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The Developmental State and Manufacturing in Botswana and Uganda

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The debate regarding developmental activism has assumed centre stage. As have been argued in the previous chapters, the role of the state in Botswana has been likened in some ways to the development stories of East Asia countries where government policies went beyond the limits set by pure neo-classical policy directions. The Botswana state has been strategically interventionist and as such been able to formulate a series of policies aimed directly at infrastructural development and economic growth within the country. However, Botswana has been unable to stimulate a large-scale, internally-generated, competitive manufacturing sector like its counterparts in Asia (Edge 1998). Conversely, Uganda has often been described in derogatory terms as a parasitic or predatory state. But in this paper, we argue that Uganda is in many ways trying to be a developmental state and struggling to industrialise. That it faces numerous challenges is undeniable, but attempts at such policies are evident. We attempt to demonstrate that the textile industry, given opportunities under the Africa Growth and Opportunity Act (AGOA), could contribute to the industrial development of these two states. We suggest that the state is an important player in this whole equation and cannot be sidelined.

Development of the textile industry in Uganda:

A background

Uganda's industrial sector played an important role in supporting the strong economic performance of the country in the initial years following independence. Between 1962 and 1970, the industrial sector, though small, helped to sustain a Gross Domestic Product (GDP) growth rate of 5.8 percent per annum (UNIDO 1999). This was made possible by supplying the economy with a wide range of

basic inputs and consumer goods and the increased contribution from foreign exchange earnings brought in by textiles and copper.

Before Idi Amin's accession to power in 1971, Uganda had one of the most prosperous economies in Africa. Appropriate macro-economic policies together with a stable agricultural base enabled the economy to expand at an impressive annual growth rate of 6 percent between 1962 and 1971. There was a substantial degree of price stability and Uganda made significant strides in developing her industrial base. It should be mentioned, however, that during much of this period, it was the Asians that dominated the private sector and most business transactions. Very few Ugandans were involved in the private sector, and in some sectors like processing and manufacturing, indigenous entrepreneurs were almost non-existent. The country's steady economic prospects were, however, decisively shattered with Idi Amin's rise to power. The political chaos that followed, together with the absence of coherent economic policies led to terrible economic regression. The economy was enmeshed in a web of government controls on imports, access to foreign exchange, prices of goods, interest rates and on bank credit. This plethora of controls made it very difficult for the private sector to do business.

Perhaps most damaging for Uganda's economy during Amin's reign was the misguided/miscalculated decision to expropriate assets of foreign companies and expelling the Asian community, who represented the heart of the commercial and industrial sectors in the country. The industrial sector was the worst hit and its average annual growth rate went as low as 1 percent. Between 1973 and 1980, both growth fixed capital formation and exports fell by just under 10 percent annually. This reflected a number of macro economic imbalances, not least an average annual inflation rate of 45.4 percent (Bigsten and Kayizzi 2001).

Virtually all aspects of Uganda life and particularly the industrial sector suffered dramatically during the period 1971–1985. Mass expropriation of foreign assets deterred potential investors whilst infrastructure deteriorated. Protectionist policies, coupled with greater (but highly inefficient) involvement of the public sector in economic activity meant that economic and financial discipline suffered. By the end of the 1970's and mid 1980's the manufacturing sector was operating at less than 10 percent of its capacity (UNIDO 1999).

Following President Milton Obote's return to power in 1980, the government embarked on an IMF stabilisation programme. The government however was short-lived and did not get time to continue other important adjustment processes. The fairly sound macro-economic management programmes implemented however led to a considerable revival of financial assistance and culminated in debt rescheduling agreements with the Paris Club.

Nonetheless, the intensification of civil conflict from mid-1983 onwards undermined all stabilisation efforts and ultimately the Obote II government was forced to abandon them altogether. By the late 1985, the economy had virtually

collapsed. Inflation had reached unprecedented levels (triple digits) and the relatively impressive start initiated by Milton Obote in 1980 was completely eroded.

In effect therefore, after registering steady growth of the industrial sector in the first decade of independence, the second decade was that of economic regression. This acute economic deterioration was manifested in political chaos, misrule, policy inadequacies as well as adverse external economic conditions.

However, all this, was to change with the accession to power of the NRM government in 1986. Today, Uganda has proved to the world that state support for industry is essential. This has been confirmed by the fairly successful story of exporting textiles through the AGOA in the past few years, through the factory at the centre of this: Tri-Star Apparels Factory in Bugolobi. Though this factory has been riddled with problems of late, this does not discount the progress made and in particular the employment opportunities created and the fact that Uganda is able to export its textile products and apparel to the United States.

When the NRM took over power in 1986, Uganda's economy was in total ruins. In the previous 15 years (between 1971 and 1986) per capita output had fallen by 42 percent. In other words, the income per head was little more than half of what it had been at the start of the 1970s. Not only had the economy shrunk dramatically, its composition had also changed markedly with the virtual collapse of much of the industrial sector and other formal sectors of the economy.

But perhaps the most critical indicator that shows the extent of economic devastation in Uganda was the fact that by 1986, industry accounted for less than 3 percent of GDP (Bigsten & Kayizzi 2001). Faced with very few options, the NRM government launched a comprehensive economic recovery programme in 1987, designed explicitly to redress the acute macro-economic disequilibria. With the support of the entire donor community, the NRM government was able to formulate and implement strategies aimed at revitalising the industrial and manufacturing sectors.

Institutional framework for industrial development under the NRM

Upon taking power, the NRM government looked at ways to restructure and rehabilitate the institutional framework of the country. The introduction of the Economic Recovery Programme (ERP) in 1987 was critical to reviving industrial development in Uganda. High on the priority list of this plan was the revival of the manufacturing sector, in particular, the rehabilitation of the country's critical infrastructure and the encouragement of foreign investment, specifically by seeking to resolve the issue of dispossessed Asian properties (EIU 1995). The government tore down many of the organisational structures, and psychological barriers, that were serving to inhibit the private sector's progress in manufacturing. Uganda's numerous marketing boards for instance, were steadily phased out. The Produce Marketing Board (PMB), which had exclusive export control over five food crops,

had its monopolies removed in 1989. The coffee and cotton marketing boards were equally fully liberalised in 1991 and 1994 respectively (Brett 1995).

Within the government structure itself, a fully-fledged Ministry of Trade and Industry was introduced. This became a key organ for industrial policy and development. Headed by a minister, with the full support of a permanent secretary, and composed of three directorates (foreign trade, industry and technology and co-operatives and marketing), the Ministry of Trade and Industry was seen as a pillar for industrial development (World Bank 1993).

At the same time, new institutional structures to promote industrial development emerged on the scene in the private sector. These came into effect with the formulation and establishment of the Uganda Manufacturer's Association (UMA) set up in 1988. UMA acts as the umbrella organisation representing the country's over 300 manufacturing firms (Lamout 1994). Indeed, UMA has become a serious partner in the policy arena representing private sector interests. The strength of the private sector in industrial development was further inspired by the formulation of the National Chamber of Commerce and Industries, and the Uganda Exporters and Importers Association.

In effect therefore, a combination of institutional strategic changes and an organized private sector worked to revive the industrial sector in Uganda. Indeed, between 1986/87 (when the economic restructuring began) and 1994/95, the share of the manufacturing output in relation to total GDP rose from 4.8 percent to 7.2 percent (Bigsten and Kayizzi 2001). An IMF study conducted in 1996 revealed that this leap forward in manufacturing activities was supported by the reduction in macro-economic distortions, the liberalisation of investment and trade licensing requirements, as well as increased access to foreign exchange and improvements in tax and tariff administration (Sharer et al 1996). We now take a look, specifically, at the development of the textile industry in Uganda.

The textile industry in Uganda

The textile industry in Uganda has its roots way back in 1903 when Borup came up with a spinning mill. By 1906 different ginneries had started developing and at this time Ugandans were producing cotton for British textile companies. By 1970 there were a number of textile industries in Uganda e.g. Nyanza, Pamba, and African Textile Mills. But in 1974 the government came up with a so-called National Textile Board to 'manage' the textile industry in Uganda. The period that followed was characterised by an irregular supply of spare parts for the industries, no working capital, expulsion of technicians and Indians in general from Uganda. By the mid-1980s the machines and equipment in most textile industries were in a sorry state due to inadequate maintenance and obsolescence. As a result of these constraints, there was a sharp decline in the textile industry, falling from 18.6 million square metres in 1982 to 2.6 million square metres in 1985 (UNIDO 1997:72). This resulted in Ugandans importing fabric from different countries

such as India, Malaysia, and Dubai etc. At the same time the importation of second hand clothes also started.

It was the 1986 economic reforms followed by the restructuring of the 1990s that led to the rejuvenation of the textile industry in Uganda. The government opted to instead privatise the textile industries so as to revitalise their operation. As a result, textile-manufacturing output in Uganda has steadily increased, from less than 2 percent in 1986 to 17 percent by 2000 (Bigsten and Kayiizi 2001). Today there are several textile industries that have been revived and these include: Sigma, Nylil, Phoenix, Tri-Star, Eladam, Kyosimba Textiles and Johnnie Spinning Industry.

Some of the constraints, which impede the growth, development and competitiveness of the textile industry in Uganda, include a limited availability of primary raw materials especially cotton due to the collapse of the marketing structures and ginneries over the years of economic decay. Unreliability and the high cost of power supply and other utilities, plus the limited access to finance and credit to further investments and operations have taken their toll too. Importation of second hand clothes (commonly called *mivumba*) in Uganda has also been a big blow to the development of the textile industry. Other challenges faced by the textile industry include the over-valued exchange rate and relatively weak institutions. At the same time the infrastructure and other support systems have crumbled. This has led to low productivity, low quality goods leading to marketing problems, especially faced with the competition for better quality second hand cloths.

The case of Tri-State Apparels Factory in Uganda

To give the world's poorest countries greater access to the US markets, the Clinton Administration earmarked a total of 58 nations from Africa and Latin America as beneficiaries under Africa Growth and Opportunity Act and the Caribbean Basin Parity Act, signed into law by President Clinton in May 2000. President Clinton said the programme 'will help promote economic development, alleviate global poverty and create new opportunities for America business and workers' (African Agenda 2000).

In Uganda, AGOA has been received with mixed feelings. Whereas some sections of the population envisage the factory as a saviour in as far as economic empowerment of the country is concerned, others have big reservations. To the government however, AGOA is the best thing that the West has done for Africa since independence. AGOA reduced and eliminated tariffs and quotas on more than 1,800 items and has helped develop a number of textile factories across Africa, as foreign investors, (mostly from Asia) seize upon its incentives to export garments to the US. We think AGOA is aimed at giving the underdeveloped countries a chance.

In Uganda, the Tri-star factory, based in Bugolobi-Kampala a few kilometres from the heart of Uganda's capital city, is headed by a Sri Lankan businessman Veluppilai Kananathan. Over 1,400 girls were recruited and trained on the job in various areas of specialisation like hemming skirts, stitching pockets or attaching buttons. President Museveni once commented that every time the girls stitch a pocket, attach a button or hem a skirt, they perform acts of patriotism that will help transform Uganda's economy (*New Vision Daily*, Kampala, 6 July 2003).

Labels like 'Made in Uganda' (or from any other African country) attached to the clothings on display in different US department stores today like Target, Sears & JC Penny, is not a mean achievement. Although these tags represent tiny percentage of apparel imports to the United States, they give tremendous pride to countries that have been at the margins of global trading systems. To this effect, Uganda has seen its exports to the United States increase from a minuscule US\$ 32,000 in 2002 to US \$909,000 in the first nine months of the Tri-star Factory's commencement.

The contribution of the Tri-Star industry to Uganda's employment sector cannot be underestimated either. Like her sister countries of Kenya, Lesotho, Malawi, Mozambique and Botswana among others, the largest employer in Uganda is no longer the government but the private enterprise. Tri-Star has opened up chances for over 1,500 people (including casual and technical staff); Kenya has projected 50,000 AGOA-related jobs will be created; while Lesotho estimates a total of 10,000 jobs.

However, challenges remain if AGOA is going to have any lasting effect in Uganda. The Tri-Star Apparels Factory has been enmeshed in a lot of controversies and uncertainty lately, and one wonders whether it will survive⁷. In effect, to get into the market, Uganda heavily subsidised Tri-Star, giving it an abandoned factory, waiving taxes and paying for six months of training of the workers to introduce them to sewing machines. However, it is not all free gifts as the government gets social security tax on the worker's modest salaries and utility fees on the company's water and electricity.

In facilitating Tri-Star's operations, the Ugandan state at least tried to do something to promote industrialisation and the country seemingly appears to have so far benefited from AGOA (despite the uncertainties of the Tri-Star factory). Obviously, a lot more needs to be done—the trade law in itself is set to expire in 2008, which is a short time away for investors (although there is a move to extend it for seven more years). Also, even if AGOA remains, a prime benefit that the trade provides will be undermined in 2005 when World Trade Organisation quotas on clothing and textiles expire. The elimination of the quotas will take away one of the most powerful incentives that foreign businesses now have to invest in Africa.

Challenges to industrialisation in Uganda

Looking at the institutional framework for industrialisation in Uganda today, there are several institutions that can lead the process of development. There is the state and bureaucracy, coordinating agencies, the ministries, banking institutions, insurance houses and the capital market to mention but a few. However what is currently lacking is a strong vibrant institution linking the state intermediate institutions and integrating the state with private organisations. The existing institutions like UMA are not strong and vibrant enough. There must be a nature of cohesion between the state and other related institutions.

The bureaucracy must also be competent, organized and competently recruited. But this is one of the biggest setbacks in Uganda's industrial development. It is important to develop a strong indigenous entrepreneurial class, which is still lacking in today's Uganda.⁸ The country lacks the right kind of human resources to propel industrialisation and hence the heavy reliance on foreign investors. The trend the world over is attracting human capital that you do not have but these have to be the right kind.

The other important question is how does Uganda acquire the technological know-how? It must industrialise by learning and strategically socialise with the international community in order to be able to build its own capacity. If Uganda wants to industrialise, it should at least develop its human resources first, then its institutions. Britain was the first country to industrialise and the French learnt by working in the British industries as messengers. The same was the case for the South East Asians learning from the Americans.

Uganda as a developmental state: Which way forward?

While the dominant ideology today is economic liberalism, one alternative to this is the notion of a 'developmental state'. A developmental state was not God-given to countries in East Asia nor to Botswana; it was instead politically-driven. In Uganda, this political agenda must define the country's long-term priorities and transform the national economy from primary commodity production to industrial production. Although the Ugandan state has in some ways adopted elements of developmental state activism, by creating the necessary institutions, most of these are currently weak. Modernisation of the economy will not come about this way—what is needed is the adoption of proper developmental activism. Institutions matter and need further developing and strengthening.

Late industrialisation calls for state intervention in guiding the economy. There is no country, early or late, that has ever industrialised without the state. Chalmers Johnson (1990) argues that the dominant ideology should be 'economic nationalism' and not [plain] 'economic liberalism'. The state has to guide the market using a pilot agency playing an entrepreneurship role, as has occurred in Botswana. A developmental state has to consult with the stakeholders before announcing policies so that affected stakeholders are part of their formulation

and development. In developmental states, politicians reign but the bureaucrats remain and have to be permanent so that the process of policy formulation is consistent. In Botswana they recruited only high quality bureaucrats and this is exactly what economic nationalism is all about. In Uganda however, this is probably the biggest challenge for our progress as most of our policies and decisions are politically-driven.

Industrial development in Botswana

At the time of independence Botswana possessed very little industrial development. The economy was dominated by subsistence arable agriculture and cattle production. Beef processing was the only major manufacturing. The post-independence period however ushered in the exploitation of minerals (particularly diamonds) which, later became the engine of growth. However, dependence on diamonds is quite problematic in that the prices of primary commodities tend to be volatile and diamonds have been exposed to the potential risk of consumer discontent over the so-called conflict diamonds. The other problem with diamond dependence is that, dependence has meant that there has been a continuous transfer of resources to the mining sector at the expense of other sectors. As such the government is aware of the un-sustainability of a mineral-led growth (Mokhawa and Osei-Hwedie 2003). The government has thus identified manufacturing industry as a potential area for diversification.

The manufacturing sector in Botswana is relatively small, accounting for an estimated 4.5 percent of Botswana's GDP, yet it employs more labour than the mining sector and it is considered a potential growth sector. Several reasons have been put forward for the slow growth of manufacturing. These include the small size of the domestic market and the limited resource base of the country. It is therefore imperative to showcase the role played by the state in the development of manufacturing sector with specific reference to the textile industry.

From independence (1966) through to the 1970s, the government neglected some sectors of manufacturing and this included textiles. Manufacturing then consisted principally of processing beef for export. The textile industry was characterised by basically uniform making: Botswana school uniform producers then had 40 to 70 per cent of the school uniform market but protective clothing and institutional uniforms (Botswana Defence Force, Police, Mines and Hospitals) were completely controlled by South African suppliers.

It was not until the 1980s that textiles started to perform well. In the 1980s, textile surpassed meat industry in both total capital investment and number of jobs created. Tsie (1989) notes that its vigorous growth then, unlike the meat industry, owed little support to the state. The development of textiles during this period was largely due to Zimbabwean investments. A study undertaken by the government argued that the textile industry in Botswana has been developed primarily to service the Zimbabwean market: a large portion of the industry

appeared to be controlled from Zimbabwe (GoB 1984). Many Zimbabwean companies decided to relocate their companies to Botswana to avoid the uncertain situation in Zimbabwe, and Botswana provided advantages such as access to the South African market, the availability of foreign exchange, and a liberal foreign exchange regime. Surprisingly, the current political turmoil in Zimbabwe has however not resulted in further relocations of industries to Botswana.

But, the relocation of the 1980s stimulated the government to accelerate its attempt to attract foreign investment. Thus, the government created the Financial Assistance Policy (FAP) in 1982. The FAP attracted textile investments but mostly managed to attract fly-by-night investors who abandoned their workers and disappeared. Cowan (1997) had supported FAP arguing that it involved a rigorous cost benefit analysis intended to demonstrate that the proposed project could generate an economic rate of return of over six percent over a ten year period. But Kaplinsky (1991) argued that Botswana's FAP provides a good example of how getting prices right helped the wrong people.

In addition to the FAP, the government established Selebi Phikwe Regional Development Programme (SPRDP). It was set up to diversify the economy of Selebi Phikwe away from mining. Although the overall package offered to foreign investors seems very similar to those available in export processing zone (EPZ) found in other developing countries, the SPRDP was not really a zone because firms in Selebi Phikwe were not special enclaves because they did not have privileges in being able to import goods duty free for processing and re-exporting as in most EPZs; and though facilities were good at Selebi Phikwe, they were not superior to those found in major urban areas of the country. In addition, firms in Selebi Phikwe had to deal with government bureaucratic procedures, unlike under many EPZs arrangement for example, in order to obtain manufacturing license or work permits Cowan (1997).

There have been some mixed results so far with the development of the textile industry. The Bank of Botswana reported that manufacturing was adversely affected by the poor performance of textile. Jeffries, quoted in the Bank of Botswana Report (2001), however, feels that the government is trying to level the playing field by extending 15 percent tax concessions to the manufacturing sector including textiles. BIDPA (2001) reports a growth in the textile exports. The growth is thought to have started in the 1990s and reached a peak in 1998 at P303 million in exports revenues. A decline of 18 percent and 5 percent was recorded in 1999 and 2000, respectively. The decline was thought to be due to the closure of textile companies that had taken advantage of government incentives. An improvement was witnessed when manufacturers started taking advantage of market opportunities offered by AGOA and the EU, as well as in South Africa.

The nature of state assistance

It is believed that currency transferability and convertibility, political stability and macroeconomic stability are key factors affecting a business decision to invest in a country. Additionally, supportive infrastructures, conducive institutional frameworks and a competitive business environment are things that matter to investors. In responding to the above, the country has designed some incentives for investment in manufacturing. There exists a favourable macroeconomic environment, and institutional, regulatory and policy frameworks in Botswana are fairly conducive. These incentives comprise of the FAP, corporate tax of 15 percent, regulatory frameworks concerning repatriation of investment with no restrictions on foreign exchange transactions and repatriation of capital, profits, dividends and expatriate salaries (BEDIA 1999) and institutional support.

The wage rates, averaging US\$80 per month are set by the government to guide foreign investors (BEDIA 1998). The normal working week for factory workers varies between 45 and 48 hours. The wage rate for unskilled labour is set at P2.75 per hour. Wages in Botswana are said to be high compared to productivity and whilst industrial relations were said to be good, they were, as Taylor (2003) puts it 'severely constrained' until threats of strike action by various groups of workers in the late 2002.

The FAP was specifically created for labour-intensive production. It contained wage subsidies for the company for five years, training subsidy of 50 percent of training cost of any Botswana citizen, and a capital subsidy of 40 percent to 55 percent on investments based on jobs created for Botswana citizens averaging \$215 per job. The training component was introduced as an incentive for improving skills and productivity levels in manufacturing. The majority of manufacturing industries would not have been set up in Botswana without the existence of FAP support, for instance, Northern Textile Company (one of the leading textile manufactures) benefited from the subsidised training. In fact, manufacturers' reasons for investing in Botswana are the inducements offered through FAP.

However, there were some elements of fraud and abuse, in addition to inadequate administration and management of projects. In fact, there is a widely held perception that FAP attracted companies (especially in the garment industry), which only wished to benefit from the grants and which closed down after the expiry of the grants and/or re-emerged as different companies to benefit from new grants (BIDPA 2000). Actually, BEDIA has noted this:

Doubts are raised especially based on the negative experience of previous investors who came to the country and then sneaked away quietly after having benefited from the FAP of the government. Some even came with equipment fit for a museum. Obviously their equity in projects was very low, if any investment was made at all (quoted in www.cleanclothes.org/publications/01-11-botswana.htm)

The experience with FAP led the government to come up with a new scheme, the Citizen Entrepreneurial Development Agency (CEDA). It has been established

in response to the concerns on the adequacy and effectiveness of the existing citizen empowerment schemes. Therefore, revision of existing and the creation of new empowerment schemes was found to be necessary. CEDA is meant to redirect, energise, and invigorate existing schemes with respect to citizen business development with the objective of enabling Botswana to participate meaningfully in every aspect of the economy. It is believed that CEDA will benefit the textile industry. Nevertheless, a breakdown of CEDA lending by sector shows that manufacturing has not had enough lending as compared to sectors like service:

Total Lending by Sector

| Sector | Value (Pm) |
|----------------------|------------|
| Agriculture | 38 |
| Services | 160 |
| Manufacturing | 40 |
| Retailing | 60 |
| Property Development | 40 |

Source: Annual Economic Report (2003)

It is however expected that CEDA will encourage enterprises in establishing sectors like manufacturing to take advantage of lower tariff and non-tariff barriers that have resulted from Botswana's trade agreements such as AGOA, Cotonou Agreement, SACU and SADC (GOB 2003).

Institutional support has been in the form of institutions like Industrial Affairs, BEDIA, BDC, and the Botswana Bureau of Standards. The Department of Industrial Affairs is an arm of the Ministry of Trade and Industry and promotes entrepreneurs, helping them to get established in the sector. It issued licenses and permits to companies (a duty undertaken by BEDIA now), and served as an administrator of FAP. Currently, Industrial Affairs is entrusted with the responsibility of drawing up an export policy.

As a result of their promotional efforts, BEDIA has been able to attract twelve manufacturing companies while fifteen of its projects are at an advanced stage of implementation (GoB 2002). The companies are already operational and have created 1600 additional jobs in the manufacturing sector. Five of these are textile companies including Band M Garments, Rising Sun (Pty) Ltd, Benrose Ltd, Star Apparel (Botswana) Pty Ltd (BEDIA 2001), and Dinesh Textiles.

The Authority helps existing manufacturing enterprises to sort out any administrative problems that they may be confronted with. However, critics are saying that BEDIA is more interested in attracting companies to Botswana than maintaining them, which is counter to their motto 'BEDIA takes good care of you'. Additionally, BEDIA have been central in the AGOA negotiations for the

reclassification of Botswana from a middle-income country to a less developed country under AGOA II to allow Botswana to develop a thriving export-based textile industry

The Botswana Bureau of Standards is essential in that exporters are assisted to meet quality standards for export markets. The establishment of the Bureau of Standards is an important step towards this objective. It provides testing and standardisation services, makes available international quality standards organisation (ISO), trading standards and provides certification under ISO 9000 and ISO 14000. The acceptance of Botswana products in foreign markets will be made much easier if they carry the appropriate standards approval.

What is missing in Botswana's strategy?

Despite the levels of state assistance, questions have been raised as to why the textile industry had failed to attract enough investment to the country. A number of explanations have been proffered. The textile industry globally is highly competitive and Botswana does not have the raw materials and primary processes to cater for the garment industry. Most raw materials are imported from SADC neighbours, with South Africa as the dominant source and then the Far East. The other issue is that entrepreneurs are 'doing it small', that is, most companies are doing little to equip themselves with modern technology. Some commentators, on a different note, argue that textile holds potential for diversification but the problem with the industry is that it is not integrated. It is worth mentioning the superficial way in which existing productions are integrated into the Botswana economy. The textile industry in Botswana is of the Cut-make-trim (C-M-T) type, that is, the textile industry is engaged in the last stage of production rather than in all processes of production from beginning to end—this affects employment creation.

There is a generally accepted view that it is difficult to run a textile company in Botswana because of a number of challenges. These challenges include the high cost of utilities, for example electricity and water—a problem highlighted by Hughes and colleagues (Hughes et al 2003). They are of the view that investors are guided by hard facts and reputations. Furthermore, they assert, that while Asia has developed a reputation for quality workmanship and low costs, Africa has developed a reputation for corruption, war and high cost. Other challenges identified were exorbitant transport costs since Botswana is landlocked and 'third class' industrial workers who are not productive. Actually unproductive workers have been found to be a predicament.

Specific problems that face the textile industry in Botswana include the fact that raw materials as a percentage of sales is extremely high, unit labour cost is also high, measured in terms of value added per production (a clear manifestation of low labour productivity), high interest rates on loans, lack of training institutes

(currently Botswana has no university-level training in textiles) and an absence of linkages.

However, there is adequate state support in the textile industry. The government has done and is continuing to do much for the textile industry in Botswana. The government has identified the textile industry as one of the growth sectors and so it has been sensitive to new opportunities. The state has tried to play an entrepreneurial role through the activities undertaken by BEDIA such as identifying markets for locally produced products and by introducing CEDA which has components for helping Botswana develop habits of entrepreneurship. One may view this as suggesting that the state has played its part. Sentsho (2002) argues that for the state to realize economic diversification there must be a willingness by the state to have the private sector play a dominant role in economic development while at the same time the state should be willing to fill gaps in areas where the private sector is non-existent or is not forthcoming. The state also has to be willing to privatise as soon as it becomes profitable for the private sector to run state-created institutions. These recommendations fit in with the East Asian experiences and Botswana state surely has done the above by establishing institutions like BDC and BEDIA to take advantage of emerging opportunities. BEDIA has been established to identify markets for the companies and assist in the marketing of those companies. It has also been central in educating the companies about AGOA

Botswana's experience with AGOA

As in Uganda, AGOA presents opportunities to increase Botswana's exports to the most lucrative market in the world, that is, the American market. Countries like Mauritius, Kenya, Swaziland, Madagascar and Lesotho have received tangible benefits from scrapping of US tariffs on a range of products such that these countries have recorded double-digits growth in textile exports to the US. Benefits have already accrued from AGOA exports to Botswana. For instance, the total volume of textiles and apparel exports under AGOA from 2001 was US\$2,206,910; in 2002 it increased to US\$ 5,144, 511. In 2003 it was US\$4,657,844. Today, about nine companies have registered to export under AGOA, but only six of these are actually exporting textiles and apparels to the US, with outstanding performances by a company named Caratex.

However, Botswana has not received as much benefit under AGOA as Lesotho. This has often been associated with the fact that Botswana was initially classified under the middle-income economies, hence could not actually enjoy benefits offered under AGOA I. AGOA I provided for the growth of apparel imports made from fabric and yarn produced in a beneficiary African country, from 1.5 per cent of overall US apparel imports to 3.5 per cent over the eight year period (AGOA Report 2002). It was not until the country negotiated for the consideration of the country as a less developed country that tangible results surfaced. But this

is just about to end in October 2004 since clothing from African countries will only receive preferences if the fabric is regionally produced or bought from the U.S.

Conclusion

The relative successes of late developing countries like Botswana and Uganda has been due to state intervention. In both countries, the state has consistently intervened in the development of the textile industry. In Botswana's case however, some argue that the Botswana government has not seriously engaged in textiles development in the same way as the NICs in East Asia. This could be the result of a dependence on ready revenue pools such as diamonds, European Union beef quotas, and receipts from the Southern African Customs Union (SACU). The problem may perhaps be the nature of producers who take advantage of government schemes such as FAP but who are footloose and exploitative, something seen also in Uganda. It may as well be the fact that producers are small and cannot compete against larger producers in the region especially those from South Africa or Kenya. Local producers face barriers to regional exports because of other competitors in stronger countries; Botswana in particular faces South African industrial hegemony.

For sustainable development of this industry the government of Botswana should take Sentsho's (2002) criticisms seriously. But this seems unlikely, especially given global neo-liberal pressures for limiting state involvement in industry or the economy. Thus, it seems that while textiles may be a good basis or form a platform for national development, it is more likely, that development of this sector will be haphazard, reactive, and overly dependent on the willingness of foreign producers to 'find' Botswana on the world production map.

As for Uganda, there is no country in the world that has been able to industrialise in the context of free markets and Uganda is not going to be the first. Developmental activism is not optional but vital. In the Asian Tigers, the state practiced developmental state activism and economic nationalism (but not economic liberalism), enabling them to produce goods that had a potential to penetrate the global markets. In both Botswana and Uganda however, the scenario today is rather different and of course the world has moved on. But emphasis on high-level bureaucratic competency and a conducive institutional framework are vital in both countries under review; Botswana has achieved a lot of success, though Uganda needs to do much more. Both countries need to recognise the potentiality that the textile industry offers for national development and both need to stay the course in using the offices of the state to promote and nurture this nascent industry.