



International Trade Centre

Executive Forum



Managing Competitive Advantage

Southern Africa Trade Week

Zambia team paper

Contributed by: EXPORT BOARD OF ZAMBIA

COMPETITIVE ADVANTAGES AND BUSINESS ALLIANCES (Where should the Focus be?)

What should the approach be in fostering local Alliances

Zambia is currently reviewing its Export Strategy in line with the new Government's economic focus which is Economic Growth through agriculture and agro based industries and strategic local alliances in areas where there is a related production chain have been identified to be crucial to the attainment of this growth.

However, in hard hit economies like Zambia, it is impossible to rely heavily on local partnerships for economic and export growth, as investment funds at internationally competitive rates are not available while Government resources tend to go towards poverty reduction and attaining food sufficiency. Donor technical and financial support is therefore still required and FDI for introduction of new production technologies and industries. Joint production partnerships however have been a growing trend in Zambia's agricultural sector in the last few years, through outgrower schemes in fresh vegetables, paprika and cotton production.

In view of market opportunities being offered in the textile/apparel sector under AGOA and the Cotonou Agreements, the Zambian Government with financial support of the World Bank and USAID has identified the Cotton Pipeline sector to have the highest potential for economic and hence export growth. This calls for close partnerships right from cotton production to finished garments. A proposal has been put forward for the formation of one umbrella association and secretariat to coordinate and monitor activities of the pipeline. External donor support and FDI especially in the garments sector is still required for Zambia to move towards production of value added products and hence benefit from higher unit prices and export margins.

What type of Alliances work best and role of Public sector

Private sector alliances work best with Government creating the necessary economic environment through policy measures and infrastructural development and donors assisting with technical expertise.

What are the Implications for Export Strategy

The export strategy would work best if more and more strong production chain alliances are established, and Government resources are directed towards these economic activities that would foster economic growth.

Currently, export promotion activities are terribly under-funded, but EBZ has still managed to attain growth of NTEs with the little resources at its disposal. Much more can therefore be achieved with sufficient funding.

Export promotion and growth can also be boosted if Government with donor support could establish a special revolving fund for investment, modernisation and working capital to be lent out at LIBOR or other internationally competitive lending rates.

Does best practice call for combination of export and investment promotion functions?

This issue has been discussed at length before in Zambia, and the final view has been that until the country attains significant development in the area of non-traditional exports, the two

functions should remain separate. This will also help avoid one function being down played over another.

Previous studies on this issue have also shown that the development agencies in Europe were all once separate entities with specific tasks, and they operated this way for many years before being merged. This underscores the fact that the institutions undertaking these functions needed to be focussed in order to achieve their objectives which were the priorities of the respective Governments at the time. The merging of the two functions only came about after the respective institution had achieved their goals.

The above scenario is also true for Japan, where the Japanese External Trade Organisation (JETRO) was established several years ago and only concentrated on export promotion. After attaining economic development through exports that is when in the last one year they have incorporated investment promotion.

The situation in the region is also such that except for Mauritius and Botswana all other countries have separated the export and investment promotion functions for greater focus.

Conclusion

In conclusion, it should be mentioned that Zambia and other regional countries have made strides in promoting their exports. However, those countries that have established adequate financing mechanism for export promotion have developed at a faster rate than others.

The free trading blocks that have emerged in the region, the AGOA and Cotonou agreements have created greater opportunities for development of exports, the export promotion function therefore needs to be strengthened in order for Zambia to reap maximum benefits.

The Zambia Investment Centre and EPZA would then concentrate on attracting new investment especially in agro processing industries.