

SMALL STATES IN TRANSITION – FROM VULNERABILITY TO COMPETITIVENESS

BOTSWANA

VULNERABILITY AND COMPETITIVENESS OF SMALL STATES:
THE NEED FOR A UNIQUE STRATEGIC FRAMEWORK
-THE NATIONAL RESPONSE -

The Botswana Experience

Globalisation is not something that we can ignore, halt or reverse but at the same time it undoubtedly is beginning to have a significant impact on trade and the economies of the least developed, developing, transition economies, and most importantly, for small States represented here.

There is no doubt that the current situation is exacerbated by the unequal power between rich and poor nations, and as a result of this disadvantage it could lead to further exploitation and marginalisation of the poor in global affairs. At its crudest form globalisation can lead to the unfettered access to global markets – the survival of the fittest. How then can we as small states and economies, given our underdevelopment and grinding poverty, ever hope to be a significant player in that international game of trade? For small states, the greatest challenge therefore, is how to use globalisation as a positive force for development and mitigate its adverse effects. For such economies the greatest opportunities will come from international trade. Trade can be the engine of growth that can create job opportunities and reduce poverty.

There is no 'quick fix' nor is there a 'one size fits all' solution. In Botswana the National coat-of-arms depicts two Zebras, which is also the National emblem. The zebra is a unique in that we can describe it as an animal with a white skin and black stripes or one with a black skin and white stripes. It is also a fact that the skin pattern is unique and like the human fingerprint no two are alike. The point to make is that each country may have the same objectives, but do look at things differently, therefore it will need to engineer its strategy to suit its own unique circumstances.

The International Trade Centre (ITC) has provided us with a very valuable tool in the form of a "The Secrets of Strategy Template", developed and tested by the Centre to improve knowledge of "best" and "model" practice in strategy management. This tool is now being used by some countries to assist them to develop a National Export Strategy suited to their own circumstances, Botswana is one such country.

Let us examine the situation on the ground first to see how we can use this knowledge to our best advantage. Among some of the paradoxes here lies the first one; how can we expect small states and underdeveloped countries to have an export strategy when they have little or no manufacturing base let alone products for export?

It is a known fact that most small countries/ economies, least developed countries and some developing countries have serious problems related to under development. These include a host of factors including; poverty, low skills base, lack of finance, the high cost of doing business, restricted access to markets, transportation, and competition from more developed neighbours, political upheaval, etc. Many of these countries are exporters of raw, unfinished or single commodity products and are generally under developed in the manufacturing sector, especially the export sector.

For the purpose of debate we suggest that these countries need first to have an industrialisation and product development strategy before an export strategy.

To understand the Botswana situation better, it is necessary to give a brief background so that the experiences we want to share can be put into context. At independence in 1966 Botswana was considered one of the poorest countries in the world with a very slim chance of survival. Education was not a priority during colonial rule and as a result we were an uneducated nation at independence with no more than ten university graduates in the country. But our fortunes soon turned when diamonds were discovered. The rest is history; today Botswana is ranked as a middle-income country with the fastest growing economy between 1970 and 1990 at 13% per

annum. Its per capita GDP today is approximately \$3500. One may be tempted to ask, “So what is your problem?”

The country is the size of France mostly semi-desert with a low rainfall. The vastness of the country with a population of 1.7 million makes the provision of services to the scattered population over a vast area very costly, and it makes us uncompetitive; to add to our problems we were in a region of great political turbulence during the liberation struggles of the countries around us. We also have South Africa’s very well developed and competitive economy on our doorstep. Botswana is unable to compete because of the economies of scale, the under developed manufacturing base, small of population, a narrow base of raw materials and high transportation costs for raw material imports and finished products to distant ports and export markets because it is landlocked and distant from seaports.

It soon became evident that we could not solely rely on a single export of diamonds, which makes the country very vulnerable and susceptible to the economic woes of the richer countries that buy our diamonds.

The Government and the Private Sector were thinking the same parallel thoughts about how to diversify the economy away from the single narrow base of diamonds. In 1988 the Private sector, represented by the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) invited the State President and his entire Cabinet to a meeting with the Private sector in an effort to chart a way forward. Needless to say, the meeting turned out to be an acrimonious affair with either side blaming the other for the lack of economic diversification. Fortunately, the then President was foresighted and agreed to have such meetings every two years to review progress. The current President has not only kept but strengthened the partnership. As a result we have met every two years under the banner of the National Business Conference (NBC). This “smart partnership” with a “win-win” attitude has spawned a very effective platform for dialogue between the Government and the private sector.

Today, we have what is known as the High Level Consultative Council (HLCC), which is chaired by the State President and attended by all the Cabinet Ministers, their senior officials and the Private Sector. This meets twice a year to review progress since the last NBC and to give direction to the sector meetings held regularly between various Ministries and the private sector, to iron out Ministry specific issues. These are usually held two or three times in between the HLCC meetings, depending on the agenda.

This consultation process has led to the country adopting a “Long-Term Vision for Botswana” popularly known as “Vision 2016”, which outlines the blue print for the type of society we wish to be in the year 2016; fifty years after independence. The objectives of Vision 2016 are embedded in the Governments regular six year Development Plans, which are adopted by Parliament, and are used as a vehicle for implementation.

So what has this to do with “Export Strategy”? We believe everything. This public sector/private sector partnership (PPP) has brought about a unity of purpose. The overall objective for Vision 2016 is “Towards Prosperity for all”; we have an objective and we can now focus on a strategy to achieve it. This is the stage we are at, trying to diversify and grow our economy in different ways so as to eradicate poverty by creating employment. We have looked at our strengths and as a result Botswana has embarked on a strategy to develop an International Financial Services sector, and to expand the tourism sector, which has as its draw card for unique and unrivalled tourist attraction, the world’s largest inland delta, the famous Okavango Delta with its waters majestically meandering the pristine wilderness and a profusion of wildlife species. Chobe National Park, which is endowed with abundant wildlife, including a large concentration of over 100 000 elephant herd also offers a stunningly unparalleled tourist game viewing experience. We are in the process of encouraging expansion in the manufacturing sector in an effort to create an export market.

This may seem like the same formula and objective for most countries in the same stage of development as Botswana – so what have we done so far to move closer to our objective?

- a) We believe that regional and international trading blocs and trade agreements may offer unique opportunities. These could also offer additional opportunities away from traditional markets.
- b) We are exploring intra-regional opportunities, as a result the Southern African Development Community (SADC) composed of 14 southern African states, has now turned its attention to the development of regional trade. It has signed the SADC Trade Protocol to facilitate the process of establishing a complete SADC Free Trade Area by 2012.
- c) Botswana together with South Africa, Lesotho, Swaziland and Namibia are in a common customs area, which allows duty free access of goods to member countries.
- d) Botswana as a member of the African, Caribbean and Pacific (ACP) states is a signatory to the Cotonou Agreement with the European Union, which enhances trade through preferential access and inward investment opportunities.
- e) Botswana is now eligible for access to the United States of America market under the African Growth and Opportunities Act (AGOA II).
- f) Botswana is also a member of the WTO, but as is the case with other developing countries the negotiation processes and the enforcement of WTO international trading rules and compliance will be a heavy burden to smaller states. The assistance of the Commonwealth Trade facility in Geneva is a useful initiative to assist small states in the negotiations process.
- g) The Botswana Government has already a proposal to establish a National Committee on Trade Policy and negotiations. The main objective is to bring together all the relevant stakeholders to promote dialogue, identify trade negotiations objectives and to analyse in a more comprehensive way, trade issues and their impact on the economy.

But being a signatory or belonging to a regional bloc adds up to nothing if we are not able to exploit the opportunities that are thereby created. So where do we go from here?

We have one distinct advantage, our smallness. We should use it as our strength. As small states and economies we can be relatively “mobile”, that is, we can change and turn around things in less a time than it takes bigger and more developed nations to do. We can monitor our pulse easier and take remedial measures sooner.

To achieve this, the challenges we face are:

- a) To improve our efficiency and evolve our trade and business practices. Our competitiveness in the international market will depend on our ability to develop a culture of efficiency and benchmarking against the best practices in the world.
- b) To provide a better service at a cheaper price. Technological advances and low cost efficiency has made it possible for India to become a processing and call centre for many international firms in Europe and the USA. This industry brings in millions of dollars annually and shows no sign of slowing down.
- c) To harness our tourist potential through marketing and promotion with value added and value chain possibilities for poorer communities to participate in poverty reduction activities. This

could include finding that unique niche market for our products especially cultural goods and artefacts.

- d) To replace the mutual mistrust between the private and public sector with a new initiative that promotes public/private partnerships with a more positive outlook.
- e) To streamline the bureaucratic processes and other hurdles which are an impediment to economic growth and of investment. Most countries have investment promotion agencies and also undertake 'investment promotion' missions abroad but they fail to look at bureaucratic and other conditions within their own countries, which negate those efforts.
- f) To look closer at our raw material base and exports with a view to value adding in country.
- g) To ensure that our national policies and actions conform to the best practices, worldwide and for that, good governance is a key factor.
- h) To use the land efficiently for farming and other productive purposes.
- i) To use technology and skills transfer as indispensable tools for development.
- j) To use the opportunities availed through international trade and development agencies such as ITC, the Commonwealth, the United Nations Conference on Trade and Development, to build our institutional, financial and human resource capacities in order to exploit the opportunities that the new world economic order is bringing with it.

Botswana is at the crossroads just like many other developing countries, we share common concerns and problems, but we believe the partnership that we have created between the Government and the private sector, gives us an edge in our fight to overcome poverty and under development. It also brings about a new dimension to our strategic thinking because we look at each as partners and not as adversaries.

This makes 'buy in' easier and frees our minds to creative thinking. This fits in with two of our national principles of "Therisanyo" and "Kutlwano": when translated from our Setswana Language to English mean "consultation" and "mutual understanding," respectively.

This gives us the opportunity to ensure that the National Export Strategy which includes "Borders-in, Borders-out, Border and other Developmental" issues are looked at holistically, rather than on a piece meal basis. On a wider front, this makes it imperative to have parallel policy objectives to develop and grow the manufacturing and services sector whilst developing an Export Strategy. That is the key factor for success.

It must be noted that every country is trying to position itself to take advantage of the opportunities that globalisation brings, but the ones that will succeed will be those that are prepared and able to adapt to the changing circumstances. This means that we have to accept that we may have to undergo a complete national mindset change, which needs courageous and strong leadership both in the public and private sectors. The competition is fierce and will take its toll on all of us and more adversely impact on those of us who will, on one hand, be ill prepared to competitively respond to the challenges confronting us, and on the other hand, unable to optimally exploit available opportunities.