stepping outside their comfort zones and listening to good advice;
- That leaders have to be effective **COMMUNICATORS** through ability to face reality and telling the truth;
- That leaders have to have **CHARACTER** by knowing what is right and what is wrong;
- That leaders have to have **COURAGE** through commitment to frank dialogue;
- That leaders have to have **CONVICTION** characterized by an inner burning passion for what they do to progress their societies;
- That leaders ought to have **CHARISMA** through the ability to inspire others;
- That leaders have to he **COMPETENT** through knowing what they are doing; and
- That leaders in society must show **COMMON SENSE** in all that they do.

Corporate leaders, village leaders, church leaders and political leaders must, therefore, embrace the 9 C's so as to directly make positive installments in the dismantling of the strains to humanity;

(g) General inertia to implementing set programs at the household, corporate, governmental, regional or global levels. Often the reasons for this inertia range from sheer fear of making mistakes; deliberate avoidance of doing what is right for selfish political expediency, laziness; mere lack of competency; or unbridled pursuit of selfish options that lead to undue self enrichment;

(h) The lack of or delayed global response to natural calamities such as droughts, diseases, floods, Tsunamis, earthquakes and global warming;

(i) Limited global consensus on the ideal formula and strategies to form an effective response to the hazards of money laundering and terrorism; and

(j) Poverty, as a social ailment that strengthens the magnetic fields of geopolitical tensions and exploitative tendencies within humanity.

Confronting these centrifugal global forces at the local micro, national macro and international level occupies the minds and hearts of contemporary societies, giving character to what distinguishes one village from the other; one province from the other; one country from the other and one continent from the other. In the case of Zimbabwe, the country's 27 years of political independence have largely been marked by a slow and protracted struggle for economic empowerment of the majority of Zimbabweans, culminating in the country's Land Reform Program that swung into full gear in year 2000, albeit there had been earlier attempts in this regard. What followed this tipping point in the history of the country will take generations of literary thinking and writing to fully capture, as all sorts of vilifications and conspiracies seem to have been triggered from this attempt by Zimbabweans to rectify injustices from their painful colonial past.

For one to fully appreciate the manner and texture of why interests may clash in societies thereby warranting the interventions of THE ART OF CONSENSUS BUILDING, VISIONARY LEADERSHIP AND STRATEGIC MANAGEMENT, an often effective starting point is the appreciation of the basic intersection of the resource availability space and the boundless horizon of human wants. By their nature, resources are typically scarce, meaning that they are available in amounts and forms that are insufficient to meet the unlimited human wants. This dichotomy of boundless human wants competing for space on limited resources is the root cause of all human strife. Reconciling the two, thus, requires a minimum level of optimal consensus building, under a well defined scale of preferences that attaches greater priority to most needy areas.

A further complication arises in coming up with that scale of preferences that lists societal priorities towards which the scarce resources are to be channeled. Others would rather that role be assigned to the bare knuckles of market forces; whilst others have faith in the collective thinking of centralized planning, under which Government decides the broad profile of resource allocation in the economy, with minimum allowance for free play of market forces of demand and supply. More predominantly, however, most economies have tended to rely on a preferred mix of the two poles; that is, allowing market forces to apply where it is deemed most appropriate but at the same time, implementing some structured command allocations where the need to protect vulnerable groups of society is an overriding objective.

Historical and contemporary socio-economic thinkers have often made the mistake of wanting to prescribe one version of resource management and allocation as the most ideal, one size fits all prescription under which all economies, regardless of their local conditions, must adopt in managing their economies systems. Just as there are cultural diversities; just as there are diverse initial conditions for nations; just as religious values differ; and just as the endowments of natural resources differ; different economies and different societies necessarily respond differently to different stimuli. Ignoring this fact renders any attempt to thrust the one size fits all approach largely ineffective in achieving the primary objectives of macroeconomic stability, economic growth, tranquil co-existence of humanity and general prosperity of societies. The one size fits all approach, thus, is one of the modern tragedies of contemporary thinking in the management of the affairs of humanity.

From the classical postulates on the political economy of nations rooted in the works of Adam Smith (1723-1790) and Carl Marx (born 1818), and later expanded by successive economists, the following core factors of production have been identified as central in the prosperity of nations:

(a) Land, capturing all the gifts of nature that are at the disposal of a people;

(b) Labor (human mental and physical effort in the production process);

(c) Capital (all man-made factors of production); and

(d) Entrepreneurship (the risk-taking phenomenon by investors who set aside current income for future production).

Defined from first principles, **land** captures all the God-given natural resources at the disposal of a country in its socio-economic endeavors. This includes mineral deposits, waterways, forests, arable tracts of land, gas reserves, sands that go into construction and quarries, among many other variants.

Gylfason et al (2001) argued that: "Natural resources are an important source of national wealth around the world; yet experience shows that natural riches are neither necessary nor sufficient for economic prosperity and progress". This view clearly reflects the tragedy which characterizes most developing nations where the abundance of natural resources does not translate into buoyant economic growth, with the economies instead registering subdued development.

The converse to this observation implies that on the success arena, it is conceivable and empirically proven that some countries which do not have abundant natural resources can and have done phenomenally well in graduating their economies into super-powers of wealth and societal wellbeing. Examples of such countries that have developed mountains of economic fortune with minimal natural resource endowments that immediately come to mind are:

(a) Hong Kong;
(b) Japan;
(c) South Korea;
(d) Luxemburg;
(e) Singapore; and
(f) Switzerland.

These countries fit well within the cohort of the world's richest countries and yet they clearly do not owe much of their national wealth to natural resource endowments. Converse to this spectrum are many countries, particularly in Africa that are vastly endowed with natural resources and yet their growth and development record has remained largely impaired and sluggish over the past century. Without doubt, fundamental historical factors, such as the corrosive effects of years of grueling colonial occupation and plunder to a large measure, explain this slow pace of socio-economic advancement.

In the case of Zimbabwe, the country was under the yoke of colonial occupation for close to a century and during this period, virtually all forms of wealth emanating from the country's natural endowments was a preserve for the few minority. This brings into the fore the strong view that the pace of socio-economic progression in a country cannot be analyzed in isolation from the primary initial historical conditions forming the roots of that country. Initial conditions, thus, define and characterize the extent and depth of the "catch-up deficit" which a country has to plug off before giving meaningful fruits of prosperity to the majority of its people through macroeconomic policy interventions.

For a people to better organize their core factors of production; that is land, labor, capital and entrepreneurship, there must be a supportive regional and global context that acts as reinforcing glue, rather than a source of hemorrhage to internal efforts. Where either the region or the global context in which a country exists is exerting conspiracies and pressure, through for instance the whip of declared and undeclared sanctions, for whatever reason, the tendency is that well meaning internal policies may be rendered ineffective, leading to adverse unintended consequences on the majority of the people.

The debate on the efficacy of sanctions in dealing with extra-national or intercontinental disputes has grabbed the attention of the world for many decades now, with others arguing that such sanctions are meant to punish those that are deemed to be in default in so far as the ideals of governance or conformity with international law is concerned. Increasingly, however, the same world is awakening to the observed reality that by and large, such sanctions and the resort to brute force are generally blunt instruments that have unimaginable collateral damage on multitudes of innocent children, the old aged, the disabled and well meaning members of society.

Increasingly, the world is awakening to the shrill calls for a re-look at the intervention by the USA in Iraq; calls for a re-look at the attitude of the world on the Sudanese Humanitarian crisis; calls for a new formula on the Middle East crisis; calls for global centers to take bold steps to halt the fast paced dragon of global warming; calls for the total restructuring and reforms of the multilateral institutions such as the United Nations, the International Monetary Fund (IMF), and the World Bank; calls for an agreed framework on how to deal with the global threats of terrorism, without leaving too much discretion to singular powerful nations; and calls for sanctions on Zimbabwe to be lifted.

Predominantly, these calls, noble as they are, are remain largely unanswered due to the multiplicity of conflicts of interests among global players, most of which have their origins rooted in the exploitation of natural resources.

THEORETICAL DEBATE ON THE LINK BETWEEN NATURAL RESOURCES AND SOCIO-ECONOMIC GROWTH AND PROSPERITY

In a startling piece of empirical research, Gylfason and Gylfi (2001) contented, rather counter-intuitively, that “natural resources are an essential exogenous factor that can hamper economic growth through macroeconomic channels as well as through institutions.” (p.2)

On the flip side of this counter-intuitive spectrum of thought lies the hypothesis proffered by Acemoglu, Johnson and Robinson (2001) who argued that living conditions during colonial epochs dictated whether Europeans decided to settle down in the colonies and build European institutions there. Under this postulation, a country’s economic performance depends on current institutions, which depend on past institutions, which in turn depend on living conditions in colonial times.

In their formulation, Acemoglu et al (2001) argue that once institutions are accounted for, there is no room left for other explanations of economic growth having to do with economic policy or geography. In reality, however, there is a simultaneous feed between a country's institutional orientation and the breed of natural resources it has. For instance, in countries that have ports and access to fishing in the open seas, the structure of their economies will tilt more towards fishing and ship cargo handling institutions, which would not be found in land-locked countries. This way, natural resource endowments dictate the institutional framework.

In their well publicized study, Sachs and Warner (1995) sought to unravel the link between natural resources and economic growth, using time series data across a number of countries. Their findings, which at first sight is puzzling was that good growth performance appears incompatible with a share of natural resources in excess of 15% of national wealth. In Sachs and Warner (1995) the following two clusters of countries emerged.

The Growth – Natural Resources Nexus

	Economic Growth		
		Low	**High**
Dominance of natural resources in national wealth	**Low**		**Cluster B**: Botswana, China, Indonesia, Japan, Korea, Malaysia, Mauritius, South Korea
	High (more than 25%)	**Cluster A:** Chad, Madagascar, Mali, Niger, Sierra Leone, Zambia, and Central African Republic, Zimbabwe, Democratic Republic of Congo (DRC)	

Source: Adapted from Sachs and Warner (1995)

Under Cluster A, the countries have high natural resources prevalence, yet they experienced low economic growth over the sample period. Cluster B countries on the other hand have a narrow natural resources spectrum and yet they registered phenomenal economic growth. The above results, which emerged from data analysis over the period 1965 to 1998 prompt the searching question: what factors lie behind the different growth performances between the two clusters?

Need for savings and investment

In trying to answer this question, Zoega and Gylfason (2001) argued that the key factors distinguishing the two clusters are savings and investment ratios. The empirical data showed that in the high endowments – low growth cluster, their savings and investment ratios were very low, at under 5%; whilst the natural resource-free, high-growth group had savings and investment rates of 32%. This result is intuitive given that on their own, natural resources can not propel a country's growth performance if not transformed into productive wealth through extraction.

But to extract, a country needs investment. To have investment from own sources, a country needs to have a strict saving culture. Thus, the policy prognosis is that a country must vigorously promote investments that would work to transform natural endowments into real wealth. Where internal savings are relatively low, when compared to the needed investment, the internal savings gap has to be closed by the attraction of foreign investment inflows.

Technological progress push

Nordhaus (1992) carried out a rigorous research study which showed that the steady-state growth rate of output per capita in an economy with natural resources is proportional to the rate of technological progress adjusted for a "population growth drag" due to diminishing returns as well as a “natural resource depletion drag” due to declining levels of exhaustible natural resources. The role of science and technology, research and development, therefore needs no over-emphasis in the quest to steer economic growth and development to high thresholds.

The “curse” from natural resources

In another sterling piece of contemporary natural resource accounting, Auty (2001) and Gelb (1998) contented that one reason why economies with high natural resources may actually face subdued economic growth prospects is that huge natural resource potentials may create opportunities for large-scale corruption in the economy which diverts resources away from more socially fruitful economic activity. This view finds support in the work of Tornell and Lane (1998) who constructed a theoretical model that showed that terms of trade windfalls and natural resource booms may trigger political interaction among powerful interest groups, which if not resolved may lead to civil wars. Also Collier and Hoeffler (1998) show empirically how natural resources increase the probability of civil war.

Knight, Loayza and Villaneuva (1996) also present a vivid adverse dimension caused by natural resources and that is the high prospects of foreign governments imposing sanctions or invading the endowed country with destructive consequences, aggravated by high outlays into non-productive defence by the victim nations.

The wars in Sudan, Iraq and the heartless sanctions currently imposed on Zimbabwe, following the country’s implementation of the Land Reform Program, can not be convincingly separated from these countries’ rich endowments with valuable natural resources. A new approach to the resolution of differences must, therefore be designed; one that recognizes and distills away the implicit interests by super-powers to plunder natural resources from the victim countries in the midst of “laboratory-generated” conflicts, they themselves will be steering.

The Dutch Disease

Another logical explanation of why natural resources can counter-intuitively invite slow economic growth is the Dutch disease phenomenon. A natural resource boom and the attendant surge in raw material exports, if not carefully managed, can drive up real exchange rate appreciation which in itself can kill manufacturing and services exports in the home country.

The name Dutch disease emanates from the experience that occurred in Holland in the 1960's when they discovered vast gas reserves. The export revenues from the gas enclave saw the exchange rate of that country strengthening, which weakened the generality of Holland's manufactured export base.

The effects of this Dutch disease are well illustrated in Corden (1984); Gylfason; Herbertsson and Zoega (1999); Sachs and Warner (1999), with the most debilitating ones being the creation of medium to long-term unemployment, as well as systematic de-industrialization. Countries that have high rates of natural resources occurrences must, therefore, be careful that erratic booms and busts in these sectors do not inject poison on the rest of the economy through the real exchange rate feed.

False sense of security

Rodreguez and Sachs (1999) also bring up an interesting dimension that is often caused by the abundance in a country's natural resources. These luminary authors argue that abundant natural resources may imbue people with a false sense of security and this can impair policy-makers' need for good and growth-friendly economic management programs, including free trade, bureaucratic efficiency, institutional quality and sustainable development.

In the case of Zimbabwe, the vast resources of platinum, coal-bed methane gas, coal, nickel, chromites, and diamonds, among many other minerals must be carefully managed so that they do not become unexploited sources of a false sense of security. Minerals, like any other natural resource are only useful to the extent they have been dug out and converted into absolute exchangeable wealth.

The Research Thesis

The foregoing landscape of contemporary forces in the global environment paints a platform where societies require new thinking and new approaches to the resolution of strategic questions of how to stabilize economies; how to reconcile regional and international differences and on how to achieve set goals, be it at the household, factory, governmental or international level. Such new thinking has to infuse the core tenets of how consensus can be built; core tenets of how to get people to saying “yes” in coming to mutually beneficial outcomes from initial points of divergence.

The central thesis of this research work is, therefore, to unravel the central factors and tactics that can be deployed in dissolving the underlying causes of humanity’s socio-economic and political ailments that account for limited consensus in policy formulation and implementation. In articulating the core of the **“the strains to the universe of humanity,”** it is the objective of this research to clearly characterize the core tenets of **consensus-building, dialogue and the formation of social contracts, as well as the role that visionary leadership at every level of human existence lead to stability and sound socio-economic and political progression.**

It is my contention that every mode of social, economic, political or religious imbalance can be nudged back on the rails of stability through some “steady-state” level of consensus-building process. Ultimately, therefore, equilibrium broadly defined as the “ideal state of affairs”, whether social, religious, economic or political, has to be anchored on one form of a “social contract” or another. This applies even in the homes!

The scope of this Thesis is, therefore, to walk through the socio-economic and political histories of a pool of nations, delineating the modes and roles that were played by the phenomena of consensus-building and social contracts.

The Thesis also seeks to draw lessons from biographies of luminary leaders across the world, underscoring the significance of clear visions, strategy and effective management and implementation of economic programs for the establishment of macroeconomic stability, growth and development.

It is my fervent aspiration that through this Thesis, the reader will be presented with a concise, simple and practical nucleus of empirical evidence on how the principles of consensus-building, social contracts, and visionary leadership do make all the difference in shaping nations, regions and the global village towards greatness in so far as the quality of life for humanity is concerned.

METHODOLOGY

As is fitting in the realm of social sciences, the methodology followed in this Thesis is one where firstly a review of illuminating literatures in done to expose the various schools of thought on the subject of Social Contracts and consensus building. This is the followed by the deployment of my own personal experiences in the fields of negotiation, dispute resolution, strategic management, leaderships, turnaround planning, as well the economic history of Zimbabwe.

In order to gather empirical evidence on the general public's and policy makers' views on salient episodes in Zimbabwe's economic history, the survey method will be used. Under this framework, random samples of at least 500 respondents will be drawn, and questionnaires administered before the data is analyzed. Econometrically, a sampling strata is regarded as significantly large if the sample population is equal to or greater than 30. In this case, therefore, the target sample size of 500 is statistically logical.

Empirical evidence will be sought through this method on the following pertinent areas:

- What the public and policy makers think explains the limited success in Zimbabwe's structural adjustment programs and other successive economic policy programs.
- The public's and policy makers' views on where greater priority needs to be placed in economic reforms, so as to promote cohesion in the context of the Social Contract.
- The public's and policy makers' views on why Zimbabwe's Social Contract framework has been sticky in terms of its finalization and implementation; and
- The public's and policy makers' projections of the Zimbabwean economy over a 5-year future horizon.

The threads and nodal points arising from the above discourse would then be pieced together to distill relevant policy recommendations applicable to those in the realm of socio-economic decision-making, as well as those in the academia.

RELEVANCE OF THESIS

A detailed appreciation of the fundamental factors that shape the establishment of successful Social Contracts is an indispensable asset in the realms of macroeconomic policy formulation, international negotiation, as well as strategic management in the contemporary corporate world. Against this background therefore, this Thesis will be an invaluable tool in adding on to the knowledge base that would be at the disposal of today's policy-makers.

As has been highlighted in the foregoing, this Thesis will deploy the survey technique to probe the public's perceptions on pertinent policy areas, as well as the general projections of where the Zimbabwean economy would be in 5 years time from 2007. The survey results will not only illuminate future policy decision-making processes, but will also serve as a barometer of how Zimbabwe's general public interact with and comprehend key issues on their economy.

My purpose is also to present a compact reference point for the academia who are interested in economic turnarounds, negotiation, consensus-building, as well as the development of innovative solutions to real life challenges through the act of "thinking outside the box."

ORGANIZATION OF WORK

The rest of the Thesis is organized as follows; first I present a brief economic history of Zimbabwe, identifying the major policies and programs that were implemented since political independence in 1980. This outline will be followed by an empirical review on Social Contracts, where they have worked well, as well as historical epochs when the breakdown of dialogue led to bloody wars and general retrogression of humanity.

The above exposition will be followed by a discussion of International Trade as another area where intense consensus has to be built among nations. The treatment here will also focus on the major arguments for trade restrictions among nations, itself a rather counter-intuitive phenomenon given the virtues of free trade in contemporary thinking.

Drawing from the key points in the Thesis, I will wind up the study by pooling together the major policy issues and recommendations in the Conclusions and General Discussions Chapter at the end.

CHAPTER 2

2. AN ECONOMIC HISTORY – ZIMBABWE

Indeed, the core of macroeconomic and other social programs is the ultimate objectives of promoting vibrant productive sectors; creation of employment opportunities through active investment horizons; creation of equitable distribution of national wealth; generation of foreign exchange inflows in amounts sufficient to cover current and future import requirements; balanced national development, marked by the general increase in living standards for the majority of the population; and general peace and stability, among other aspirations.

In gravitating towards these ideals, typically, every country, region, or continent's socio-political, or economic landscape will be in a constant state of flux, with new inter-temporal states of the environment manifesting in ways that call upon policy makers to rethink, re-design and question the validity of past knowledge, past assumptions and pre-set objectives. By its nature, human behavior is both complex and to a large measure, unpredictable, and this arising out of the intrinsic diversity of social cohorts, within the same country, within the same city, or village, more so at different points in time.

The developing world's attempts at "playing catch-up" with the first world in terms of modernization of production, institutional, infrastructural and other social ideals have often floundered due to the lack of coherent pivots of strategy upon which policies and programs are formulated and implemented. The graveyards of failed turnaround economic programs are fraught with half-baked strategies, which for lack of pertinent depth have either omitted key components or have fired implementation cylinders that seriously lacked on proper sequencing.

The present Zimbabwean economy is a result of historical legacies which date back to the period British settlers arrived into the country. When the settlers arrived in 1890, there were traditional agriculturalists dating back some 2000 years. The farmers who grew a wide variety of crops practiced shifting cultivation.

The British South Africa Company (BSAC) established rule over the then Southern Rhodesia in 1890 and its rule lasted for about 25 years. This is the period when land appropriation by whites started and it also marked the birth of the dual agrarian structure that exists today. Reserves, which in essence were concentration camps for the native locals, were located in the remote and drier parts of the country and by 1913; a total of 104 Native Reserves varying from 2,024 hectares to 607,287 hectares had been established. From then onwards, several acts of Parliament were passed in order to consolidate the colonial government's objectives on agriculture. These included:

- 1891 Lippert Concession
- 1898 Native Reserves Order in Council
- 1931 Land Apportionment Act
- 1951 Native Land Husbandry
- 1965 Tribal Trust Lands Act
- 1969 Land Tenure Act.

Southern Rhodesia became a self-governing colony in 1924 and this period of self-rule (1924 - 1965) was characterized by huge investments in physical social infrastructure for the white areas. These included the establishment of state agricultural marketing and control boards. Such developments which took place in the 1930s and 1940s were the prime movers of the agricultural production revolution on the large-scale commercial farms, starting in the 1950s with tobacco as a major export crop. Smallholder agriculture was, however, ignored. In addition, further support to the white agricultural sector came through the 1933 Danzing Commission.

This Commission was appointed to examine the economic position of the agricultural industry amid the world depression of the 1930s. This Commission recommended that government subsidies and support for white agriculture as a matter of survival of the white community. The global depression set the stage for an all-embracing state intervention.

For example, from 1935 to 1956, a 50% subsidy plus free technical support program was launched to allow white farmers to build soil and water conservation works. From 1936 to 1944, agriculture was declared a controlled industry. Government controlled the prices, international trade as well as the area and sale of tobacco, and extended subsidies to white farmers.

In 1953 came the Federation of Nyasaland and Rhodesia. The Federal government, acting on recommendations of a 1958 Select Committee, actually started to amend the Land Apportionment Act in order to increase the amount of land for blacks by extending the special native reserves and by creating a category of non-racial (unreserved) land. White conservatives did not like the idea and, in an all white election, fought on the land issue, and the Rhodesian Front won, thus restoring the Land Apportionment Act and freezing the unreserved category of land. In 1965, the Rhodesian Front Party declared an illegal Unilateral Declaration of Independence (UDI) from the United Kingdom (UK).

The UK and the United Nations (UN) imposed sanctions on Rhodesia. The then government immediately instituted measures to reduce dependency on tobacco through crop diversification schemes. Agriculture continued to be the most prominent foreign exchange earner.

Principally, the agricultural sector survived UDI largely through government support, although in the 1970s large-scale agriculture became less and less profitable.

At Independence: 1980…

When Zimbabwe gained her political independence in 1980, a new era of opportunities for the majority of Zimbabweans opened up as the shackles of near one century of deprivation had finally been broken. At the early stages, the post-independence

Zimbabwe saw Government taking a leading interventionist role in various facets of the economy, including education, health, dam construction, roads and other infrastructural development, rural electrification, as well as production of goods and services under an intricate web of public enterprises.

Having sailed through a series of sanctions during the Unilateral Declaration of Independence (UDI) era, dating back to 1965, the post-independence Zimbabwe had developed a robust internal manufacturing base, with growing potential on exports.

On the policy front, the first decade of independent Zimbabwe was marked by socio-economic policies that were more inclined towards a centralized command system, with Government taking an active role in the economic affairs of the country. This ideological orientation was to change beginning the early 90s, when Zimbabwe acceded to the prescriptions of the International Monetary Fund (IMF), under what was then coined the "economic structural adjustment program" (ESAP), which sought to build the country's productive system through market-based systems.

At the heart of the ESAP model were the following generic policy prescriptions:

- Liberalization of goods and factor markets;
- Deregulation of the financial services industry;
- Privatization of public enterprises;
- Freeing up of the exchange rate system;
- Liberalization of the country's trade system, specifically, all current account transactions in the balance of payments;
- Civil service reforms, marked by the streamlining of line ministries;
- Removal of price controls and subsidies in the market; and
- Introduction of social safety nets to minimize the adverse effects of liberalization on vulnerable segments of society.

For a while, the Zimbabwean economy seemed to have blended well with the structural adjustment program, with real gross domestic product (GDP) growing by an impressive 8.5% in 1996, and foreign exchange gross reserves reaching around US$1 billion during the second half of 1996. Agriculture, Tourism and Manufacturing grew by 19.4%, 6.8% and 4.8% respectively during the same year.

However, as from 1997, the economy started showing signs of distress. Savings declined from 18.2% of GDP in 1996 to 11% in 1999, before sliding further to under 5% by end of 2006. Overall investment also followed suite, declining from 18.7% of GDP in 1996, to the 2007 levels of under 8% of GDP.

The first decade of economic reforms (1991-2000) presented several key lessons which must form the basis for future economic programs. These lessons were:

- That for macroeconomic policies to deliver their set objectives, they need to be backed by cohesive cooperation among social partners: Government, Labor, Business and Civil Society.
- That there is need for close coordination and collaboration between the fiscal and monetary policy sides of the country.
- That fiscal balance requires first, implementation of structural policies that take away distortions in the market.
- That financial sector stability is indispensable.
- That liberalization of thin financial markets does not guarantee effective competition.
- That economic adjustment programs can only succeed if they have a human face under which the adversities of the costs of adjustment are minimized through robust social safety nets.
- That economic reforms can not succeed without a strong institutional framework that effectively implements, coordinates and monitors the various economic policies.

- That excessive reliance on domestic borrowing to fund fiscal deficits is unsustainable.
- That the "one-size-fits-all" approach to policy formulation as recommended by the International Monetary Fund requires a serious re-look, taking into account individual countries' peculiar circumstances and realities on the ground.

LAND REFORM IN ZIMBABWE

A typical policy dilemma that has confronted the Zimbabwean economy is on how to balance the virtues of equitable distribution of land and that of effective utilization of land as a primary means of production. In 1980, when Zimbabwe attained its political independence, former colonial nationals, who constituted around 5% of the population owned 70% of the country's fertile land, whilst the majority 95% owned around 30% of arable land. This scenario presented serious challenges on how the country could proceed to bring about equity in the distribution of land as a national resource.

Over the 1980s, through to the 1990s, not much of this disparity in the distribution of land was changed due to government's inability to fund the needed purchase and re-distribution of the resources. This protracted plane of inequality bottled up pressure and tensions across the entire social fabric in Zimbabwe, with things coming to a head in 2000, when the poor landless peasants pressed the government to take the land from the minority and re-distribute.

This build-up in social tensions presented government with a huge dilemma; as forcibly taking the land meant that over the short-to medium term, investor perceptions and productivity in agriculture were going to suffer; whilst non-action could have degenerated into a full-blown civil strife.

To the Central Bank, this dilemma meant that much of the country's sources of foreign exchange being tobacco, cotton, paprika, tea, coffee, cut flowers, citrus and vegetables, as well as tourism were at risk. Also at the same time, beginning 1999, gold prices on world markets significantly declined, further worsening Zimbabwe's balance of payments position.

In years 2000 and 2001 social tensions mounted, which culminated in the government launching a fast-track land acquisition and re-distribution exercise under which targeted minority held farms were acquired under the Act of Parliament and re-distributed to the landless majority.

Because of the transitional difficulties that ensued, Zimbabwe fell into a deep economic crisis, beginning 2001, characterized by a sharp decline in foreign exchange earnings, and rising inflation. International perceptions on Zimbabwe took a deep slump, leading to very minimal foreign direct and portfolio investment inflows. The deterioration in the balance of payments saw Zimbabwe fail to service its foreign debts, culminating in the rise in total foreign payments areas of around US$2 billion as of September 2006.

This experience thus, highlights the intricacy of macroeconomic policy formulation and implementation. The theoretical norms of efficiency do not always sum up to tie in neatly with frameworks that seek to optimize social welfare functions. From an efficiency, market-driven point of view, one could argue that Zimbabwe should have opted for the willing-buyer, willing seller policy on the land reform program. The limitation of this route is that the Government of Zimbabwe was facing swelling demands from landless peasants. Also the route of the willing-buyer, willing seller would have faced the formidable snag of funds unavailability in the government's coffers, after the United Kingdom reneged on its promise that it was going to provide funding to support the willing buyer willing seller version of the land reform process.

My personal involvement in this process is now largely on the formulation of workable alternatives to ensure that the country gets back on its feet, and, thus, help revive the living conditions of the majority of vulnerable Zimbabweans. The policy package now being looked at involves a three pronged approach, encompassing the stabilization of agriculture productivity through rehabilitation of infrastructure and implements; the revival of financial sector lending into agriculture through enhancement of security of tenure; as well as re-engaging the international community to consider Zimbabwe as part of the global village.

As the situation stands, however, Zimbabwe is now winding down the land re-distribution process, with greater focus now being placed on reviving productivity in agriculture. Key success factors for this effort to accomplish the mission include:

(a) Ability of the country to calm down the negative international publicity it is receiving, so as to attract investment inflows;
(b) The extent to which the country cushions itself from recurrent droughts through a significant rehabilitation of irrigation capacity, supported by dam construction;
(c) Stabilization of inflation through stringent monetary policy tightening and fiscal austerity;
(d) Maintenance of financial sector stability, through astute bank supervision and surveillance.
(e) Comprehensive structural reforms in the public enterprises sector, as well as in the local government levels;
(f) Increased investment in the social sectors of health and education, so as to uplift the country's human capital base; and
(g) Cohesion at the National level through greater tolerance and acceptance of diversity.

At the heart of a solution to Zimbabwe's macroeconomic instabilities that crept in since early 2000, accentuated by adversities and apprehensions around the Land Reform Program, is the establishment of National Consensus so as to secure purposeful implementation of the right mix of domestic policies, as well as the rebuilding of the country's brand name as the bread basket of the Eastern and Southern African sub-region.

Equally too, the economic setbacks in Zimbabwe, reflected in foreign exchange shortages, high inflation levels, rising unemployment, capacity underutilization in the productive sectors and generally subdued business confidence and, hence shrinking inbound investment inflows are socio-economic "trouble spots" that have to be resolutely addressed through dexterous policy design and implementation.

In order to break the successive decline in productivity levels in the economy, as well as near run-away inflation levels, and revive business confidence, it is imperative that Zimbabwe follows the route of the Tripartite Social Contract, principally as the launch-pad for stabilizing expectations. In this purview, the role of Government, Labor and Business, as social partners has to be underscored from each constituency's core interests.

CHAPTER 3

3. CONSENSUS BUILDING AND SOCIAL CONTRACTS

From first principles, a Social Contract is an agreement by the country's key stakeholders - Government, Business, Labor and Civic Society - to subordinate their individual and sectoral interests, for the achievement of common national goals and objectives, within an agreed framework. This stance implies a shared vision, mutually agreed objectives and shared principles underpinning win-win negotiations. It is based upon a national consensus model, as opposed to unilateralism or unbridled pursuit of narrow, sectoral interests.

Under the Social Contract model, stakeholders come together to agree on mutually beneficial national objectives, programs and action plans for achieving those objectives, as well as common principles of engagement and mechanisms to share equitably the cost of adjustment. The consensus model is also critical for creating stakeholder trust, thus, dissipating inflation expectations, which normally trigger the need for social pacts. Under the auspices of the Social Contract, the partners must commit to discharging their specific obligations, as agreed to in the Social Contract, within the agreed time-frames.

In the case of Zimbabwe, a two step approach was adopted, encompassing the following phases:

Phase 1 focused on getting the Social Partners to agree and voluntarily commit to a Social Contract which, among other things, set specific and timed deliverables for each Social Partner.

Phase 2 then focused on the accelerated disinflation and sustainable stabilization of the economy.

The basics of social dialogue were neither a new phenomenon to Zimbabwe nor an invention of the Central Bank. Instead, the country's history was abound with episodes of constructive social dialogue involving the Government, Labour and Business under the auspices of the Tripartite Negotiating Forum (TNF), which was a collective body embracing all the representations of tripartism. However, constructive and mutually sacrificial social dialogue had been held back by impediments, which included the following:

- Lack of common national vision;
- Mistrust among negotiating partners;
- An unwieldy negotiating format;
- Propensity to break off negotiations; and
- Lack of willpower to implement agreed positions.

Role of the Church: The Social Contract and the Bible…

When one looks at the world of Christianity, the idea and power of Social Contracts is not new. Indeed, as old as the beginning of the Holy Word itself, we find the centrality of pacts and covenants in the **Ten Commandments** which God Himself gave down to Moses on the heels of Mount Sinai (*Exodus 20: 1- 26*). In promulgating the Ten Commandments, God had realized the importance of codes of conduct for orderly human existence. Today, as we read the Holy Word, we are filled with the true meaning and universally binding effects of the Ten Commandments, as the pillar for entry and unity with the All Mighty in Heaven.

The Social Country can be likened not only to the Ten Commandments, but also to many other facets of the Bible, prominent of which is the Lord's Prayer, with its cross-cutting meaning, throughout the universe. In different languages and in different countries, it is known what the Lord's Prayer says, and the righteous teachings it encapsulates, all this defining the power of Social Contracts.

The Church, through its diverse membership in society, is key to dissipating the impediments to social dialogue, through the cultivation of public tolerance and shunning of counter productive activities. Also the Church, through its natural interaction with the diverse cross section of society, has the ability to harness the diverse views of all the various constituencies and regions under its reach. The Vision of a cohesive society must encompass fundamental pillars of spirituality, economic well being, social justice, tolerance, equity and fairness which are critical for Nation building.

Any mistrust among the social partners provides an opportunity for the Church to play a pivotal role in the Social Contract discussions as part of the National healing process, aimed at stabilizing the economy. In this global village, no country can go it alone – there is need to be part and parcel of the international community of nations through continuous engagement with international partners.

Public awareness of the Social Contract is also critical for buy-in and active participation by the general public. The Church, through its presence in both rural and urban areas, provides a platform for undertaking extensive publicity campaigns to cultivate awareness across the board.

Other Features of the Social Contract …

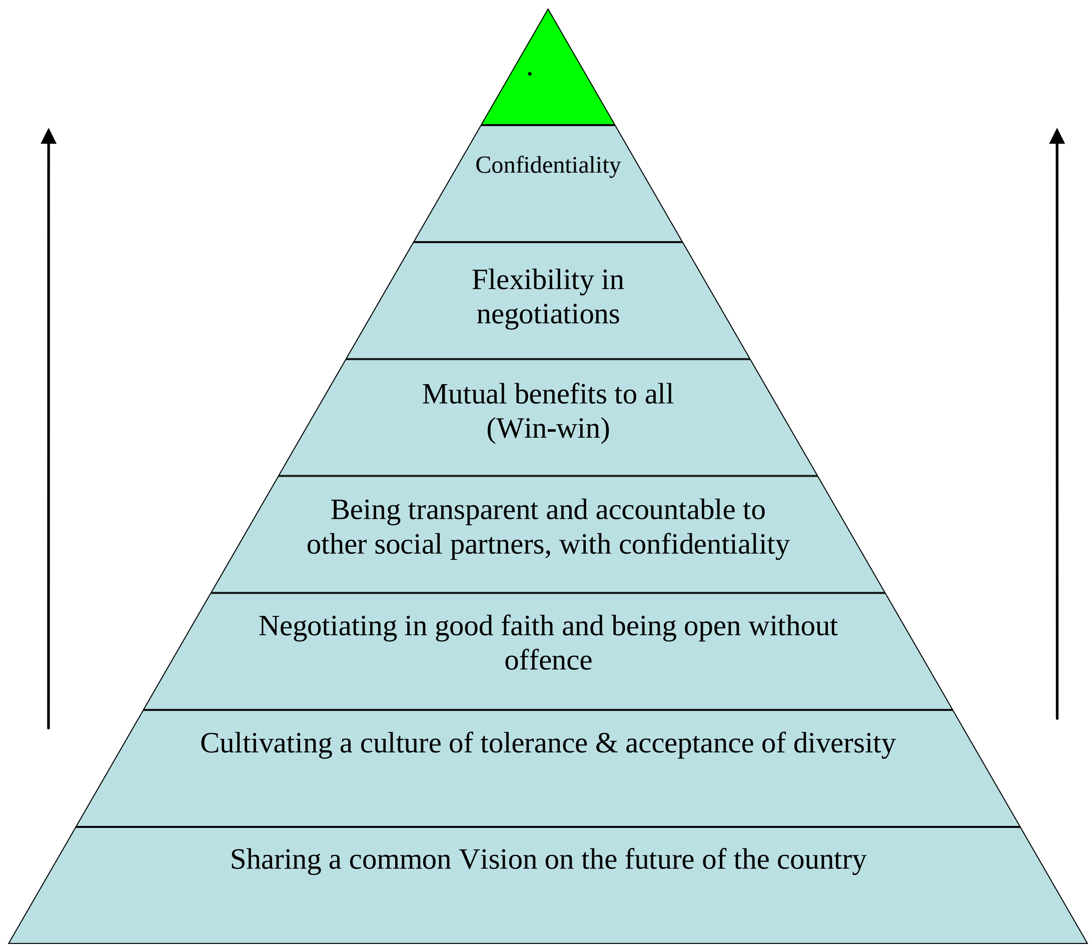
For effective acceptability, it is imperative that the Social Contract closely builds in a strong human face. A human face that realizes the plight of workers; a human face that balances profitability requirements of Business against the survival needs of all men and women who leave their households willingly each morning, each night, every working day to give their best towards the economic transformation of the economy. Through fair and humanely rewards to workers, the Social Contract will be better able to sustain National cohesion, increased production and prosperity.

Equally too, the Social Contract has to emphasize productivity enhancement through commitment of Labour; productivity enhancement through adoption of sound, reinforcing policies that uplift Business viability; and productivity enhancement through deployment of cost-saving technologies across factories, mines, agro-fields and others sectors of the economy.

The Pyramid of Core Values in Social Dialogue

Perpetual divergence of views between and among social partners, if not kept in check by a set of core values of social contract negotiations, can degenerate into uncontrollable polarizations. It is for this reason that social partners in a negotiated settlement ought to abide by the following Pyramid of Core Values in Social Dialogue:

PYRAMID OF VALUES IN SOCIAL CONTRACT NEGOTIATIONS



HISTORICALLY WARS ERUPTED FROM LACK OF CONSENSUS…

Documented histories of nations clearly demonstrate that most conflicts within humanity were a direct result of communication break-downs and adversaries' failure to nurture and build consensus. To illustrate this point, I have taken a look at a few examples of grueling conflicts the world has seen, and tried to drill down to the tipping points that ultimately sparked those conflicts.

THE AMERICAN CIVIL WAR (1861-1865)

Between April 12, 1861 and April 9, 1865, Northern America witnessed the most devastating civil war history had ever seen at that time. This war, which was between the United States (the "Union") and some eleven southern states which were pushing for secession and had formed the Confederate State of America, best illustrates how things can go terribly wrong when a people have sub-Visions among themselves.

The Union, which was under the leadership of President Abraham Lincoln was more for unity of purpose, promotion of individual liberties and the abolition of slavery. This noble vision was however grossly opposed by the Confederacy, under the command of Jefferson Davis and Robert E. Lee. Determined to advance their sub-Vision, the Confederacy on April 12, 1861 launched an on-slaughter attack on the Union at Fort Sumter, making South Carolina the first state to secede, followed by Mississippi, Florida, Alabama, Georgia, Louisiana, and Texas.

As the conflict deepened, heavy bloodshed befell brothers and sisters, with the Union losing 110 000 in combat whilst the confederacy lost 93 000 also in action.
(http:/en.wikipedia.org/wki/American_CivilWar)

Through focused strategy, supported by advantages of geography, manpower, a strong industrial base, adequate finance, political organization and effective transportation, the Union eventually subdued the Confederacy in 1865. A look back at this bloody conflict demonstrates that the pursuit of selfish, often sectoral interests has the potential to disintegrate whole communities through needless conflict.

COMPARISON OF UNION AND CONFEDERACY RESOURCE BEASE

	Union	**Confederacy**
Total population	22 000 000	9 000 000
Free population	22 000 000	5 500 000
Slave population	Negligible	3 500 000
Soldiers	2 200 000	1 064 000
Railroad miles	21 788 (71%)	8 838 (29%)
Manufactured items	90%	10%
Firearm production	97%	3%

Source: 1860 US Census and Carter, Susan B. ed. The Historical Statistics of the United States: Millennial Edition (5 vols), 2006

In this American civil was, slavery was at the root of economic, moral and political differences which degenerated into control issues and the right by individual states to secede. In his speech at New Haven, Conn, March 6, 1860, Abraham Lincoln said "this question of slavery was more important than any other indeed so much more important has it become that no other national question can even get a hearing just at present".

In sharp contrast to this moral, higher ground position, the Southern States pursued their sectoral interests of cheap slavery labour for their plantations, effectively setting on the fires for the civil war. Unity of purpose is, therefore an imperative in the building of nation and avoidance of needless conflicts among a people.

WORLD WAR I

A retrace of the events leading to the start and spread of World War I also graphically illustrates the tragedies that can befall humanity when there is no consensus building. Whilst for many, the cause of World War I was the cold-blood assassination of Archduke

Franz Ferdinard of Austria-Hungary on 8 June, 1914, a deeper assessment illustrates that this blood bath arose due to lack of consensus on ideologies.

Under the rule of Kaiser Wilhelm II, Germany had grown into the mood of military supremacy building its navy to rival that of the then world's most powerful maritime nation, Britain. This aggressive stance by Berlin jolted France and Russia into a formal alliance in 1894 united by fear and resentment of Berlin.

The coalition of Britain, France and the USA was at that time seen to be representing democratic reforms, whilst the stance by Germany was seen as the ideology of militarist autocracy. It should be noted, however, that the coalition was in essence imperfectly democratic, since both Britain and France had large colonial empires residual effects of which still haunt countries like Zimbabwe. This notwithstanding, the popular view held by many historians is that the allied victory over Germany led to the maintenance and extension of liberal democracy in Europe.

It is important to note that at the core of what fuelled World War I were also intrinsic economic interests and fears of domination. France wanted a quick return of its territories that had been annexed by Germany after the war of 1870-71 (the provinces of Alsace-Lorraine). Britain went to war because it saw a German victory as a threat to its security, more so given Britain's fear that Germany would have taken advantage of the Belgian ports as launch-pads for dismantling the British naval supremacy.

All said and reviewed, the event of World War I clearly demonstrate that where national, regional or international agendas embrace ideologies that are world's apart, the end-games are usually costly conflicts. Forestalling such costly conflicts requires the power of consensus-building and the brokering of effective social contracts that focus efforts around common objectives.

WORLD WAR II

From the time Adolf Hitler invaded Poland on 1 September 1939, marking the tipping point of World War II, to the moments of the dropping of the deadly atomic bombs on Hiroshima and Nagasaki, Japan, the footprints of this conflict vividly illustrate the retrogression that comes with the pursuit of selfish objectives, aggravated by limited scope for consensus-building.

When Germany invaded Poland on 1 September, 1939, Britain and France declared war on Hitler two days later. While the USA proclaimed neutrality, it was actively supplying Britain with essentials on the battle-front.

On 10 May, 1940 when Winston Churchill replaced Neville Chamberlain as Prime Minister of the United Kingdom, Germany invaded France, Belgium and Holland, under Hitler’s Blitzkrieg – or “lightning war”, marked by force, speed and surprise.

By 1941, Hitler had put much of continental Europe under Nazi control, and continued to launch Operation Barbarossa on 22 June of that year, a military offensive that aimed at overrunning Russia. This was, however, to be stalled by the chilly and harsh Russian winter which a century and half ago from that time had equally crippled Napoleon.

Demonstrating how isolated developments can be engulfed an snow-balled into a global crisis, in the same year of 1941, Japan felt it was tired of American trade embargoes and mounted a surprise attach on the US Navy base of Pearl Harber, in Hawaii, on 7 December, 1941.

This act made the full setting for a grueling global armed conflict, with Germany declaring war on the US a few days later. Within 7 days of Pearl Harber, Japan had invaded Burma, Hong Kong and the Philippines, sparking what the contemporary world has come to call the Pacific war. The rest of the events that followed the 1941-1945 era are well documented in history.

Having taken over the Presidential seat of the US, following President Roosevelt's death in April 1945, President Harry Truman authorized use of atomic bombs against Japan. This saw one of the bombs being dropped on the Japanese city of Hiroshima on 6 August, 1945, followed by another one at Nagasaki three days later, leading to the surrender by the Japanese on 14 August, 1945.

Sketchy as this brief account is, it brings home the point that through failure to coordinate and synchronize geopolitical forces, the world was thrown yet again into a global conflict under World War II which consigned millions of people to violent deaths. It is estimated that at the peak of the war, some 100 million people had been militarized whilst in total an estimated 50 million were killed in the war.

THE ANGLO-IRISH TRADE WAR

The centrality of constructive dialogue and the need for consensus-building can also be discernible from an analysis of the Anglo-Irish Trade war also known as "The Economic War" which lasted from 1933 until 1938. In its basic format, this was marked by retrogressive retaliatory trade restrictions between the Irish Free State and the United Kingdom. Having seen what they perceived were unfair trade practices by the UK then, the Irish refused to pay "land annuities" as was stipulated in the provisions of the 1921 Anglo-Irish Treaty, which obliged such payments to be made to Britain. This act of defiance led to retaliatory imposition by the UK of 20% duty on Irish agricultural products entering the UK.

In response to this act by the UK, Ireland imposed a tax on coal imports from the UK, under the slogan "burn everything English except its coal".

This back-and-forth trade war crippled Ireland through capital flight, reducing much of the economy's trade to barter. These constrained became much ore acute, as the devastating effects of the Great Depression of 1933 had not fully dissipated.

Through the return to negotiating table, Ireland and the UK, however, eventually resolved their differences. In 1934, the "coal-cattle-pact" was sealed, followed by the Anglo-Irish Trade Agreement of 1938 under which Ireland settled its land annuities by making a one-off payment of 10 million pounds to the UK, among other settlement clauses.

THE KOREAN WAR

After defeating China in the Sino-Japanese war of 1894-95, Japanese troops remained in Korea, finally annexing it as a colony in August, 1910. Korea remained a Japanese colony until the end of World War II in 1945.

On August 6, 1945, the Soviet Union declared war on the Japanese, in close cooperation with the US which had interests in the southern parts of Korea. At that time, the Japanese were under heavy US attach at the battlefronts of World War II and in December, 1945, the US and the Soviet Union agreed to administer Korea under what became know as the US-Soviet Joint Commission, dividing Korea into North Korea and South Korea.

After 4 years under the delicate Joint Commission, the Korean civil war began on 25 June, 1950, when North Korea attacked South Korea. This war was to take a deeper dimension when the North was joined by China whilst the Sough was supported by the United Nations, led by the United States. The conflict ended when a cease-fire was reached on July 27, 1953.

Whilst in the books of history, the Korean War is overly underplayed, hence its reference sometimes as "the forgotten war", it left the following key legacies:

(a) Rules of play on such international for a as the UN have, to some extent, been long manipulated to suite the requirements of super powers;

- This is mainly so given that technically; President Truman of the US's UN Resolution 82 which sanctioned the US to lead the UN coalition against North Korea was passed when one of the permanent members of the UN Security Council (the Soviet Union) was not in session. Attempts by the Soviet Union to have this changed were fruitless;
- The same day the Korea civil war broke out (25 June, 1950), the UN passed the Resolution 82 which focused on 3 areas:

  - For all hostilities to end and North Korea to withdraw to the 38th parallel in the Korean peninsula;
  - For a UN Commission on Korea to be formed to monitor the situation and report to the Security Council; and
  - For all UN members to support the United Nations in achieving this, and refrain from providing assistance to the North Korean authorities.

- Resolution 82 led to direct action by the US, whose forces were joined by troops from 15 other UN members: Canada, Australia, New Zealand, Britain, France, South Africa, Turkey, Thailand, Greece, the Netherlands, Ethiopia, Colombia, the Philippines, Belgium, and Luxembourg.

(b) Another legacy of the Korean War is that it was the first post World War II, Cold War era where super-powers clashed on the battlefield, and on third country soil, leading to devastation to the locals' way of living. As they say in strategy, where two or more elephants fight, it is the grass that suffers the most; and

(c) The Korean War was yet again an epitome of what happens when two or more ideologies collide. In North Korea, the ideology at play was communism, supported by China and the Soviet Union, whilst in South Korea the dominant ideology was liberal capitalism. Again, this civil war amply demonstrates how the existence of ideological gaps and limited scope for consensus-building can lead to catastrophic conflicts. The Korean War led to million of deaths, including innocent civilians, all arising from diminished chance that was given to amicable dialogue and consensus-building.

THE WARS OF RELIGION

The tragic fall-outs of environments marked by mistrust and lack of mutual dialogue and consensus-building are also well documented in the histories of religion. From the tragic time Jesus Christ was himself condemned onto the cross as a result of failed dialogue to convince His killers that He was indeed The Son of God the history of churches is fraught with innumerable bloody wars by men and women of the cloth.

In France, for instance, the 1500s saw repeated wars between the mainstream Catholics and Protestants. Examples of such wars of religion were many were ruthlessly slaughtered under the war-cry “one faith, one law, one king” are:

- The First War (1562-1563), sparked by the Massacre at a place called Vass in 1562, on a fine Sunday afternoon;
- The Second War (1567-1568), which was triggered by a strong rumor that Catherine De Medici, wife of France’s King Henry II was conniving with Spain to launch an onslaught on Protestant churches;
- The Third War (1568-1570), under which the Protestants suffered heavy losses on the battlefield;
- The St Bartholomew’s Day Massacre (1572) which was sparked by mounting tensions between Catholics and Protestants, leading to the killing of many church-goers;

- The Fourth War (1572-1573), which was set-off when the city of La Rochelle, the de facto capital of the Protestants had refused to pay taxes to the King because of the St Bartholomew's Day Massacre;
- The Fifth War (1576), which again was a result of deep mistrust and disunity between the Catholics and the Protestants;
- The Sixth War (1577), when Protestant strongholds were dismantled under Henri III;
- The Seventh War (1580);
- The War of the Three Henries (1584-1589); and
- The Wars of the League (1589-1598).

The salient point underlying these "holy" wars was that suspicions were allowed to grow into real threats, which in turn reached explosive tipping points before calm and collected dialogue could be initiated as a way to resolve differences within communities.

EMPIRICAL EVIDENCE ON SOCIAL DIALOGUE/SOCIAL CONTRACTS

In many countries, Social Dialogue has been successfully used as an integral part of strategies to foster economic growth and development. In these countries, the benefits of the social dialogue process have included the democractisation of economic and social policy making and the promotion of policy legitimacy and ownership.

The realm of Social Dialogue, as defined by the International Labour Organisation (ILO) includes all types of negotiation, consultation or simply an active exchange of information between, or among representatives of government, employers, and workers on the issues of common interest relative to economic and social policy. This social dialogue can take different forms (negotiation, consultation or confirmation).

For successful social dialogue, it is imperative that the actors, institutions and the agenda be clearly articulated.

Actors, Institutions and Agenda

Actors	Institutions	Agenda
• Bipartite (workers' and employers' organizations) • Tripartite (government, workers' and employers' organizations) • Tripartite plus (+voluntary and community groups, NGOs and civil society).	• Formal, legally based. • Informal, voluntary. • Ad-hoc arrangements.	• Need for shared analysis of key problems. • Need to develop a common vision. • Need to adopt a problem-solving approach that is not confrontational.

BARBADOS

During the period 1989-90, Barbados slid into economic turmoil characterized by massive declines in foreign exchange inflows from the country's traditional cash cow, tourism, fiscal deficits, rising inflation and unemployment and continued depreciation of the local currency. In light of the above, the then Government reacted to the economic decline by embracing IMF prescriptions characterized by tight monetary policy, public service reform and wage and employment cuts, among other neo-liberal policies.

It however emerged that the absence of consensus in the adoption of the IMF prescriptions resulted in the above policies being countered by a protest reaction from labour, employers and the general civil society. In view of the above, the Social partners came to table and in 1992 set up the Committee on Social Partnership, leading to the signing of three successive protocols between 1993 and 2001 (Fashoyin, 2001a). The signed protocols were:

a. The protocol for the implementation of an incomes and pricing policy (1993-95); This sought to get the economy out of crisis through various measures to minimize layoffs and social hardships through avoidance of the IMF prescription of devaluation, focusing on productivity and competitiveness as well as accepting wage freezes until corresponding productivity gains were achieved.

b. Through the second protocol (1995-97), the Social Partners drifted from wage freezes and instead adopted wage restraints and focused on increasing international competitiveness through higher productivity.

c. The third protocol 1998-2001 sought to consolidate the perceived gains from social cooperation through maintenance of a peaceful industrial climate, reduction of income disparities and promotion of general social inclusion.

INDONESIA

The Asian crisis of 1997 inflicted severe economic hardships on Indonesia. GDP growth collapsed from 7.8% in 1996 to almost 0% by the end of 1997. Reflecting this development, poverty rates doubled from 11% in 1996 to over 20% by the end of 1997. The crisis was accompanied by the collapse of several companies and severe job losses.

At the time of the crisis, social dialogue was at its infancy in Indonesia. The National Tripartite Council, in existence since 1983, was generally ineffective. However, following the demise of the Suharto dictarship in 1997 and the emergence of democracy, pressure for social dialogue mounted as workers pushed for social dialogue to stem the negative impact of the crisis on employment. (Fashoyin, 2004).

The move towards effective and sustainable social dialogue began in 1999 with the formation of a tripartite task force which discussed the ratification of the ILO's core Conventions and labour law reforms. Subsequently, during the period 1999-2001, 12 ad hoc national tripartite committees, including five sectoral tripartite committees were established with ILO technical assistance.

In 2000, a social dialogue summit was held to sensitize the tripartite partners to the positive role of consensus-building in the resolution of conflicting positions on social and economic issues (ILO, 2000). The tripartite efforts in Indonesia have helped to stabilize labour relations, thus allowing economic and political transformation to take root.

REPUBLIC OF KOREA

Confronted with the severe consequences of the Asian Financial Crisis in 1997, and the stringent requirements of the IMF program that was underway, the Korean Social Partners had to engage in long and difficult social dialogue to deal with a myriad of challenges including colossal unemployment and the near collapse of the financial sector. (Choi 2000)

The outcome of the aforementioned consultation was a middle of the road compromise on the IMF program followed by a social pact in 1998 which dealt broadly with issues of socio-economic management. The 1998 Pact provided for the acceptance of wage reductions and relaxation of the rules regarding the employment relationship by organized Labour.

It was this tripartite compromise in the midst of economic crisis that became the turning point towards economic recovery through the adoption of a set of economic and social measures to deal with the Asian crisis as well as maintaining social stability in an environment of socio-economic meltdown.

KENYA

Kenya is among the earliest countries in Africa to adopt tripartite cooperation. In 1962, Kenya introduced an Industrial Relations Charter which encompassed tripartite institutions such as the National Tripartite Consultative Committee (NTCC), Labour Advisory Board and the National Minimum Wages Board. However, these institutions contributed indirectly to macroeconomic policy. (Fashoyin 2001b).

A deepening economic crisis in the 1990s culminated in the introduction of structural adjustment programs. To deal with the complex economic problems and associated labour market challenges, tripartite cooperation was rekindled in the 1990s. Employer organisations were organised under the Federation of Kenya Employers (FKE). On the workers' side, 37 unions in the country fall under the Central Organisation of Trade Unions (COTU). On the government side, the Ministry of Labour was the main government authority and is assisted by other government agencies with an important role in economic and social development.

In 1997, Kenya created the Joint Industrial and Commercial Consultative Committee (JICC), through which several stakeholders address economic and social issues affecting development. The JICC membership is made up of 50 top-level institutions, including the tripartite members, and local and community authorities. The JICC proposes solutions, and where appropriate, directs the relevant government agency to implement them within a definite time-frame. As a result, the JICC has helped formulate socially responsible policy while at the same time enhancing Kenya's evolving democracy.

CZECH REPUBLIC

In the Czech Republic, the establishment in 1990 of the National Tripartite Council for Economic and Social Cooperation (RHSD) emerged as the critical pillar to support economic reforms without social unrest (Casale, Kubinkova and Rychly, 2001). During the period 1990-93, a general agreement would be reached by the Social Partners every year on socio-economic issues such as labour relations, wage trends, health care, education, occupational safety and environmental issues.

THE REPUBLIC OF IRELAND

Irish economy was in crisis in the late 1980s: the unemployment rate was 17% and inflation was running at an average of about 12% in the decade until 1987. Public finances also were problematic with budget deficits of more than 8% of GDP and a national debt/GDP ratio mounting to 125% in 1987. Tax rates soared in an attempt to pay off the large public debt, depressing the economy further. With the lack of employment opportunities and decreasing real wages, emigration was at its highest level since the 1950s.

The sense of national crisis brought about a concerted search for tackling the problem of stagnation, soaring debt and taxes. The social partners and government gathered and discussed some practical steps to deal with this serious challenge to the Irish economy and society. The National Economic and Social Council (NESC) produced a report on *Strategy for Development*, which set out the key principles to be applied in regenerating the economy and society. With the leadership of trade unions, employers and the government, negotiations commenced in October 1987 resulting in the first social pact, the *Program for National Recovery* . (Fajertag and Philippe 2000*)*

Successive Social Pacts

i. Program for National Recovery (PNR) (1987 to 1990)
ii. Program for Economic and Social Progress (PESP) (1990 to 1993)
iii. Program for Competitiveness and Work (PCW) (1994 to 1996)
iv. Partnership 2000(1997 to 2000)
v. Program for Prosperity and Fairness (PPF) (2000 to 2003)
vi. Sustaining Progress (2003 to 2005)

Successive social pacts have managed to broaden stakeholders involved in the negotiation as well as the focus of agreements: from initial crisis management to a more comprehensive approach coping with challenges related to economic and social progress as well as social exclusion. It is widely acknowledged that the Irish social pacts have been successful and are the key vehicle for its economic and social success since the 1990s.

Successive Social Contracts

- Incomes Policy Agreement on Employment (1990-91)
- Incomes policy Agreement on Stabilization (1992-93)
- Incomes Policy Agreement (1996-97)
- Incomes Policy Agreement (2001-02)
- Incomes Policy Agreement (2003-04)

PORTUGAL

Portuguese social dialogue in the current form did not start until the mid 1980s, a decade after the revolution in 1974. Prior to 1984, social dialogue attempts failed to take off due to the adversatorail relations relations between employers' and workers organizations. (Da Paz Ventura Campos Lima and Naumann 1997). However, with the establishment of the Standing Committee for Social Dialogue (CPCS) as the institutional basis of tripartism in 1984, national social dialogue in Portugal gained momentum.

In the mid 1980s, Portugal suffered from macroeconomic imbalances and unemployment. Although inflation had fallen since the 1970s, the problem of balance of payment deficits and public debt persisted. Social dialogue has become an important means of governance in preparation for Portugal's integration into the European Community (1985), and in facilitating structural changes in society and economy. After 1990, the commitment to eventual adoption of the EURO led to consensus on an anti-inflationary and lower public debt strategy.

In the 1980s, the agreements through social dialogue were limited to recommendations on incomes and pricing policy. In the 1990s, they moved on to a higher level with social partners engaging in dialogue on a wide range of policy issues. Comprehensive economic and social agreements were reached in 1990, 1996 and in 1997. These pacts covered a wide range of topics from incomes policy, employment policy, education and vocational training, working time and conditions and social security reform to the regulation of industrial relations. However, their implementation has been very problematic, partly because the largest workers' organisation, CGTP (*Confederação Geral dos Travalhadores Portugueses* - General Confederation of Portuguese Workers) was not a signatory party.

The CGTP was often heavily involved in the negotiation of comprehensive social pacts, but did not become a signatory member. This led to problems in the implementation of the pacts because it left the CGTP's membership, encompassing the large majority of unionised workers, in effect outside the agreement. Industrial relations remained antagonistic which impeded the implementation of the pacts. Despite the far-reaching content of the social pacts agreed in the 1990s, they have not been effectively implemented.

In 2001 three separate issue specific pacts were agreed to, namely agreements on: (i) employment policy, the labour market and education and training; (ii) on working conditions, work hygiene and safety and work accident prevention, and (iii) the modernisation of social protection. Except for the latter, which was not signed by the employers' organisation, these agreements were concluded by the government and employers' and workers' organisations including the CGTP.

POLAND

During the early years of economic transition, the Government was completely overwhelmed by a massive and chaotic wave of strikes. In 1992, the social partners and the Government launched discussions about the possibility of introducing a social contract which was eventually signed in February 1993 by the Government, Solidarity, OPZZ and seven other national branch trade unions. (Casale 2001).

The new Pact on state-owned enterprises in transition included the creation of a tripartite body called the Tripartite Commission for Social and Economic Affairs. This was established by a Resolution of the Council of Ministers. By the end of 2000, the Tripartite Commission had met 75 times in plenary sittings. In addition, the Commission established a number of problem-solving committees, of which the committee for social security reform has proved to be the most productive. The Commission succeeded in establishing common positions on the following issues:

- the growth rate of average monthly wages in enterprises during the third and fourth quarters of 1994;
- the level of resources to be allocated to wages in budget sector institutions in 1995 (central and local government institutions);

- the maximum annual growth rate of average monthly wages in enterprises for 1995, 1996 and 1997;
- the expected level of average pay in budget sector institutions and the difference in pay among subsectors for 1996 and 1997;
- changes to the program of social security reform;
- the draft budget for 1996 and 1997;
- draft legislation on employment and unemployment; and
- Mediators' salaries.

The Tripartite Commission became the main institution of social dialogue in Poland. Its position was strong and its public recognition was especially high during the 1995-97 period when it was headed by the late Andrzej Baczkowski, first as Under-Secretary of State at the Ministry of labour and Social Policy, and in subsequent years, as Minister. At the time, the Commission was the main forum for wage negotiations, especially wages in the publicly financed sector (central and local government institutions), but also wages in the private sector. This was related to the two major pieces of wage legislation which came into force in late 1994: the Negotiation-based System for Setting Average Wage Increases in Enterprises Act, December 1994 and the Determining Resources for Budget Sector Wages Act, December 1994.

FINLAND

Finland has a long tradition of social democracy. Social partners are a highly integrative part of the national economic and social policy making. Together with the government, the central confederations of workers and employers' organisations negotiate incomes policy agreements, covering not only wages but also employment and labour market policies and other social policy issues such as balanced work and family life, promotion of gender equality, social welfare and pension schemes, as well as taxation policies. (Hyman 2000).

Since 1968, the social partners and the government have concluded several incomes policy agreements. The general content has changed over time. The agreements of the 1960s and 1970s concentrated on the improvement of pay and working conditions, and the social security system. In addition to these issues, the recent agreements focused on macroeconomic issues such as measures to reduce unemployment or the maintenance of a low level of inflation.

In the beginning of the 1990s the economy suffered from the recession. It experienced a record current account deficit and soaring inflation rates. The unemployment rate rose drastically from 3.3% in 1990 to 17.2 % in 1993. Consequently, policy measures to improve productivity, competitiveness and employment became some of the most important issues of discussion in incomes policy agreements in the first half of the 1990s. The long-standing tradition of incomes policy agreements/social pacts has helped to maintain a positive economic and political climate through social dialogue.

THE LESSONS…

The foregoing examples have revealed that Social Contracts, if appropriately implemented, can be used as an effective vehicle for the attainment of macroeconomic stability and prosperity. Throughout these empirics, the following common threads are discernible:

- Social contracts are best effective when they are designed from a needs base, where key concerns of social partners: Government, Business and Labour are addressed through practical compromises.
- On their own, social contracts can not produce the needed macroeconomic stability. The pacts in the social contracts must, therefore, be supported by dedicated implementation of coherent macroeconomic policies that directly

impact on economic production, as well as shaping positive stakeholder expectations.

- For maximum effect, social contracts must also spell out explicit obligations of the social partners, supported by simple, well articulated monitoring and review systems.
- The covenants in social contracts must set out phased and achievable targets that generate “modest victories” upon which more substantive successes can be built. The main logic here is that through repeated small victories, stakeholder buy-in will be enlisted, which in turn propels the turnaround programs more towards success.
- Rough patches are a reality that hardly no country has escaped in its history and, therefore, contemporary nations must not give up in their pursuit for lasting socio-economic stability, growth and prosperity.

CHAPTER 4

4. SUSTAINABILITY OF MACROECONOMIC POLICIES

The subject matter of global warming is fast dominating the debate space in both domestic, regional and international fora. At the core of this critical policy area is the tragedy of the commons, itself a phenomenon where is resource that is deemed to be a common-pool gift of nature is plundered by the micro-actions of individual economic units, all to the detriment of whole communities. In order to move the global economy smoothly into the future, in a manner that does not pose the danger of extinction of future generations, an area that requires urgent international consensus through dialogue is that of sustainable environmental management.

Robert Stavins (1994) in his ground breaking research work opens by arguing that: “The fundamental theoretical argument for government activity in the environmental realm is that pollution is an externality – an unintended consequence of market decisions, which affects individuals other than the decision-maker” (pp1). Thus, the provision of incentives for private actors to internalize the full cost of their actions has long been thought to be the theoretical solution of the externality problem.

The acclaimed Brundlant Commission on Environment and Development defines sustainable development as: “… development that meets the needs of the present without compromising the ability of future generations to meet their own needs” *(World Commission on Environment and Development. Our Common Future. Oxford University Press, Oxford)*. In keeping with this quest for sustainability in the process of development several Sustainable Development Indicators (SDIs) have been developed which seek to outline the common features of what defines “ a good quality of life”. Coverage is on such factors as, among many others:

- Health;
- Education;

- Gender equality;
- Individual liberties;
- Social infrastructure networks;
- Income levels and equality of distribution; and
- Information dissemination and coverage to the majority of the people;

In Malaysia, for instance, the country's *Seventh Maysian Plan* (Government of Malaysia 1996) specifically expressed that country's desire and commitment towards the development of indicators of sustainability. In December, 1997, the Economic Planning Unit of the then Prime Minister's Department convened the National Workshop on Sustainable Development Indicators with the following objectives:

- To increase awareness and knowledge of the policy community in Malaysia about SDIs;
- To present available methodologies and frameworks for SDI construction and development;
- To review experiences of other countries in SDI initiatives;
- To document on-going indicator development programs in Malaysia;
- To assess the needs, technical requirements and data availability for SDI development in Malaysia; and
- To initiate the establishment of a national working group on SDI.

The critical learning point here is that matters of social development require buy in at all levels, so as to bear maximum effect. Also, when formulating national macroeconomic policies, there is need for the policy makers to be clear in their minds what dimensions of the growth and development objectives are targeted, as well as on the expected impact.

The Short-term – Long-term Dynamics

Sustainability of macroeconomic policies is also closely linked to the dynamics and evolution of variable responses to measures implemented, with such response differing depending on whether one looks at the short-term or the long-term horizon. Typically, most macroeconomic policies, by their nature are fraught with short-term contradictions and dilemmas, which if not carefully weighed, risk having those policies condemned into extinction, yet if sustained, they will have meaningful long term benefits.

An example is the short-term dilemma of promoting capacity utilization through expansionary fiscal or monetary interventions, whilst at the same time, seeking to reduce inflation. To those who live in the short-term, with myopic sights on the medium to long-term horizon, monetary injections, say into agriculture or the granting of selective subsidies to targeted priority sectors may be seen as “bad economics”, as they easily get scared by the short-term inflation effects. However, if for instance the outlays are going into the construction of dams, irrigation systems, generation of energy or the uplifting of machinery and equipment on farms, then the medium to long-term benefits are likely to more than outweigh the temporary short-term inflation costs.

The development agenda, must, therefore, seek to achieve sustainability through policies that map the objectives matrix not only in the short-term dimension, but also over the medium to long-term.

THE MILLENNIUM DEVELOPMENT GOALS (MDGs)

Contemporary economies have also come to face the dictates of policy directions emanating from the global arena. One such umbrella of global policies influencing domestic national developmental programs is that of the Millennium Development Goals of the United Nations. The MDGs are a collective challenge that the global community has set for itself. To all contemporary policy makers, it has become an impelling requirement that macroeconomic policies be tailor-made in a manner that directs results towards one or more of the following MDGs:

The Millennium Development Goals

Goal	Targets
1. Eradicate extreme poverty and hunger	• Halve, between 1990 and 2015, the proportion of people whose income is less that $1 a day. • Halve, between 1990 and 2015, the proportion of people who suffer from hunger.
2. Achieve universal primary education.	• Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.
3. Promote gender equality and empower women..	• Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.
4. Reduce child mortality.	• Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.
5. Improve maternal health.	• Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.
6. Combat HIV/AIDS, malaria, and other diseases.	• Have halted by 2015 and begun to reverse the spread of HIV/AIDS. • Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.
7. Ensure environmental sustainability.	• Country policies to focus on integrating sustainable development principles. • Halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation. • Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers.
8. Develop a global partnership for development.	• Liberalize financial and trading systems. • Address special needs of least developed nations.

Goal	Targets
	• Address the special needs of small land-locked and small island developing states. • Resolve debt problems of developing countries. • Focus on the youth. • Promote private – public sector cooperation.

The thrust of the MDGs is, therefore, on what individual countries ought to achieve, so as to elevate the quality of life for humanity. Successful accomplishment of the MDGs, is thus closely interrelated to how individual countries incorporate development indicators in their policies. In other words, each policy must be examined and confronted with a question which seeks to establish the impact on the quality of life for the people, now and in the future.

It is against this litmus test that most economic and structural policies fail. Theoretical concepts of optimality, efficiency and the free play of market forces do not always coincide with the ideals of sustainable economic development with prominence on social welfare.

For instance, Conway and Pretty (1991) argued that today, numerous agricultural scientists agree that modern agriculture confronts an environmental crisis. Evidence has accumulated showing that whereas the present capital and technology-intensive farming systems have been extremely productive and able to furnish low-cost food, they also bring a variety of economic, environmental and social problems (Audirac, 1997) – impact of agro-chemicals, pesticides, synthetic fertilizers and other adverse spin-offs.

THE ROLE OF INTERNATIONAL TRADE

Global interaction of nations through trade is another area requiring consensus. Sachs and Larrain (1993), in their fabulous book *Macroeconomics in the Global Economy*, underscore the empirical fact that one of the major factors that determine countries' susceptibility to economic crises is the countries' orientation to international trade. Indeed, for centuries, communities have evolved to realize the benefits of trade, which are presented by Michael P. Todaro et al (2006), as:

(a). Trade allows countries to benefit from consumption possibility frontiers that would otherwise be unachievable based on own internal resources.

(b). With trade, countries can specialize in producing what they are best at, which effectively increases global output of goods and services, at lower costs.

(c). International trade promotes the interchange of technological know-how, which expedites the pace of economic development.

(d). Most economies, particularly in the underdeveloped and the developing world have narrow internal markets, which constrict the capacity for local industries to grow due to lack of markets for their output. Trade therefore expands the size of markets, enabling internal growth in industry and commerce. This has positive spill-over effects with the rest of the economy through backward and forward linkages, as well as employment creation.

(e). Trade also promotes cultural exchanges across global communities, which helps foster peace and stability.

(f). Trade promotes economic growth through sectoral linkages in the economy.

(g). Trade generates pressures for increased efficiencies through competition.

(h). Trade paves way for capital flows in the global economy, which benefits developing countries which have shortfalls in their internal savings aggregates.

Notwithstanding the above clear benefits of international trade, there has not been absolute global consensus on the implementation of complete free trade due to several considerations at the local level.

Why Trade Restrictions?

As highlighted earlier, notwithstanding the clear benefits of international trade, a reality that continues to characterize world economies is that walls of barriers to trade continue to exist, effectively limiting the full realization of the virtues of trade as a developmental phenomenon. Paul P Streeten (1973), and Donald B Keesing (1979), discuss extensively the virtues of inward-looking and outward looking policies and underscore some of the reasons countries may continue to limit free trade. At the core of trade protectionist policies are often the following main arguments:

(a). The infant industry argument, where the domestic economy erects barriers of free entry of commodities produced in other economies as a way to protect nascent domestic industries. The main assumption here is that if given ample time to grow, eventually the weak local industries would graduate into competitive giants for the future. This argument however falls flat in the face of experiences in some developed countries where the protected firms were lulled into complacency and evolved into inefficient white elephants. An example is Zimbabwe's steel industry which has been benefiting from protective tariffs for the past 26 years, but has not grown out of inefficiencies, and is facing serious viability constraints.

(b). The anti-dumping argument. In the real of international trade, dumping refers to the case where a foreign supplier deliberately sells its output in another market at prices that are below production costs as a market penetration strategy. Once the objective to penetrate the market would have been achieved, the seller then realigns its prices. The feared effect is that dumping would kill local industries and cause resource underutilization.

(c). The strategic industry argument has it that countries erect trade restrictions so as to create self-reliance on sectors or areas of production considered to be strategic for national security reasons. Examples are water works, power generation, military, and police services.

(d). Sanctions imposed on countries that renege on their obligations under international law. An example is Iraq which saw the United Nations impose a ban on Iraq's free exportation of oil in the 1990's for the country's then stained poor record on human rights. Trade restrictions are then imposed as a mechanism to deter further errant behaviour, as well as prompting restitution.

(e). The green revolution argument, where countries are imposing trade restrictions on violators of environmental benchmarks, such as the need to use ozone friendly fumigants in fields.

(f). The fiscal revenue argument, which says that governments impose tariffs and excise duties to raise fiscal revenue.

O Krueger (1983), gives a detailed analysis and presentation of empirical evidence on the growth-inducing benefits of manufactured export promotion based on the 1960s and 1970s experience, with specific reference to the challenges faced in developing countries.

Main forms of trade restrictions as the world economy stands today, have taken one or a combination of the following instruments:

(1). Import duties, which can be a given percentage on the value (ad valorem) or a fixed amount per given unit (unit tax).

(2). Export and Import quotas, which specify the quantitative limit of a commodity that can be exported or imported over a defined period of time.

(3). Non-tariff barriers – these have mainly been in the form of specifications and standards that relate to the preservation of the ozone layer, including the need to avoid use of chemicals that are deemed to cause damage to the environment.

(4). Total embargoes which entail outright bans on the exportation or importation of specific commodities, which can be for health considerations or sanctions against a given country.

EMPIRICAL EVIDENCE ON ECONOMIC TURNAROUNDS

LESSONS FROM SOUTH KOREA AND TAIWAN

Volumes of printed books, see Young, Allwyn (1995), Rodrick Dani (1995), Sanjaya Lall (2004), are full of nostalgic accounts of how South Korea transformed the fabric of its economy from an underdeveloped, agricultural country to a leading Newly Industrializing Country (NIC) since 1965. Between 1965 and 1981, when us in Zimbabwe were a mere one year old as an independent state, Korea's Gross National Product (GNP) had multiplied **twenty times** from US$3 billion to US$63 billion, with per capita GNP rising sixteen times, and per capita consumption surging twelve times.

And all of this staggering performance being drawn from a country with a mere 98480 square kilometers, about a quarter of the size of Japan, and with roughly 60% of the land being uncultivated, forest mountain slopes, effectively leaving only 30%

for intensive cultivation. A review of the sterling performance of South Korea in the post occupation era, beginning 1965, starkly reveals the following main pillars that spurred high rates of economic growth, and the strengthening of the country's overall economic system:

- Notwithstanding the relative limitation of the arable land resource, Korea implemented a deliberate national program to uplift and mechanize its agricultural sector. The Government of Korea underscored and emphasized land-saving policies, as well as raising of land under irrigation;

- Taking advantage of its high population density, Korea invested heavily in the development of human capacities. Compulsory primary education was implemented in Korea as early as 1949, such that by the early 1960's, the rate of primary school enrolment reached almost 100%. The lesson here is clear: People, People, People;

- The Government of Korea focused on an aggressive exports-led growth strategy, with exports growing at a staggering average rate of 45% between 1965 and 1973, which in turn further unlocked supply side synergies. Export growth was nurtured through a combination of targeted incentives and exchange rate systems that adjusted to reflect exporters production costs;

- Government of Korea implemented deliberate programs to create a critical mass of domestic heavy industries, which encompassed those producing chemicals, petroleum products, rubber, plastics, fabricated metal products, as well as machinery and equipment. The rapid growth in manufacturing was further spurred by the **backward linkage effect** arising from export expansion;

- The fiscal and monetary policy frameworks were well coordinated, with the overall objective of maximum complementarity in keeping inflationary pressures in check; and

- Korea pursued an aggressive program of promoting a vibrant domestic savings culture. Between 1965 and 1981, for instance domestic savings averaged high levels of between 30-44% of GNP which gave impetus to robust investment finance.

From a close look at the above key factors that spurred the Korean economy's monumental economic growth and development record, it is imperative to note that elsewhere in the in those countries, such as Malaysia, Ireland, Chile, and other examples of modern-day success stories, these key factors also emerge as the common thread, supported by these countries' realization that other non-economic factors matter in development and trade promotion. Soedjatmoko, the renowned Indonesian development expert once argued:

Quote: *"Looking back over these years, it is now clear that in their pre-occupation with growth and its stages and with the provision of capital and skills, development theorists have paid insufficient attention to institutional and structural problems and to the power of* ***historical, cultural, and religious forces*** *in the development process". (Own emphasis).* [Soedjatmoko, The Primacy of Freedom in Development. University Press of America, 1985; pp. 11].

Korea and Taiwan began their rapid economic growth over forty years ago. The sources of growth in the two countries are attributable to a cluster of export-oriented economic reforms launched in 1958 in Taiwan and in the early 1960s in Korea. Emphasis on trade permitted both countries to exploit their comparative advantage in low-wage labor, and this led to increased investment, rapid productivity improvement and real income growth. Prior to the transition to export-led growth, both countries pursued policies that were quite common across the developing world. External shocks, foreign exchange scarcity and protectionist lobbying pushed both countries to pursue inward-looking, import-substituting trade and exchange rate policies.

Tariffs were high, and an overvalued and multiple exchange rate discouraged exports and contributed to both countries' high and apparently chronic dependence on US aid. With trade liberalization and devaluation, resources shifted rapidly into the export sector. In addition, financial market reforms increased the real return to depositors and boosted national savings. Exports from both countries did grow rapidly following the trade and exchange rate reforms. The expansion of the external sector contributed positively to economic growth.

Experiences of Korea and Taiwan show that macroeconomic stability, trade and exchange rate reforms, and freeing domestic markets is key to rapid growth. Both countries managed to achieve high growth rates of over 5% and higher export volumes.

INDIA

India had largely been insulated from the world trading system for more than four decades since independence in 1947. This led to India becoming marginalized in world trade. Prior to 1991 the import tariffs were high and some non-tariff barriers, particularly quantitative restrictions were applied to virtually all imports. In 1991 India took deliberate measures to attracting private capital and integrate itself into the global economy. The economic reforms resulted in a significant reduction in tariffs and the abolishment of quantitative restrictions (QRs) on most imports.

However, while abolishing QRs on agricultural imports, tariffs have been raised to high levels indicating an apparent lack of a firm commitment to further trade liberalization. Prior to 1991, restrictions on FDI included limiting entry into specified priority areas, upper limit of 40% on equity participation. In addition, government approval on technology transfer, and export obligations was required. Following the reform program India allowed 100% foreign participation in several industrial sectors.

Liberalization of Trade and Exchange Rate Policies

The exchange rate was liberalized and is largely determined by market forces. The Reserve Bank of India, however, intervenes to smoothen exchange rate movements. In 1991-1992 the Rupee was devalued by 22.8% and had became convertible for current account transactions in 1993.

On the current account quantitative restrictions on most intermediate and capital goods imports were removed. Other temporary measures to deal with balance of payments problem such as foreign exchange licenses import compression, export-based imports, and dual exchange rate system were withdrawn. The Indian experience clearly demonstrates the importance of integrating an economy into the global village through opening up and removal of trade restrictions. If this is accompanied by an aggressive export drive, supported by a liberalized exchange rate system, the balance of payments position of a country improves significantly. Promotion of Foreign Direct Investment (FDI) is also key to sustainable economic growth.

SINGAPORE

Singapore pursued liberal trade and investment policies while deepening internal reforms, especially in key services sectors. The economy remains relatively free of trade barriers and foreign investment is allowed in most sectors of the economy, with restrictions in only a few services sectors. Government involvement is limited to key sectors through government-linked companies, which are currently managed by a holding company (Temasek). In addition, the Government created statutory boards to implement its policies; their present role consists primarily of regulating and promoting economic activities that are thought to have high growth potential, as well as providing technical and marketing assistance.

Singapore's trading advantage is moving towards higher value-added manufacturing and services sectors; the Government has responded to this by establishing long-term development Programs, including tax incentives, to encourage investment in higher value-added activities.

Economic Environment

Economic growth in Singapore is underpinned by a stable macroeconomic environment. A history of prudent fiscal and monetary policy enabled the Government to respond swiftly to the economic crisis that hit the region in 1997.

Trade and Investment Policy Framework

Singapore's economic success owes much to its high degree of openness. International trade is equivalent to 300% of GDP, while foreign direct investment currently accounts for around 70% of total investment in the manufacturing sector. Trade and trade-related policies are the responsibility of the Ministry of Trade and Industry, which coordinates policy with other Ministries and statutory bodies, and are implemented by the Trade Development Board (TDB).

Policies are generally formulated upon consultation with Singapore's business community and other interested parties. In addition, national committees are formed from time to time to address specific issues, most recently on competitiveness; the committees include participants, and solicit advice, from a range of interests. Singapore's foreign investment regime is liberal, the exception being some services sectors and real estate, where there are limits on foreign investment. However, several of these restrictions are being gradually reduced or removed.

The Government invested directly in sectors believed to be of strategic interest for economic development, and in which private investment would prove to be insufficient, by taking a direct stake in companies involved in these sectors. Singapore opted for a sectoral competition policy framework, establishing regulatory authorities and rules in each sector to ensure competition between the incumbent service providers, often a public sector monopoly, and newer competitors.

In the goods sector, a liberal market-based policy has been sufficient to ensure competition.

Sectoral Policies

Singapore actively promoted the development of high value-added manufacturing activities. This policy has been largely successful, with electronics and electronic products accounted for 43% of value added in manufacturing. The services account for around 64% of GDP and provide employment to around 70% of Singapore's workforce. Liberalization is most advanced in financial and telecommunications services. In other sectors, such as energy and water, which are important business inputs to manufacturing and services activities, reform is taking place more gradually.

Singapore’s developmental strategies focused on industrialization through an import substitution strategy. Its trade policies focused on trade promotion, Infrastructure, institutional creation and international relations.

CHINA

The ongoing economic reform in China, which started in 1979, has turned over a new leaf in the history of China and its influence has been felt worldwide.

Industrialization Strategies

The country pursued an open policy as part of its industrial strategy. The government of China established special economic zones and managed to attract foreign direct investment in the Southeast Costal Regions; Other Costal and Border areas; and Inland areas. The creation of special economic zones played an important role in opening up the Chinese market to the outside world and attracting foreign investments.

Export development strategy

The Chinese government set up an export development fund with the ultimate goal of promoting exports. The companies took advantage of lower production costs and enjoyed economies of scale, which enabled them to increase their output. Emphasis is on the development of SMEs to drive economic growth and development.

Import Substitution Strategy

China's domestic market is still, however, still protected by high tariffs and/or import licensing requirements on certain capital- and technology-intensive products and consumer goods.

Lessons for Zimbabwe

Experiences from China indicate that Government should allow market forces to determine the optimal allocation of resources and Government intervention should be minimal.

In particular, trade policies should allow the growth of export-oriented processing industries. This entails the transformation from the low-tech level to high-tech levels, and development of import-substitution industries into export-oriented industries.

MALAYSIA

Export Oriented Industrialization in the 1970s.

Prior to the 1970s, Malaysia promoted specific industries primarily through tariffs and quotas and the provision of basic infrastructure, and these industries essentially produced for the domestic market. This initial import substituting industrialization

(ISI) drive of the 1960s failed to absorb the economy's excess labour, leading to relatively high unemployment levels.

To address these economic challenges, export-oriented industries (EOIs) were promoted in the early 1970s through the establishment of Export Processing Zones (EPZs) and attracting investments from trans-national corporations. Foreign firms employed low-wage labour to assemble imported raw materials and components for export. The export strategy transformed the industrial sector into a significant contributor to economic activity. The contribution of manufacturing to GDP and employment rose by 7% within a decade, while exports rose by 8%. By 1980, exports of electrical and electronic products and textiles and garments.

The reforms since the mid-1980s also involved a gradual process of privatization and restructuring of sate-owned enterprises. In June 1973, Malaysia gradually liberalized its exchange rate to a more market determined system based on a basket of trading partner currencies. The Central Bank of Malaysia intervened only to maintain orderly market conditions and to avoid excessive fluctuations in the value of the Ringgit. Malaysia returned to a fixed exchange rate system in 1998 after the Asian Financial Crisis.

Lessons for Zimbabwe

The Malaysian experience shows that macroeconomic and structural adjustment policies and promotion of foreign direct investment results in a rapid expansion of the manufacturing sector. It is also clear that growth can be enhanced through increasing competitiveness by strengthening industrial linkages, enhancing value-added activities, and increasing the productivity of the manufacturing sector.

LESSONS FROM THE ASIAN CRISIS

The crises in Thailand that ultimately spread to other economies in the region – Indonesia, Malaysia and the Philippines – did not strike out of the clear blue sky. Early warning signals pointed to substantial macroeconomic imbalances – substantial real exchange rate appreciation, a marked slowdown in export growth, a persistently large current account deficit financed increasingly from portfolio inflows including a substantial amount of short term capital and rising external debt.

The challenge for policy makers is to quickly find out where the red lights are flashing to determine crises and take preemptive actions to strengthen their policies. These include the maintenance of an appropriate exchange rate and exchange rate regime coupled with other appropriate macroeconomic policies. However, there is no single right exchange rate regime as evidenced by the shift, in other countries, from more flexible exchange rates back to fixed exchange rate regimes. After so many years of outstanding economic growth in the region, the authorities did not quickly recognize that these underlying deficiencies could seriously jeopardize their good track records. This certainly contributed to the delay in taking corrective action and at lat the currencies collapsed.

The first lesson for Zimbabwe is the necessity to take early corrective measures to correct macroeconomic imbalances, something which did not happen in Thailand. More difficult to understand is how the crises spread to Thailand's neighbors where current account deficits were generally smaller and foreign direct investment more substantial. The lesson that can be drawn from this is that other countries can find that their vulnerability to crises in other markets is greater than economic fundamentals would suggest. This is particularly so in a changing economic environment where the world is increasingly shrinking into a global village.

United States of America

The economic history of the United States has its roots in European settlements in the 16th, 17th, and 18th centuries. The American colonies progressed from marginally successful colonial economies to a small, independent farming economy, which in 1776 became the United States of America. In 230 years the United States grew to a huge, integrated, industrialized economy that makes up over a fifth of the world economy. The main causes were a large unified market,

- a supportive political-legal system,
- vast areas of highly productive farmlands,
- vast natural resources (especially timber, coal and oil), and
- an entrepreneurial spirit and commitment to investing in material and human capital.

The economy has maintained high wages, attracting immigrants by the millions from all over the world.

Infrastructural development like railroads were, by far, one of the most important contributions to the economy. Many contrasting views exist regarding whether the railroad was "indispensable" or not, but it was undoubtedly very important. The railroad paved the way to new developments in running large-scale business operations, creating a blueprint for future businesses to use. They were first to encounter managerial complexities, labor union issues, and problems of competition. Due to these radical innovations, the railroad became the first large-scale business enterprise.

Panics did not curtail rapid U.S. economic growth during the 19th century. Long term demographic growth, expansion into new farmlands, and creation of new factories continued. New inventions and capital investment led to the creation of new industries and economic growth. As transportation improved, new markets continuously opened.

The steamboat made river traffic faster and cheaper, but development of railroads had an even greater effect, opening up vast stretches of new territory for development. Like canals and roads, railroads received large amounts of government assistance in their early building years in the form of land grants. But unlike other forms of transportation, railroads also attracted a good deal of domestic and European private investment.

Some people made fortunes overnight, but many people lost their savings. Nevertheless, a combination of vision and foreign investment, combined with the discovery of gold and a major commitment of America's public and private wealth, enabled the nation to develop a large-scale railroad system, establishing the base for the country's industrialization.

One notably episode in the history of the American economy and the majority of Europe is the great depression which is explained below:

Great depression

The **Great Depression** was an economic downturn which started in 1929 and lasted through most of the 1930s. It was centered in North America and Europe, but had devastating effects around the world, particularly in industrialized countries and producers of raw materials. Cities all around the world were hit hard, especially those based on heavy industry. Unemployment and homelessness soared.

Construction was virtually halted in many countries. Farming and rural areas suffered as prices for crops fell by 40–60%. Mining and logging areas had perhaps the most striking blow because the demand fell sharply and there were few employment alternatives.

Several arguments have been given as the causes of this historic economic downturn, from insufficient government spending as argued by the Keynesians, to several theories describing the Great Depression as an inevitable outcome of World War I.

Among the hardest hit was the American economy, where industrial sites had been turned into virtual ghost-towns. To get out of this depression the then American president Roosevelt came up with a Social Contract pact called the New deal which sought to stimulate demand by:

- Reforming the financial system, especially the banks and Wall Street. The Securities Act of 1933 comprehensively regulated the securities industry. This was followed by the Securities Exchange Act of 1934 which created the Securities and Exchange Commission. (Though amended, the key provisions of both Acts are still in force as of 2007). Federal insurance of bank deposits was provided by the FDIC (still operating as of 2007), and the Glass-Segal Act (which remained in effect for 50 years).
- Instituting regulations which ended what was called "cut-throat competition," which kept forcing down prices and profits for everyone.
- Setting minimum prices and wages and competitive conditions in all industries.
- Encouraging unions that would raise wages, to increase the purchasing power of the working class.
- Cutting farm production so as to raise prices and make it possible to earn a living in farming

Because of its inclusiveness and emphasis on the areas of greatest need to the majority of the American people, the New Deal won resounding support among social partners, which in turn led to its passionate implementation. As a result, productivity levels began to pick up, leading to renewed expansion of job opportunities, savings and investment growth, as well as general availability of goods and services on the shelves. Today, the USA stands as the leading economy of the world on the back of the seeds of prosperity that were sown through years of implementation of successive economic reforms, fortified by commonality of purpose among stakeholders.

Germany

In the 1920's, the post-World War I Germany recorded one of the highest episodes of inflation in the history of the world reaching trillions percent per annum. However through co-operation of both the public and private sector Germany managed to tame the inflation dragon to the current single-digit levels. Today, Germany is among the largest economies in the world and the largest exporter of heavy industrial machinery in the world.

Again, this experience shows that through a shared vision, passion for implementation of agreed programs, as well as the discipline to persevere through challenges, what may seem as insurmountable setbacks can be successfully tackled.

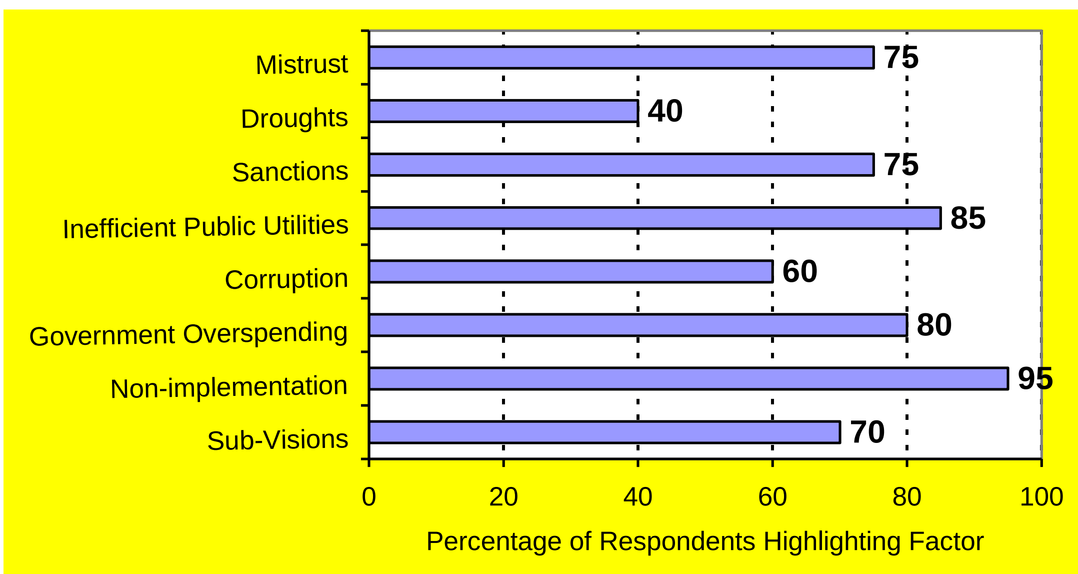
CHAPTER 5

5. SURVEY RESULTS

In order to unravel the public's and policy makers' opinions on the time profile of Zimbabwe's economic reforms, as well as perceptions on the likely future trends of economic developments, I conducted a survey on 500 respondents, as was highlighted in the Methodology Section of this Thesis. Below are the summaries of the main findings from the surveys:

Why Zimbabwe's Economic Reforms Have Had Limited Success

***(**sample size 500. Response rate: 95%)*



The survey results identified the following main factors as limiting Zimbabwe's capacity to achieve quicker economic turnaround:

- Non-implementation of agreed programs;

- Inefficiencies in public utilities (power generation, liquid fuels, telecoms, transportation, coal production and municipalities);
- Government overspending;
- Sanctions against Zimbabwe;
- Mistrust among stakeholders;
- Existence of many sub-visions, most of which are at conflict with each other;
- Corruption;
- Droughts.

Superimposing the above survey results on the empirical reviews of turnarounds in other countries, it is apparent that Zimbabwe needs to speedily redouble its focus on policy implementation, supported by unity of purpose and structural reforms that increase efficiencies in its public utilities. The international community also has an important role to play, as the impact of sanctions is indeed a major drag on Zimbabwe's internal policy programs. The magnitude of the impact of sanctions on the country is further presented later in this Thesis.

Where Policy Emphasis Should Be

(sample size: 500 respondents; response rate 90%)

Identified Policy Area	Percentage of respondents who identified policy area as needing radical improvements
Monetary	30%
Fiscal	85%
Land Utilization	95%
Electricity Generation	90%
Local	80%

Identified Policy Area	**Percentage of respondents who identified policy area as needing radical improvements**
Authorities Service Delivery	
Pricing Policies	95%
Coal Production	80%
Air Transportation	95%
Anti-corruption Drive	70%
Dialogue and Consensus Building	85%
Social Safety Nets	50%
Education and training	80%

The survey results also showed that 85% percent of respondents were upbeat that the Zimbabwean economy will be out of its current difficulties in the next 5 years, whilst 10% said that the situation will be worse off, and the remaining 5% responded that they did not have a view on the future prospects of the country's economy.

CHAPTER 6

ARE SANCTIONS THE WAY TO DIFFERENCES RESOLUTION?: THE CASE FOR ZIMBABWE

Since time immemorial, sanctions have been deployed as a tool to achieve varied objectives, ranging from deemed behavioral changes, to intentions of beating targeted countries into submission for purposes of benefiting the superpowers through unfettered resource exploitation. The manner in which some sections of the world community play at swinging global opinion against targeted countries, such as has been the case with Zimbabwe since over the 2000-2007 period seems to be devoid of any concern for the welfare and well-being of the general population of the targeted countries. This reality becomes apparent when one analyses the true nature of these sanctions and the attendant effects on the economies of the countries taking up the blow of sanctions.

In the case of Zimbabwe, far from the claim that sanctions on the country are ring fenced and targeted on a few individuals, the reality on the ground is that the tight grip of the declared and undeclared sanctions is being felt throughout the entire economy. This has led to a growing call for nations to review their stances on the use of sanctions as a tool to resolve perceived or real differences among countries.

When one reflects at the vision and purpose for which Multilateral Financial Institutions (MFIs), such as the International Monetary Fund (IMF) and the World Bank were conceived back in 1945, clearly shows that these institutions are increasingly deviating from their founding mandates. MFIs were created to essentially ensure international financial stability, through provision of bridging finance to countries experiencing temporary Balance of Payments (BOP) pressures. Under the weight of political persuasion and the tide of global supremacy, it is now vividly clear that the institution have strayed from their core mandates.

Before the Watershed Land Reforms in Zimbabwe, the world was literally silent about the heinous imbalances that existed in the ownership and distribution of national wealth. Instead, the status quo was passively preserved, and in the process, breeding what could have degenerated in a tumultuous state of affairs in the country's socio-geo - political landscape.

In order to fully appreciate the true nature of the sanctions against Zimbabwe, and how attempts are being made to mislead the world, it is important that one appreciates the various forms of economic warfare that have been visited upon Zimbabwe and its people. Sanctions against Zimbabwe and indeed any other country are a declaration of war on a sovereign State, which puts the economy under siege, with debilitating downstream effects on the vulnerable groups and civilians at large.

The economic warfare against defenseless countries manifests itself through the cancellation of life-line projects, humanitarian assistance, and humanitarian infrastructural development support, which further exacerbates the plight of the impoverished. Regrettably, in the case of Zimbabwe, the aggravating impact of the weapon of economic sanctions resulted in deteriorating standards of living, with per capita incomes being reduced substantially, compared to levels obtaining in those countries perpetrating sanctions.

NATURE OF SANCTIONS

Sanctions have traditionally been applied against certain countries to achieve desired political and economic outcomes. These encompass the imposition of embargoes, trade and financial restrictions, and diplomatic isolation. In recent years, the coverage of sanctions has widened to include other elements that are not directly linked to trade and commerce such as culture and sports.

Economic Sanctions

Economic sanctions and their proxies 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. In an effort to refine the effectiveness of sanctions through disguised means, there has been a shift towards the so-called targeted sanctions, which impose travel bans and freezing of foreign bank accounts of targeted individuals or entities.

Trade Sanctions

Trade sanctions limit the country's exports or restrict its imports. Trade barriers such as embargoes and quantitative restrictions are thus imposed on the country. Countries such as South Africa, Iraq, and Rhodesia, had trade sanctions imposed against them, as the international community wanted to influence political changes.

In Zimbabwe, today, trade sanctions have taken the form of denied access to foreign lines of credit, which ordinarily finance external trade. The market for the country's exports is also shrinking, as export competitiveness crumbles under the adverse perceptions.

Financial Sanctions

Financial sanctions impede financial flows such as aid, short and long term loans, thus reducing foreign exchange flows to Zimbabwe. Financial sanctions also interrupt commercial and trade finance, through reduction of both Government and private sector access to foreign loans. In addition, sanctions attract high risk premium on offshore lines of credit, and eventually scare away alternative creditors, as they anticipate a credit squeeze in the future.

Thus, without the imposition of explicit trade sanctions, financial sanctions, especially involving trade finance, interrupts trade, and ultimately constrain the economy's foreign currency generating capacity, as well as economic activity in general.

Undeclared Sanctions

Undeclared sanctions are not explicitly announced but are implied from the actions of the perpetrating nations. For example, some Non - Governmental Organizations have moved their operations out of Zimbabwe, since the enactment of the Zimbabwe Democracy and Economic Recovery Act of 2001. This Act outlines the scope of targeted sanctions on Zimbabwe by the USA.

Arrears Triggered Penalties

Due to Zimbabwe's failure to honour its financial obligations to the IMF and the World Bank since 1999, the Bretton Woods Institutions suspended Balance of Payments support and technical assistance to the country. Such actions by MFIs are notwithstanding the fact that such BOP assistance would have unlocked the country's exporting potential, and create capacity for amortizing outstanding loans.

EFFECTS OF SANCTIONS ON ZIMBABWE

Since the imposition of declared and undeclared sanctions against Zimbabwe, the effects of these sanctions have been widespread and continuing.

Non Governmental Organizations (NGOs)

The majority of NGOs receive funding from Western Governments. Accordingly, some have realigned their policies in consultation with their donors. As a result, some donors have either responded by withdrawing their programs or frozen further development assistance programs in the country.

Other donors, through various NGOs have continued to work in Zimbabwe but have changed their areas of focus and the modus operandi. Concentration of donor funding has now been limited to humanitarian aid and social issues, particularly HIV/AIDS, social protection and human rights. Humanitarian assistance is, however, short-term, and does not directly contribute to long term economic development and poverty reduction.

The NGO community in Zimbabwe is now faced with dwindling resources, as donor funds have either been severely curtailed or re-directed to other countries. Initially, Official Development Assistance (ODA) was paid through the Government. Following imposition of sanctions, the majority of NGOs now source ODA directly from donor organizations. The National Association of Non-Governmental Organizations (NANGO) confirmed that aid meant for Zimbabwe has also been diverted to other third world countries.

NANGO highlighted that, over the past few years, there has also been a major withdrawal of donor funding agencies. These pull-outs have resulted in closure and suspension of projects funded by NGOs. The imposition of targeted sanctions has precipitated negative perceptions about Zimbabwe by the world at large. These negative perceptions make it difficult for the private and public enterprises to secure funding, as donor funding agencies are no longer willing to support projects in Zimbabwe.

In addition, most funding agencies source their money from tax payers. Tax payers in donor countries, thus retain the prerogative of directing funding of projects. Due to the negative publicity, foreign individuals have been unwilling to support Zimbabwe due to the bad publicity that the country has received. Notably, Denmark tax payers redirected funding to Zimbabwe from developmental projects towards humanitarian support.

In the aftermath of the socio-economic environment, created by sanctions, several NGOs and donor agencies have or are relocating their offices from Zimbabwe to neighbouring countries. For instance, DANIDA and the Canadian International Development Agency (CIDA) pulled out of Zimbabwe in 2001 and 2003, respectively, terminating all projects in progress and retrenching their employees.

Following unrelenting pressure from the West, Zimbabwe was forced to terminate its membership in the Commonwealth. In addition, the IMF and the World Bank, also joined Western countries, and suspended all loan disbursements to Zimbabwe.

Multilateral Financial Institutions

Following the country's land reform program, which, triggered declared and undeclared sanctions against Zimbabwe, Multilateral Financial Institutions also imposed sanctions on Zimbabwe, as shown in the Table below.

MULTILATERAL FINANCIAL INSTITUTIONS DISBURSEMENTS (US$)

Year	IMF	WORLD BANK	AfDB
1980	0	0	0
1981	0	104,917,535.8	0
1982	0	45,478,573.51	25,342,914.53
1983	0	133,760,761.05	57,22,913.63
1984	2,058,441.00	36,467,113.09	0
1985	0	9,668,219.07	67,768,983.37
1986	0	10,000,000.00	0
1987	0	0	0
1988	0	130,121,817.97	28,612,977.32
1989	0	0	19,286,995.95
1990	0	127,243,010.98	145,027,034.56
1991	0	62,386,243.86	15,218,604.29
1992	216,150,000.00	299,592,641.86	180,428,222.49
1993	65,656,168.00	226,810,152.15	37,966,823.47
1994	76,642,125.00	0	11,090,644.2
1995	75,492,900.00	0	11,686,232.22
1996	0	323,99,074.25	0
1997	0	4,037,287.79	1,940,910.99
1998	53,802,392.00	5,796,928.56	39,074.27
1999	32,233993.40	88,856,697.27	0
2000	0	0	0
2001	0	30,526,725.67	0
2002	0	0	0
2003	0	0	0
2004	0	0	0
2005	0	0	0
2006	0		0
Total	**88,721,370.73**	**1,348,062,782.39**	**524,789,416.76**

Source: RBZ and Ministry of Finance

MFIs imposed sanctions on Zimbabwe in the following manner:

Suspension of Balance of Payments Support;

Suspension of technical assistance;

Suspension of voting and related rights by IMF; and

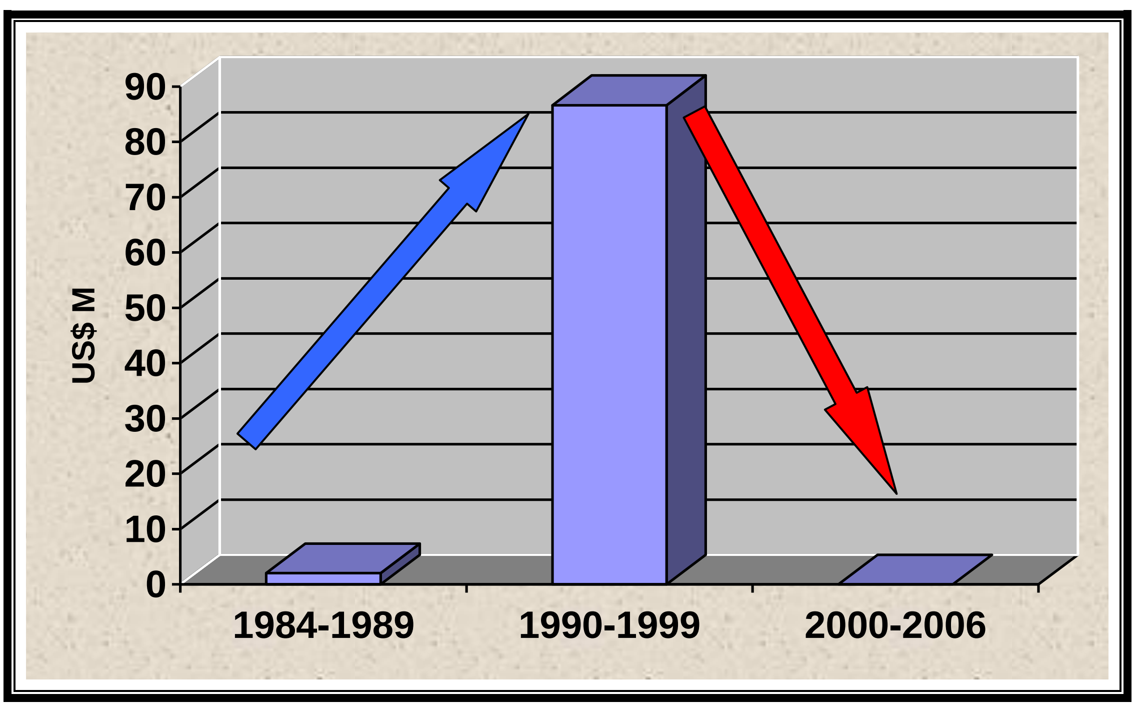
Declaration of ineligibility to access Fund resources.

International Monetary Fund

After reviewing Zimbabwe's overdue obligations on 25 September 2001, the Fund's Executive Board declared Zimbabwe ineligible to access the general resources of the IMF. Zimbabwe was subsequently **declared ineligible to borrow the Fund resources.** As a result, Zimbabwe has not been receiving any disbursements from the IMF as shown in figure 1.

On 14 June 2001 the IMF **suspended technical assistance** to Zimbabwe and adopted a **declaration of non cooperation**.

Average Annual IMF Disbursements (US$M)



On 6 June 2003, IMF suspended Zimbabwe's voting and related rights after determining that Zimbabwe had **not sufficiently strengthened its co-operation with the IMF in areas of policy implementation and payments.** The Fund also initiated

the procedure on the compulsory withdrawal of Zimbabwe from the IMF in December 2003. The initiation of compulsory withdrawal from the Fund is the last and most severe in a series of escalating measures the Fund applies to members that fail to meet the obligations.

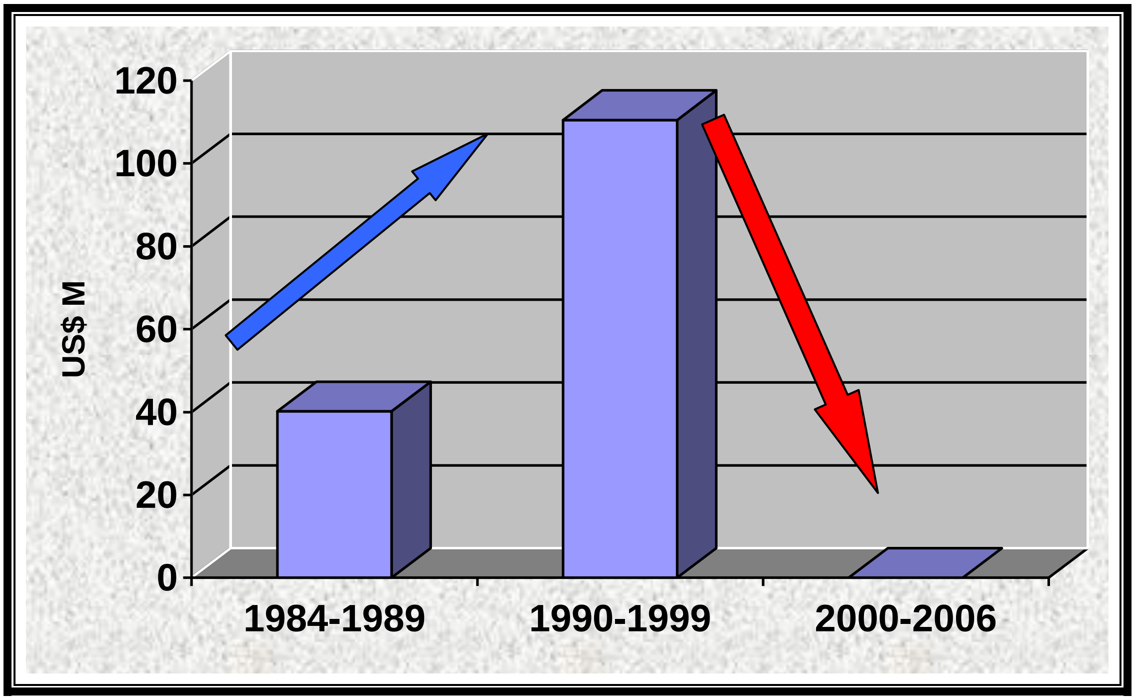
The IMF recognized the severity of the decision at hand, the increases in payments from Zimbabwe since the last review in July 2004, and improvements in economic policy implementation. On the 16th of February 2005, the IMF decided to postpone a recommendation with respect to compulsory withdrawal, providing Zimbabwe with a chance to continue improving economic policies and payments. Regrettably, despite the clearance of the critical General Resources Account (GRA) in February 2006, the IMF Board upheld sanctions on Zimbabwe.

World Bank

The World Bank has helped Zimbabwe to **fight poverty and improve living standards.** To date, the Bank approved 19 International Bank of Reconstruction and Development (IBRD) loans and 14 International Development Association (IDA) credits for a total of approximately US$1.55 billion.

The lending program to Zimbabwe is currently inactive due to a combination of accumulated arrears and sanctions. Effective 2 October, 2000, the World Bank placed all IBRD loans and IDA credits to, or guaranteed by, Zimbabwe in non-accrual status. As a result, Zimbabwe has not been accessing loans from the World Bank as shown in the Figure below.

Average Annual World Bank Disbursements (US$M)



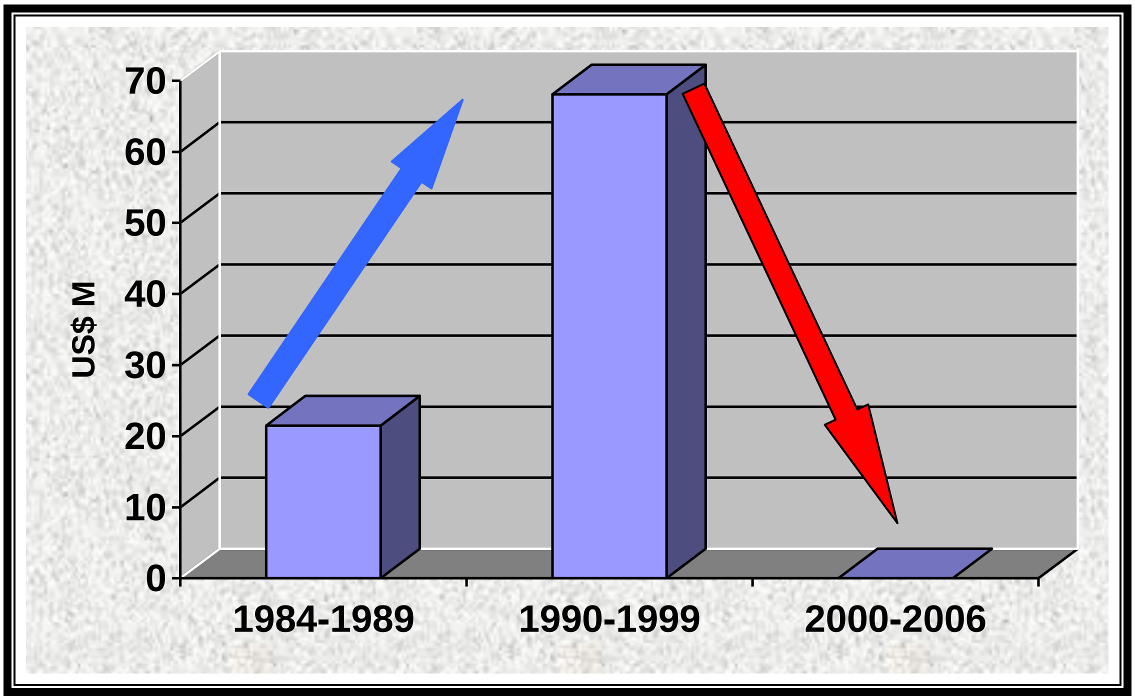
The International Finance Corporation (IFC) also suspended funding of infrastructural and private sector projects in Zimbabwe. This was in accordance with the Bank's policy of placing all its loans and credits to, or guaranteed by, a country in non-accrual status, if payment on any loan or credit is overdue by more than six months.

The Bank's role is now only limited to technical assistance and analytical work, focusing on macroeconomic policy, food security issues, social sector expenditures, social delivery mechanisms and HIV/AIDS. The World Bank, thus effectively imposed sanctions to Zimbabwe in the form of suspension of grants; infrastructural development flows to both Government and private sector.

The African Development Bank (AfDB)

The Bank Group commenced operations in Zimbabwe in 1982. Through to 2007, the Bank group had approved 24 operations comprising of 20 projects and 4 studies. Zimbabwe has been in arrears to the Bank Group since 1999. Following this development, the Bank Group imposed sanctions on the country in May 2000 and subsequently stopped all lending operations in the country as shown in the Figure below.

Average Annual AfDB Disbursements



Although the Bank Group suspended normal lending operations, it pledged support in the form of capacity building activities.

Socio – Economic Effects of Sanctions

When targeted sanctions are directed against political leaders and Government officials of a particular country, it is usually the vulnerable groups of society who suffer and not the targeted group. Former United Nations, Secretary General, Kofi Annan once bemoaned the adverse effects of sanctions, when he said 'sanctions remain a blunt instrument, which hurt large numbers of people who are not their primary targets'.

Sanctions, whether disguised in any form, ultimately resulted in health services, shortages of drugs, and high infant mortality rates. Innocent civilians were thus, adversely affected by the sanctions. Sanctions have also had adverse and downstream social and economic effects on the Zimbabwean economy's key sectors. Most of these effects have manifested themselves in shortage of foreign currency, resulting in the country accumulating external payment arrears and failing to import critical supplies.

Sectoral Effects of Sanctions

Balance of Payments Impact of Support Withdrawal Due to Sanctions

From time immemorial, Zimbabwe has never gone it alone. Evidence at hand clearly demonstrates that the country has depended in one way or the other on external support both in the pre-independence and post independence eras.

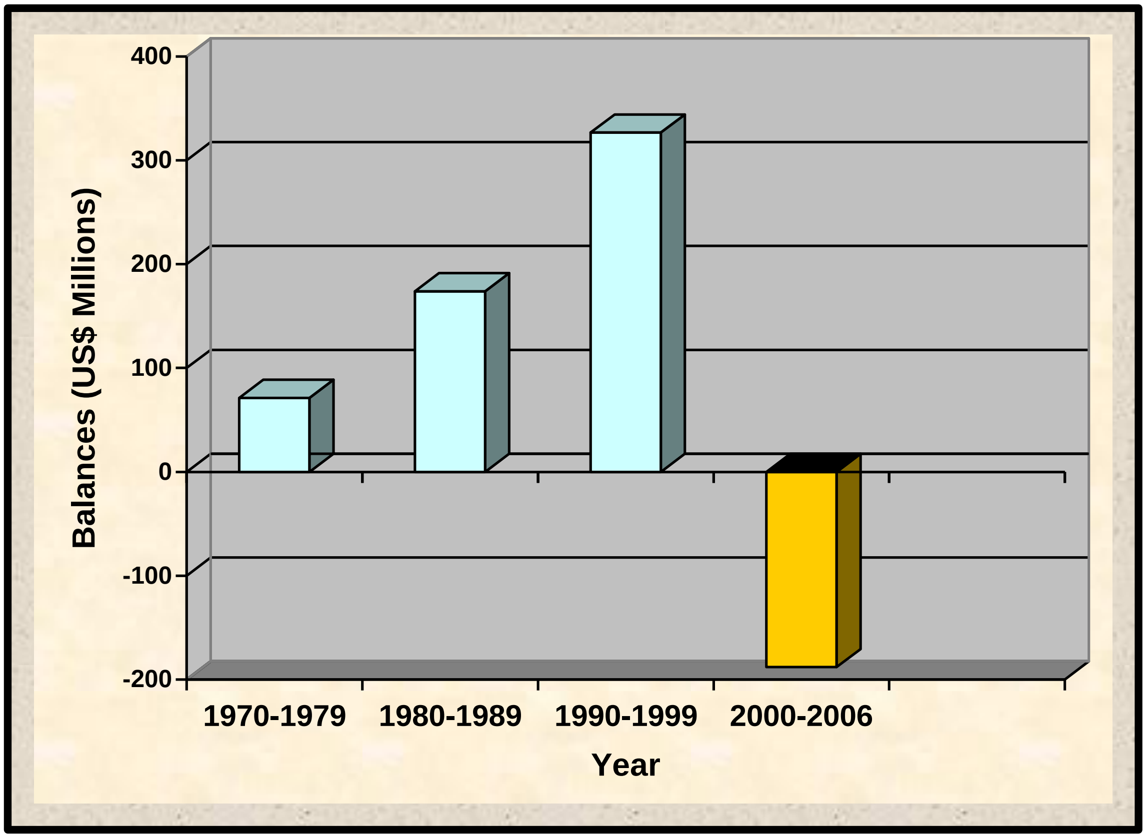
As shown in the Table below, from 1966 to 1999, Zimbabwe registered capital account surpluses largely in the form of project finance, as well as budgetary and balance of payments support. Since 2000, the country started experiencing capital flight due to sanctions.

Balance of Payments (US$M)

	Capital Account Balance	Transfers	Current Account Balance
1966	-4.6	-16.7	-2.8
1967	23.7	-50.1	-10.8
1968	39.5	3.6	-32.3
1969	9.9	-14.0	2.3
1970	41.7	-15.4	-9.0
1971	45.4	0.7	-37.0
1972	-3.5	-17.4	0.5
1973	85.1	-95.7	-11.2
1974	114.1	-127.9	-61.6
1975	135.5	-29.1	-48.6
1976	4.5	-22.4	5.6
1977	-1.4	-14.9	-3.0
1978	39.6	-11.8	18.6
1979	253.9	-38	49.1
1980	56.6	-40.4	-243.8
1981	507.5	-2	-635.9
1982	616.9	-62.4	-709.2
1983	425.7	-58.7	460.2
1984	55.0	51.8	-100.0
1985	38.5	52.0	-75.7
1986	62.6	53.7	16.8
1987	-64.6	113.5	58.0
1988	-53.6	94.7	125.3
1989	94.7	123.8	17.0
1990	257.0	259.1	-257.0
1991	532.6	114.5	-547.3
1992	687.6	299.9	-842.6
1993	504.5	217.8	-319.4
1994	517.0	285.3	-292.6
1995	482.0	308.2	-337.1
1996	87.3	255.5	-161.5
1997	-63.9	233.08	-796.5
1998	74.1	247.48	-355.6
1999	189.1	239.98	39.1
2000	-315.1	189.8	-135.0
2001	-403.4	153.6	-86.5
2002	-232.8	266	-217.1
2003	-221.4	207.1	-345.9
2004	-234.1	227.6	-416.7
2005	2.7	190.1	-538.1
2006	87.5	171.433	-362.4

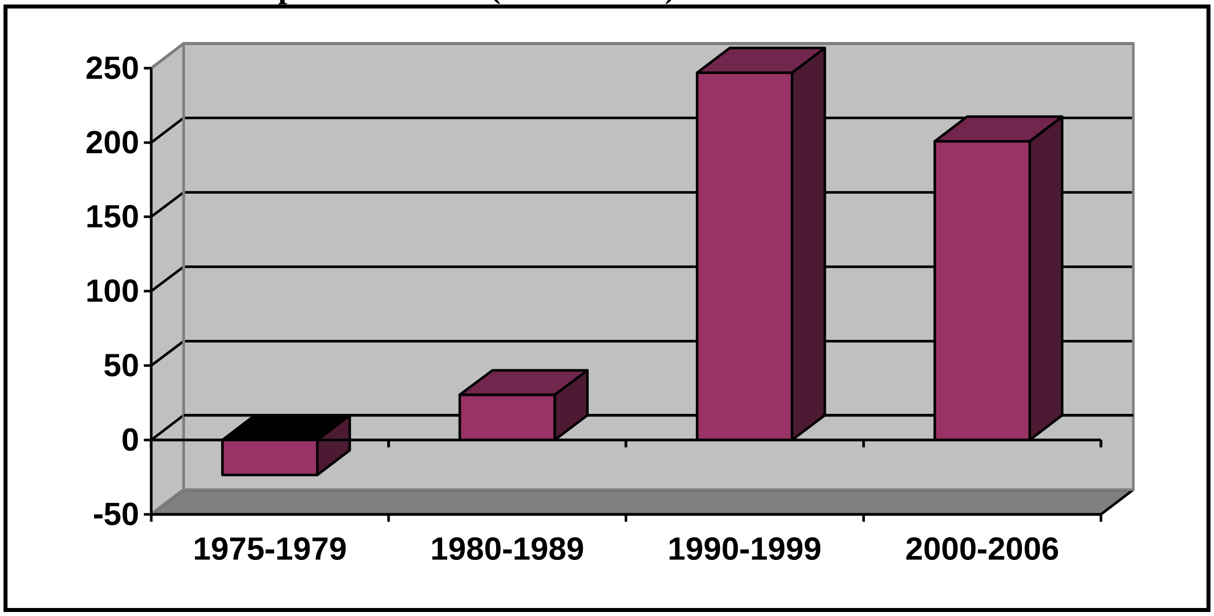
Source: Various RBZ Quarterly Economic Reviews

Net Capital Flows (US$M)



Since 1980, Zimbabwe has also continued to be supported by current and capital transfers from abroad in the form of food, medicines, and cash transfers from the international community. The increase in transfers since 1990 largely reflects humanitarian support against the background of recurrent droughts.

Net Current and Capital Transfers (US$ Million)



Regrettably, sanctions imposed on the country over the past seven years have, resulted in the drying up of project finance and balance of payments support. This negative development has had far reaching effects on the majority of the people and manifested itself through the following economic evils:

- Denial of medication to the unborn child;
- Poor rural folks not able to grind their maize;
- School children not able to go to school;
- Transport system grinding to a halt;
- Workers walking to work because of fuel shortages; and
- Black outs due to electricity outages etc.

It will be naïve to for anyone to hold the view that these disastrous consequences are only affecting a few targeted individuals. Evidently, the impact of the sanctions is being felt across the generality of the Zimbabwean population.

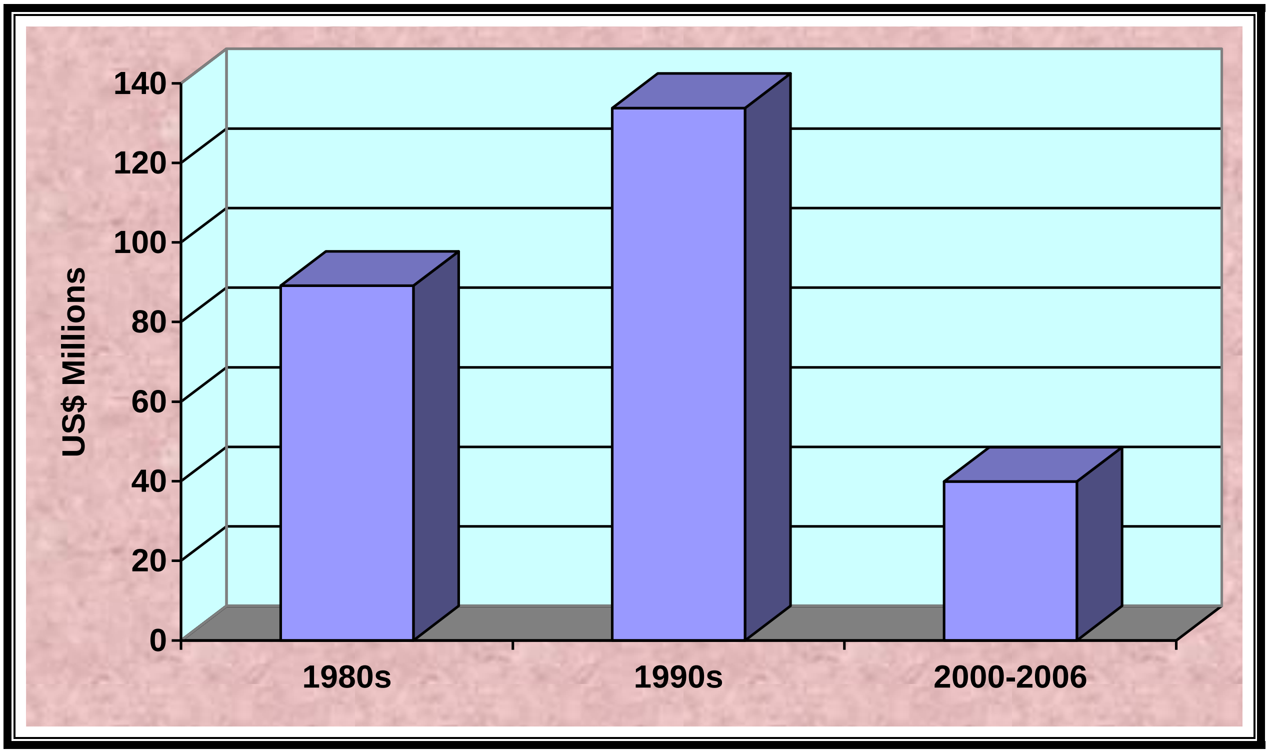
Zimbabwe's Balance of Payments position has deteriorated significantly since the year 2000. This unfavorable development emanated from the combined effects of inadequate export performance, and reduced capital inflows.

A combination of current account deficits and reduced capital inflows, resulted in excessive pressure on foreign exchange reserves, which, as a result, declined from US$830 million (3 months import cover in 1996) to less than one month of import cover by 2006. The attendant foreign exchange shortages severely constrained the country's capacity to meet foreign payment obligations and finance critical imports, such as drugs, grain, raw materials, 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 significantly to US$2.5 billion by end of 2006. This unfavourable development in the external sector has worsened the country's creditworthiness as the country's risk profile has deteriorated. This subsequently led to the drying up of traditional sources of external finance from bilateral and multilateral sources.

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 parastatals.

Grant Inflows



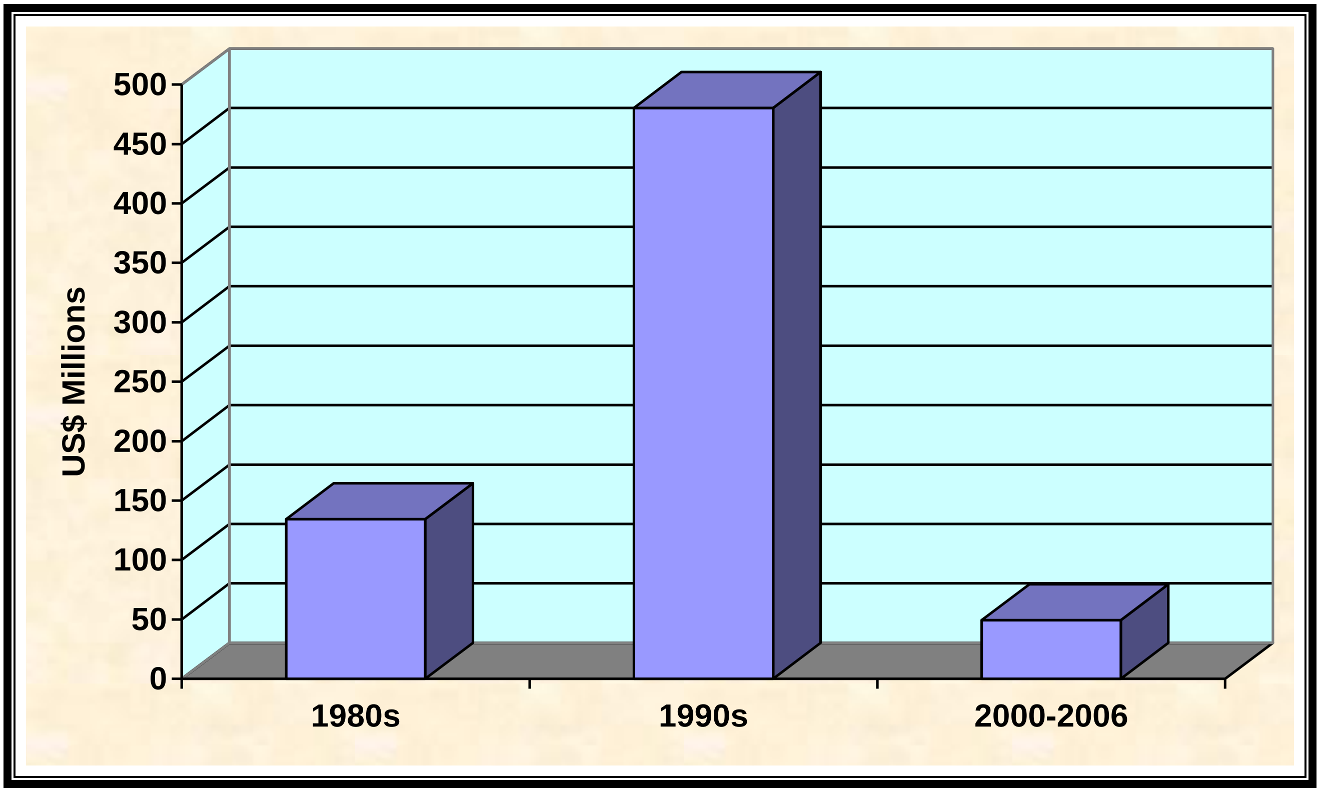
Reflecting the scaling down of donor support, and developmental assistance, Grant inflows, declined significantly from an annual average of US$138 million in the 1990s to US$39.9 million registered between 2000 and 2006. Prior to this, the country had an impeccable record of prompt debt servicing and 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.

Access to Credit Lines

Sanctions negatively affected the image of the country through negative perceptions by international financial markets. Zimbabwean companies are finding it increasingly difficult to **access lines of credit** because of the perceived country risk. As a result, Zimbabwean companies have to pay cash for imports.

External Loan Inflows (US$M)



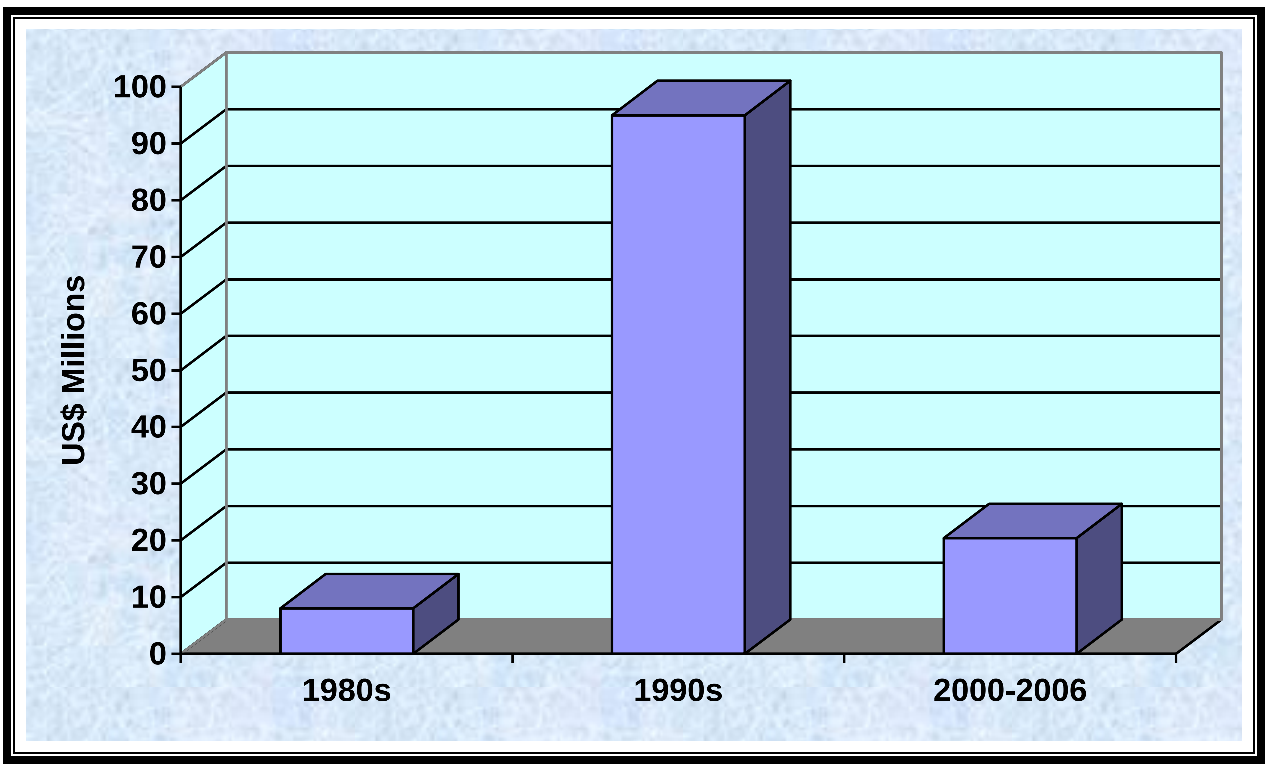
Loan inflows increased from an average of US$134.3 million in 1980s to US$480.3 million in the 1990s. Reflecting the adverse impact of sanctions, loan inflows declined to an average of US$49.3 million between 2000 and 2006 (refer to Figure 7 above). As a result of the perceived risk premium, the country's private companies have been securing offshore funds at prohibitive high interest rates.

This has had ripple effects on the country's employment levels, and capacity utilization as reflected by shortages of basic goods and services. Declining export performance has also adversely affected the standards of living for the general populace. In the unfolding worsening economic conditions, the country has experienced large scale emigration, especially of skilled labour, thus further straining the economy.

Foreign Direct Investment

Foreign Direct Investment (FDI) is a key driver of economic growth in any developing economy. The purpose of FDI is to stimulate economic growth, and in particular FDI positively impacts on the country's Balance of Payments position.

Foreign Direct Investment Inflows (US$M)



The negative perception associated with sanctions has adversely impacted on foreign direct investment to Zimbabwe. Investors are, thus shying away from economies that are perceived as risky.

Foreign direct inflows increased significantly from an average of US$8 million in the 1980s to an average of US$95 million in the 1990s. Due to the negative impact of sanctions, FDI declined to averages of US$20.4 million in the new millennium. Reflecting this, most multinational corporations such as Anglo-American have been strongly discouraged from investing in Zimbabwe by their home countries.

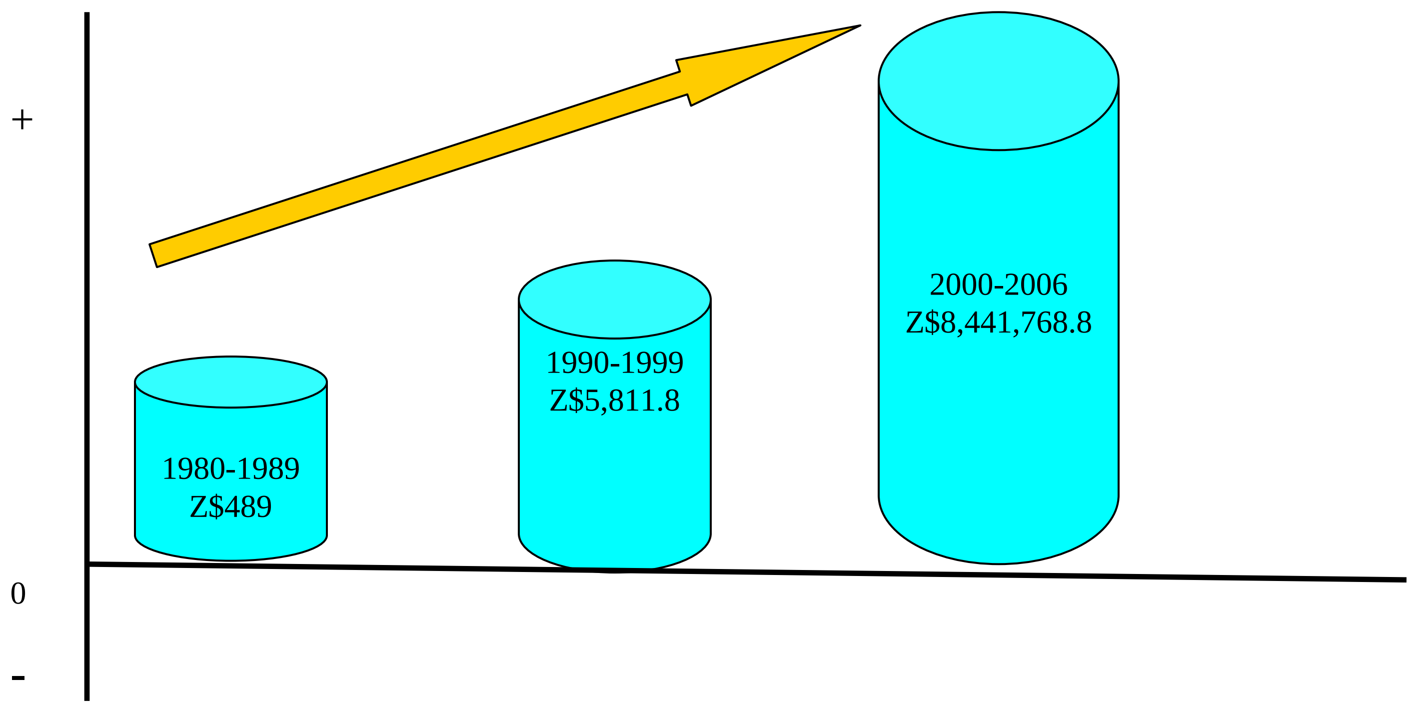
This has adversely affected investment levels into the country, thus, accentuating the foreign exchange shortages leading to shortages of fuel and imported raw-materials. The shortage of fuel has had a debilitating impact on all sectors of the economy, leading to a continuous decline in economic activity. This has generated additional inflationary pressures and speculative behaviour in the economy.

FISCAL BUDGETARY SUPPORT

In the last 10 years, Zimbabwe has basically been on its own. The country has also relied on the resilience of its economy and its people.

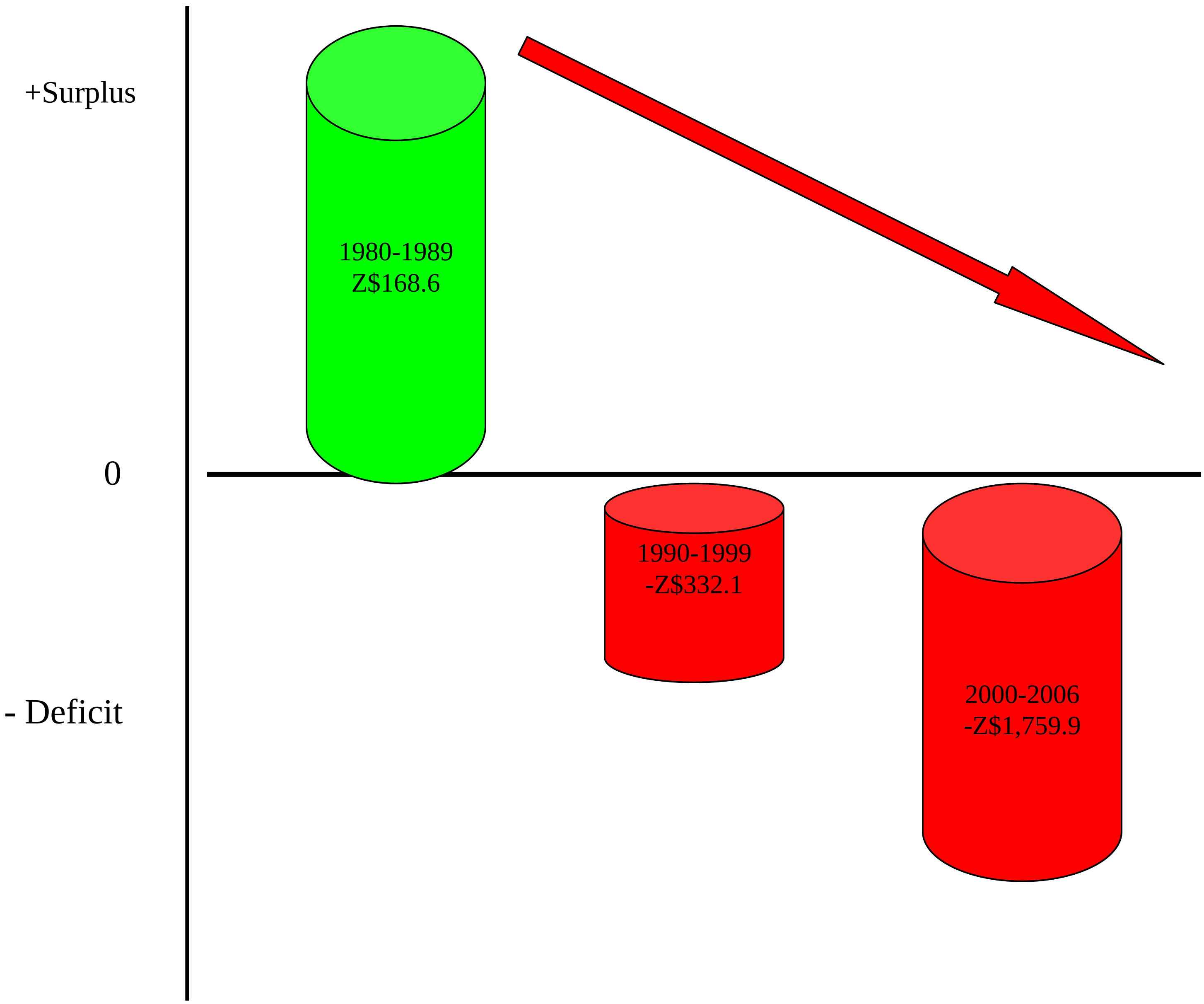
Due to declining external budgetary support, Zimbabwe’s budget deficit has largely been financed from inflationary domestic bank sources.

Average Domestic Financing (Z$'000)



External budgetary support for Zimbabwe has completely dried up following suspension of loan disbursements for projects and BOP support.

Average Foreign Financing (Z$'000)



In contrast, most countries in Sub-Saharan Africa and elsewhere have continued to receive the bulk of fiscal budgetary support from the international donor community.

Budget Deficit Financing (Z$000)

Period	Net Domestic Financing	Net Foreign borrowing	Total Financing
1980	302.30	72.70	375.00
1981	268.60	66.20	334.80
1982	97.00	219.60	316.60
1983	416.50	49.90	466.40
1984	579.30	50.70	630.00
1985	221.50	489.20	710.70
1986	480.70	210.90	691.60
1987	786.10	210.80	996.90
1988	748.20	147.60	895.80
1989	990.10	129.20	1,119.30
1990	936.20	201.50	1,137.70
1991	1,502.40	94.30	1,596.70
1992	1,320.90	388.40	1,709.30
1993	1,278.70	1,365.80	2,644.50
1994	1,776.30	358.50	2,134.80
1995	4,802.10	989.50	5,791.60
1996	3,972.50	1,174.90	5,147.40
1997	5,167.80	(91.00)	5,076.80
1998	13,535.60	(2,908.20)	10,627.40
1999	23,825.90	(4,895.00)	18,930.90
2000	68,233.20	2,734.90	70,968.10
2001	37,117.20	706.70	37,823.90
2002	60,164.80	(1,483.00)	58,681.80
2003	9,600.00	900.00	10,500.00

Period	Net Domestic Financing	Net Foreign borrowing	Total Financing
2004	1,511,600.00	(2,200.00)	1,509,400.00
2005	2,977,761.30	(2,490.90)	2,975,270.40
2006	46,054,369.30	(5,992.40)	46,048,376.90

Source: CSO Quarterly Digest, MOF Budget Outrun, Government Finance Statistics Year Book, RBZ Quarterly Economic Reviews, Central Bank Economic Surveys.

Agriculture

The country's agricultural sector relied to a certain extent on funding from the donor community. The withdrawal of such support since the inception of the Land Reform Program negatively impacted on the sector. The Danish International Development Agency (DANIDA) supported the Agricultural Sector Program in the late 1990s to the tune of DKK 98.6 million (US$ 15.4 million).

The program was aimed at:

- Enhancing forestry extension services;
- Development of an agriculture policy;
- Development of a marketing information system;
- Supporting irrigation schemes to small holders;
- Provision of training to smallholder farmers; and
- Provision of direct support to farming households to assist them in income generating activities.

The program was suspended due to sanctions. The economy thus lost an opportunity to enhance food security.

Education

The Education Sector Support Program was established in January 1996 and was funded to the tune of Sek 95 million (US$13.9 million), by the Swedish government. The project facilitated the **supply of text books, special education needs, construction of school buildings, capacity building and promotion of gender equity in education.**

The Swedish Government did not fund any new programs in the education sector after 2000. Such programs would have gone a long way in benefiting the country's education system. In addition, Africa University is currently failing to access computers and related accessories from American Information Technology (IT) companies. The sanctions imposed on Zimbabwe by the West, has thus spilled over to the country's institutions of higher learning, by affecting their ability to procure modern technology, critical for learning purposes.

TRANSPORT

The Transport Sector Support Program was funded by Danish International Development Agency (DANIDA), in April 2000. It was established to support the Transport sector with a value of DKK380 million or (US$48 million).

The program was aimed at;

- Rehabilitation and maintenance of the Harare-Nyamapanda and Kwekwe-Lupane roads;
- Institutional support to the road sector; and
- Labour based rural rehabilitation and maintenance of roads.

Had this program been undertaken to completion, it could have created employment opportunities and enhanced trade through efficient movement of commodities within the country and the region. In addition, the Labour-based Roads & Rehabilitation Works program was established in October 1995, and was funded by the Swedish Government to the tune of Sek10 million or (US$15.1million).

The program was aimed at rehabilitating 116km of roads as well as training indigenous small scale road contractors. This was meant to enhance entrepreneurial skills and capacity building for the rural population. However, no new programs have been put in place because of Sweden's suspension of co-operation with Zimbabwe

Health Sector

DANIDA suspended **Health Sector Support Programs** which were targeted at:

- Supporting the provincial health service capacity building and policy issues to Ministry of Health & Child Welfare (MOHCW);
- Development of a gender strategy Support to HIV/AIDS activities;
- Integration of Zimbabwe Essential Drugs Action Program (ZEDAP) to national laboratories;
- Establishment of the health information system; and
- Support to the Health Services Fund Transport Management.

The project was established in May 2000, and it was valued at DKK 235 million (US$ 29.7 million). The project was suspended as a result of the Land Reform Program. The suspension of the program subsequently affected the general health of HIV/AIDS patients. The Health Sector Support Program, established in April 1997 by the Swedish Government was funded to the tune of Sek 50 million (US$6.4 million).

The objectives of the project were as follows:

- Improving water and sanitation;
- Health education and conditions of the disabled; and
- Prevention of the spread of HIV/AIDS related diseases.

Due to sanctions imposed on the country, the program was discontinued. Since 2000, no new programs have been undertaken. Sanctions have indirectly resulted in the relocation of the World Health Organisation's (WHO) regional offices to Congo Brazzaville, accompanied by retrenchment of Zimbabweans formerly employed by WHO.

The Kaiser Networks' Daily Reports of 28th November 2004 and AFP News Agency reported that Zimbabwe's grant application for funding for its HIV/AIDS programs to the Global Fund was rejected on political grounds. Three quarters of the equipment in hospitals in the City of Harare are not functional and this has had serious repercussions on the ordinary people.

In the backdrop of an already overburdened health delivery system, many Zimbabweans are finding it difficult to access affordable health facilities and drugs, particularly antiretrovirals for HIV/AIDS patients. The City of Harare Health Department immensely benefited from the various Joint Research Projects with international stakeholders. These projects have since been terminated. The Department used to benefit from such projects since it took over equipment used during researches after the completion of research projects.

Global Fund

Zimbabwe has taken years of begging, kneeling and sweating for gaining access to the Global Fund to fight Malaria, TB, and HIV/AIDS. Global Fund is one of the biggest organizations in the world that provides funds to poor countries to fight

Malaria, TB and HIV/AIDS. Since the establishment of the Global Fund in 2002, Zimbabwe unsuccessfully applied funds to scale up its HIV prevention programs.

After a two year delay, the Global Fund approved a two year grant worth US$10.3 million in April 2005. Zimbabwe's applications for grants for HIV/Aids programs were rejected for unspecified reasons. Consequently Zimbabwe was unable to expand and roll out antiretroviral drug distribution programs to rural areas. The Global Fund also approved a US$ 65.2 million grant for Zimbabwe under Round 5 of its program in December 2006. Under the fund, the National Aids Council received US$32.7 million for HIV/AIDS the Zimbabwe Association of Church Hospitals got US$3.19 million for HIV/AIDS and TB while the Ministry of Health received US$9.23 million and US$20.12 million for TB and Malaria respectively.

Zimbabwe's application for funds under Round 6 of the Global Fund was, however rejected in December 2006. Zimbabwe remains sidelined by other donor initiatives such as World Bank MAP initiative, US President's HIV/AIDS initiative.

Child Welfare

The Child Supplementary Feeding Program was initiated in October 1995. The program was valued at Sek 10 million (US$ 1.25 million) and was completed in 1996. The project was aimed at providing nutrition and health education for children under 5 years and strengthening preparedness for future droughts. Although the Swedish government is still supporting the program; funds for its Humanitarian Aid are now being channeled through Non-Governmental Organizations.

Regional Cooperation

Sanctions are affecting the smooth running of regional groupings such as SADC and COMESA. The European Union through the European Development Fund compensates COMESA member states for revenue losses suffered under the tariff phase down exercise under specific conditions which take into account macroeconomic policies and governance issues.

Zimbabwe has not benefited from the fund and this could affect, in the long term, its tariff reduction process in line with other countries in COMESA, thereby undermining regional integration initiatives.

African Growth and Opportunity Act (2000)

In 2000, the US enacted a new law called the African Growth and Opportunity Act, (AGOA). AGOA offers tangible incentives for African countries to open their economies, build free markets, and embrace political pluralism. Those countries that adopt free market principles and are perceived to adhere to the rule of law and respect human rights are, therefore, eligible under AGOA, to export a wide range of goods to the United States duty free.

In a single year, the African Growth and Opportunity Act led to an increase in exports from Africa to the United States by more than 1,000 percent, generating nearly $1 billion in investment, and creating thousands of jobs. This increase in trade included a diverse list of products, among them apparel, cut flowers, and processed agricultural goods.

Thirty-seven African nations have met the AGOA criteria and are eligible for the trade incentives. Zimbabwe does not enjoy any preferential trade under AGOA because of the sanctions imposed on the country by the USA.

It is evident from the foregoing that sanctions imposed on Zimbabwe have adversely affected the vulnerable groups and the economy in general. Significant progress that the country had made in the development of infrastructure, health and social service delivery systems has been severely affected by the imposition of sanctions.

The protracted foreign currency shortages that the country has been facing since 2000 have crippled the operations of industry, which heavily rely on imported inputs for their daily operations. Declines in the key sectors of the economy have occasioned high unemployment, an inefficient health delivery system, reduction in FDI and the drying up of balance of payments support. Sanctions are partly responsible for the decline in economic activity over the last seven years.

CHAPTER 7

7. CONCLUSIONS, POLICY IMPLICATIONS AND LESSONS

The empirical journey covered in this Thesis, as well as the instructive findings from the surveys carried out are an important launch-pad for practical policy lessons to be drawn. What has come out as a continuous thread running from country to country among those that successfully turned around their economic fortunes is the following set of features:

- Countries that have gone through painful socio-economic phases have emerged out of those difficulties much stronger, propelled by the resolve to implement bold decisions.
- Existence of a common vision, supported by active participation across all levels, from the Government sector, to the Private sector, and among Civil Society structures is an indispensable requirement for successful economic turnaround programs.
- Economic reforms are as strong as the underlying institutional frameworks through which those policies are implemented. The countries that did well focused more on putting in place credible, functional institutions.
- Productive systems were anchored on the principles of sound business ethics and viability.
- Consensus was built through the adoption of a needs based engagement process where concerns of Government, Labor and Business were given a fair hearing, leading to middle-of the road compromise positions being adopted.
- The international community has a supportive role to play in ensuring successful economic turnarounds. In the intricate global village of contemporary times, no country can go it alone.

- Strategic value was placed on first ensuring internal self-sufficiency in terms of food availability as an anchor for inflation reduction; and
- During extraordinary times, as was the case with the Great Depression, extraordinary policy interventions were invoked to repel the adversities.

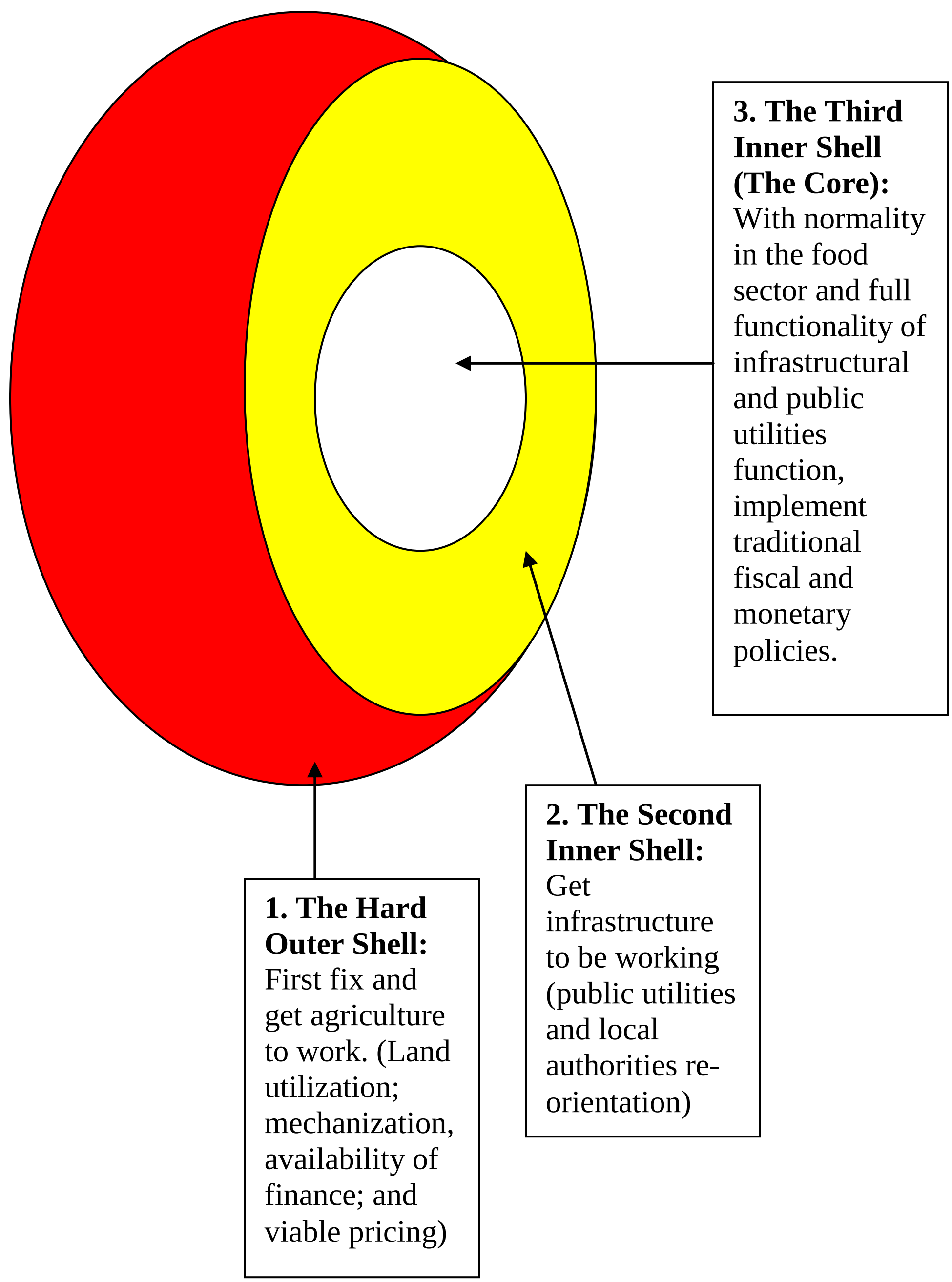
Zimbabwe's economic history, itself revolving around the struggle for political and economic independence has shaped the dynamics characterizing the country's stakeholder value-systems, degrees of cooperation and the general work ethic among the population. Government's post-independence thrust of education for all has acted as the dominant instrument in creating a rich pool of expertise in the country's productive systems.

This notwithstanding, however, at the institutional level, there remains wide gaps between policy announcements and actual implementation, leading to unsatisfactory results on the ground. Incidences of corruption, the fear to make decisions, a free-rider mentality, existence of conflicting sub-visions, as well as limited coordination of implementation programs emerged as areas that need urgent redress, as the country refocuses its systems for better performance.

As is the case in virtually all other economies, the Government sector accounts for a significant financial flows of the economy. Because of this, it is imperative that the public sector acts as the engine for macroeconomic stability through fiscal austerity, particularly in respect of cutting back on non-productive expenditures that are primarily consumptive. Fiscal sustainability will not only save resources for the fiscus, but also reduce the pressure on monetary aggregates which is typically inflationary.

Policy sequencing also emerged as an important aspect in the strategic management of economies. Good policies can come short on delivery if at the implementation stage, logical progressions are compromised. In the case of Zimbabwe, a strategic area that requires dominant attention ahead of everything else is the securing of food supplies through full utilization of land. With food accounting for 32% of the country's inflation, policies that are directed at increasing the overall supply of food are ultimate weapons against inflation.

THE POLICY SEQUENCING SHELLS



With food supplies secured, it is logical to anchor overall macroeconomic stability through the radical shake-up of the country's infrastructure network, as well as the functionality of public utilities and local authorities. Through this focus, the overall supply side of the economy becomes more responsive to supportive stimuli.

Confronted with an increasingly hostile global environment, characterized by declared and undeclared sanctions, Zimbabwe must expand its circle of friends through continued engagement, as well as repetitive dialogue and presentation of its views to those countries opposed to the country's internal policies. Such open lines of communication promote understanding, which in turn cultivates better prospects for consensus-building.

In terms of prospects for the country, Zimbabwe must convert the vast natural resource endowments into tangible assets for prosperity through effective promotion of investment, particularly in the mining sector. The empirical reviews have shown that the abundance of natural resources can itself turnout to be a curse if a country does not fully and beneficially deploy those resources. The vilifications the country is getting from some sections of the international community can not entirely be separated from Zimbabwe's mineral riches that are coveted by those countries.

Productive and sustainable exploitation of the mineral resources require that the country puts in place supportive legal frameworks that give assurance to the investor community that they will get fair returns on their capital, as well as assurances that their investments will continue to be protected.

The route of the Social Contract is the most appealing and most viable for Zimbabwe, given the history of numerous policy programs that have not been fully implemented due to divergence of views and interests. The spirit of mutual trust must be built on the foundation of open dialogue and active participation by all stakeholders, all in the interest of emerging with a better and prosperous Zimbabwe. Without doubt, the fruits of close cooperation among stakeholders can never be anything short of success.

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