



**International Trade Centre**

**Executive Forum**



**Managing Competitive Advantage**

## **Southern Africa Trade Week**

### **Malawi contribution for session 5**

**COMPETITIVE ADVANTAGE AND BUSINESS ALLIANCES  
- WHERE SHOULD THE FOCUS BE?**

## **Introduction**

It is correct that the two critical objectives of export strategy are:

- i. Maximization of local content of the existing export base (labour, materials, production process, entrepreneurship, management and finance); and
- ii. Generation of business complimentaries that will broaden the export base (products and services) and lead to the emergence of new areas of competitiveness.

The formation of in-country alliances rather than the promotion of foreign direct investment (FDI) is indeed a key component of the national export strategy.

## **In-Country Alliances**

In-country alliances have not been successful in Malawi due to individualistic approach to business. However some alliances that have worked best have existed between public and public; and public and private enterprises.

Example: (1) Public and Public: ADMARC, an agricultural marketing board has in the past successfully contracted Granmil Company, its subsidiary, to produce maize flour for nationwide distribution.

Example: (2) Public and Private: ADMARC selling produce to private export companies i.e. Rab Processors, Trans-globe etc.

## **Value Addition Schemes**

The schemes that have operated and may operate successfully in Malawi are:

- i. Partnership between exporters and small-scale producers. Contract farming arrangements have successfully been entered into between Cheetah Limited, a major paprika exporting company and small-scale producers. Similarly, NASFAM, a large association of smallholder farmers, has supported small-scale farmers in growing produce for export.
- ii. Strengthening backward linkages between companies located in export processing zones (EPZ). Malawi has not had any experience in this area. However, it is a good value addition scheme and would be beneficial to our textile and garment industry if it was introduced and encouraged.
- iii. Business alliance between small-scale producers and local affiliates of multinational companies. Malawi has had some experience in this scheme. Smallholder farmers have supplied Sunflower seed to a local UNILEVER Company. If this had continued it is possible that some of the farmers would have started supplying semi-processed oil. However, in view of the conservative attitude of the local affiliates of multinational companies, a lot of effort is needed to forge this type of alliance.

## **Export Strategy and its Implication**

National export strategy must focus on creating successful business alliances between public and private enterprises; and to enhance in-country value addition. And where it is workable alliances between private and private enterprises must also be encouraged. The role of the public sector should be to create an enabling environment which in turn will facilitate the alliances.

TPOs must re-orient themselves and change their strategic approach. Emphasis must be building up competitiveness.

Export and Investment Promotion; Should they be combined?

There are various reasons for and against combining the two functions. What really matters is that the institution, whether combined or not, is capable of ably assisting exporters to achieve competitiveness. So “best practice” is in the institution(s) ability to achieve this goal.