EXPORTS-LED INDUSTRIALISATION AND DEVELOPMENT THROUGH NATIONAL RE-BRANDING AND BEST PRACTICES: A COMPARATIVE STUDY OF BOTSWANA AND ZIMBABWEAN ECONOMIES

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ABSTRACT: The purpose of this study was to look at the challenges facing Zimbabwe’s economy compared to Botswana and determine re-branding strategies Zimbabwe can adopt to portray a positive image. Case studies of countries whose economies miraculously recovered were given, they include countries like Korea, China, Japan, Taiwan and Malaysia. Document reviews and in-depth literature review were used to collect data. The findings of the study revealed challenges related to policy issues, corruption, relations with western countries over the land reform programme, corporate governance issues, and macroeconomic fundamentals such as government spending priorities, the country’s credit rating, judicial independence, and property rights. These were some of the factors that contributed to the meltdown of the Zimbabwean economy. The study recommended that Zimbabwe needs to re-establish relations with the west, ensure independence of the judiciary system, ensure property rights to attract foreign investment, improve corporate governance issues, and monitor its macroeconomic fundamentals.

KEYWORDS: Economic Growth, Economic Development, Re-Branding, Export Led Strategies

INTRODUCTION

In 1980, at independence, Zimbabwe had one of the strongest economies in Africa. This included well developed industries, infrastructure, and mining and agriculture which gave Zimbabwe the title, “The Bread Basket of Southern Africa”. The country has a myriad of minerals, namely, gold, copper, chrome, platinum and diamond, to mention a few. However, the agriculture sector was dominated by white commercial farmers and this prompted the government to embark on the land redistribution exercise to equitably distribute land between the white commercial farmers and the black peasants. Although this was a positive move, it strained the relationship between Zimbabwe and the west contributing to the country’s negative image.

Although the government tried to introduce development plans like the Transitional Development Plan (TDP) of 1982/83 -1984/85, The First Five Year National Development Plan (FFYNDP) of 1986-1990, no meaningful industrial development was realised. Unstable political, legal and socio-economic environments have led to the country’s failure to attract foreign investment. In contrast, Botswana has scored positively in many of the issues that have negatively affected the Zimbabwean economy as shown in Table 1. It was the essence of this study to determine how these macroeconomic fundamentals affected the Zimbabwean economy and suggest possible solutions.
LITERATURE REVIEW

This section outlines issues of economic growth, economic development, re-branding, export-led strategies and industrialisation, as well as the case study of Ethiopia’s industrialisation process.

Economic growth

Economic growth and development are usually used interchangeably yet these are two different terms. According to http://www.economicshelp.org/macroeconomics/economic-growth/ (2015), economic growth is the increase in real GDP (Gross Domestic Product). This means that there should be an increase in output and national income caused by an increase in aggregate demand and supply as illustrated by the following equation:

\[ AD = C + I + G + X - M. \]

- C = consumer spending
- I = Investment
- G = Government spending
- X = Exports
- M = Imports

Increase in wages helps to increase disposable income and consumer spending. If government spends more on capital investments, it leads to job creation, hence jobs are made available to people, which improves their welfare. If income tax decreases, people will have more disposable income. Increased capital investment consequently brings in new technologies, improved infrastructure, better education and improved productivity. According to the City of Cape Town (2013), economic growth strategy is generally the growing of economy and job creation.

Economic Development

Economic development looks at a wider range of statistics than just GDP per capita. Development is concerned with how people are actually affected. It looks at their actual living standards as efforts that seek to improve the economic well-being and quality of life for a community (http://www.economicshelp.org/). To improve the standards of living of a nation, there is need to create more jobs through industrialisation thus increasing disposable income. Todaro (2015) adds that it is the improvement in living conditions, citizens’ self-esteem needs and a free and just society hence the need for an independent judiciary system. He goes further to say that economic development can be measured by the human development index. This takes into account literacy rates, life expectancy, development of human capital, improvement in health and safety, general welfare of citizens, improvement in important infrastructure and the gender related index. According to Sachs (2015), this also encompasses issues to do with the decline in infant mortality rates, poverty datum lines and environmental conservation as opposed to economic growth which deals with the general increase in the country’s products and services without the trickledown effect.
Re-Branding

The concept of re-branding emanates from branding which is a marketing concept aimed at improving the image of an institution or individual. From the perspective of a business, Bamiduro and Aremu (2012) posit that branding is consumer-focused and aims at creating, in the minds of the consumers, a favourable mental structure about the product or service in a way that will provide value to the firm. They further postulate that the idea of rebranding a country, however, is a figurative expression which involves the application of a marketing concept to an all-embracing national phenomenon. Mugobo and Wakeham (2014) define rebranding as a process of transforming, rejuvenating and repositioning of a nation giving it a new image. This process tries to give a positive image to an organisation’s products and services. A country might be given a bad image emanating from bad policies, relationship with other nations, international bodies and violation of human rights. Other countries might even impose sanctions on a certain nation so as to force it to take corrective actions which give it a new image in the international arena. This helps countries like Zimbabwe to create a favourable international environment for economic development.

Rebranding has been adopted by some countries in an attempt to market their cities, services, or regions to the rest of the globe thereby increasing their international profile, attractiveness, and image thereby improving their foreign direct investments and earnings from tourism and trade (Agba, Agba, Ushie, and Akwara, 2009). A good case of a nation re-branding is that of Nigeria. According to Nworah (2006), the Nigerian government, through the Federal Ministry of Information and National Orientation, launched the Nigeria Image Project in July 2004, following in the footsteps of some other African countries which had launched similar image campaigns such as Uganda’s “Gifted by Nature” campaign, and “Proudly South African” image programme.

Bamiduro and Aremu (2012) aver that re-branding a country, unlike a commodity, has to do more with image-laundering than re-engineering of a product. This means that the domain of the concept of re-branding Zimbabwe, or any other country, is public relations as opposed to all the 4ps of marketing (product, price, promotion and place) which is the case in in rebranding a product. Re-branding a country, therefore, consists of consciously and deliberately planned and executed activities aimed at projecting that country in a new and positive image in the minds of the rest of the world with the prospect of increasing the nation’s income (Bamiduro and Aremu, 2012).

Export- led strategies

Palley (2011) defines export-led growth as a development strategy aimed at growing productive capacity by focusing on foreign markets. Grossman &Helpman (1991) argue that trade promotes technology diffusion and knowledge spill-overs which brings economic growth. The argument for export-driven economic growth is that self-conscious policy focused on external markets and it helps capture the economic benefits of openness for developing countries by encouraging best practice adoption, promoting product development, and exposing firms to competition. The success of the four East Asian Tiger economies (South Korea, Hong Kong, Singapore, and Taiwan) appeared to provide empirical support for these claims (Palley, 2011). He further postulates that according to economists, export-led growth generates a win–win outcome for developing and industrialized economies. The two parties benefit from the global application of the principle of comparative advantage, while developing countries gain extra benefit from an external focus.
According to Boame (1998), there is considerable evidence supporting the export promotion hypothesis as a development strategy. The basic hypothesis is that growth in real exports leads to growth in real Gross National Product (GNP). He further argues that the domestic investment resulting from the increased activity of the export sector can be categorised into three linkage effects namely backward, forward and final demand linkages. These are briefly discussed below (Boame, 1998):

**Backward linkage**

This measures the induced investment in the home-production of inputs, including capital goods, for the expanding export sector. The most important example of this form of linkage is the building of relevant infrastructure to enable exportation. This means establishing facilities to serve the staple industry such as roads, electricity and water supplies which will lower costs in other potential industries and stimulate further investment and economic growth.

**Forward linkage**

This measures the induced investment in industries which use the export industry’s output as an input. The most obvious and typically most important is the further processing of the output from the export sector. The output from the processing industries may be used at home or exported. The processed exports increase the value added from the export sector in foreign markets.

**Final demand linkage**

This measures the induced investment in domestic industries producing inputs for the export sector. Its prime determinant is the size of the domestic market, which is in turn dependent on the level of income - aggregate and average - and its distribution. Final demand linkage will tend to be higher, the higher the level of income and the more equal its distribution.

**Export led industrialisation versus economic growth and development**

Mamoru (2005) points out that export-led industrialisation was the backbone of East-Asian economic miracle that began in the 1980s. Different countries have used different strategies to revive their economies. Prescriptions which have worked well for other countries like the Asian Tigers, Korea or Malaysia might not work for Zimbabwe and Botswana because of the differences in economic environments. Zimbabwe’s situation is quite unique from other countries because of the negative image hence the need to re-brand (Mugobo and Wakeham, 2014). This means unique strategies have to be applied to catapult Zimbabwe to its previous status of an industrialising country. According to the Africa Focus (1990), Zimbabwe had the most highly developed industrial sector in Southern Sahara in 1980. The South African Department of Trade and Industry (2010) observes that the use of trade policy is to promote economic development through increasing value-added exports rather than exporting raw materials to industrialised nations hence getting less foreign currency. This strategy might work for Zimbabwe. Zalk (2014) argues that no countries have attained rapid and sustained growth and high income levels without industrialisation. He further advises that there should be physical transformation of raw materials into value-added products.
On the other hand, Jordaan and Eita (2007) aver that Botswana adopted a growth strategy that is led by exports, which started during the colonial era (1885-1966) when the country was a British protectorate. During that period, trade in Botswana was dominated by game meat, game skins and beef exports. Sentsho (2003) adds that the exports of beef continued to be the engine of economic growth until the early 1970s when Botswana discovered minerals (diamond, coal, copper, nickel). Together with beef, minerals remain Botswana’s traditional exports and are the engine of economic growth. These products constitute more than 80 percent of the exports in Botswana. Diamond is a key export product of Botswana, accounting for more than 70 percent of the country’s export. Hence, Botswana is a mineral-dependent economy and the export-led growth strategy has been based on mineral products (Sentsho, 2003).

According to Beaulier (2003), Botswana was the fastest growing country in the world during the period 1965 to 1995 with average growth rate of 7.7% and the country moved from being the third poorest nation in the world to become an upper middle income country which it is today. The IMF (2006) also noted that Botswana is still one of the fastest growing economies, and this high economic growth is attributed to exports dominated by diamonds, which have accelerated economic growth in the country. This tends to support the hypothesis that export was a key to economic growth in Botswana.

Similar case study of Ethiopia’s industrialisation process (Zalk, 2014)

Ethiopia is a nation that underwent a series of hardships hence it crafted policies that were well implemented. These included poverty reduction, sustainable development, and food security to name a few.

The United Nations Economic and social council (ECOSOC) Annual Ministerial Review gave an example of Ethiopia as having carried out development strategies that work. In addition to implementing policies addressing poverty, most notably the Sustainable Development and Poverty Reduction Programme (SDPRP) and the Plan for Accelerated and Sustained Development to End Poverty (PASDEP), the Government of Ethiopia adopted a policy response specific to Ethiopia's food security and agricultural productivity challenge, including the Agricultural Development Led Industrialization (ADLI) strategy, (ECOSOC Review).

Some of the developmental goals included;

- Ethiopia Industrial development Strategy (IDS) 2003.
- Agriculture demand-led industrialisation (ADLI)
- Support growth of the agricultural sector
- Agricultural policy
- Value addition
- Export-led industrialisation
- Labour intensive(employment creation)
- Public-Private Partnerships (PPPs)

This study adopted the Ethiopian model of industrialisation because of similarities with the Zimbabwean situation, and its relevance to the Botswana economy due to the geographical relationships of the two neighbours. This might work for Zimbabwe and Botswana if they use the Agriculture–led industrialisation strategy since agriculture forms an important element of
their economies. This means raw materials to revive the manufacturing sector might be agricultural-driven.

METHODOLOGY

The study used document analysis and in-depth literature review which included published journal articles, books, and official reports particularly the Africa Competitiveness Report of 2015 to gather data on the challenges facing the Zimbabwean economy and how Botswana is faring in the same variables.

Findings of the study

Findings from the document review carried out indicated that the bad economic situation in Zimbabwe was caused by the variables shown in Figure 1.

Figure 1: Causes of economic woes in Zimbabwe.

Source: Researchers’ model

The variables shown in Figure 1 have been suggested to be the setbacks causing the economic downturn in Zimbabwe. They are shown in a magnified manner because they all started small but grew to be-devil the economy resulting in high unemployment rate, poverty, hyper-inflation, brain-drain, hunger, negative national image, reduced manufacturing and agricultural capacity to mention a few.

Lessons from Botswana

According to the World Bank Report (2015), Botswana is a development success story. A small, landlocked country of two million people, Botswana was one of the poorest countries in Africa with a per capita gross domestic product (GDP) of about $70 when it gained
independence from Britain in 1966. In the years that followed, supported by the discovery of diamonds, Botswana has been one of the fastest growing economies in the world and moved into the ranks of upper-middle income countries. Real GDP showed robust growth of average 5% per annum over the past decade. The country has a mature democracy, with free, fair, and uncontested elections held regularly and the constitution provides for fundamental rights and freedoms which the government keenly observes. Botswana’s impressive economic growth hinges on the tenets of good governance, democracy, low levels of corruption, over and above prudent macroeconomic and fiscal management (World Bank Report, 2015; Kapunda and Moffat, 2012).

Research has revealed a direct relationship between economic growth on one hand and good governance and corruption control on the other. Chetwynd et al. (2003) and Kapunda (2010) found out that economic theory and empirical evidence both demonstrate that there is a direct link between corruption and lack of economic growth. They reveal that corruption impedes economic growth by discouraging foreign and domestic investment, dampening entrepreneurship, lowering the quality of public infrastructure, decreasing tax revenue, and distorting the composition of public expenditure. In addition to limiting economic growth, corruption also exacerbates poverty and income inequality. These findings are supported by Kapunda and Moffat, 2012) who found out that good governance and corruption control enhance macroeconomic, financial and political stability, leading to economic growth, which in turn helps reduce poverty.

Findings revealed a huge gap between the economic competitiveness of Botswana and Zimbabwe, with Botswana leading in virtually all areas that define a nation’s economic competitiveness and development. These are shown in Table 1.

Table 1: A comparison of economic competitiveness of Botswana and Zimbabwe (The Global Competitiveness Report 2014–2015, pp. 133)

<table>
<thead>
<tr>
<th>Botswana Rank/144</th>
<th>Indicator Value</th>
<th>Zimbabwe Rank/144</th>
</tr>
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<tbody>
<tr>
<td>51</td>
<td>Country capacity to retain talent</td>
<td>120</td>
</tr>
<tr>
<td>13</td>
<td>Overall macroeconomic environment</td>
<td>87</td>
</tr>
<tr>
<td>67</td>
<td>Affordability of financial services</td>
<td>131</td>
</tr>
<tr>
<td>54</td>
<td>Ease of access to loans</td>
<td>135</td>
</tr>
<tr>
<td>43</td>
<td>Soundness of banks</td>
<td>136</td>
</tr>
<tr>
<td>39</td>
<td>Property rights</td>
<td>142</td>
</tr>
<tr>
<td>36</td>
<td>Diversion of public funds</td>
<td>109</td>
</tr>
<tr>
<td>39</td>
<td>Public trust in politicians</td>
<td>132</td>
</tr>
<tr>
<td>35</td>
<td>Judicial independence</td>
<td>120</td>
</tr>
<tr>
<td>26</td>
<td>Wastefulness of government spending</td>
<td>135</td>
</tr>
<tr>
<td>45</td>
<td>Country credit rating</td>
<td>143</td>
</tr>
</tbody>
</table>
Gross national savings, % GDP  143
Domestic market size  131
Foreign market size index  131
GDP  131
Strength of investor protection  105
Nature of competitive advantage  137
Quality of overall infrastructure  121
General government debt, % GDP  90
Overall competitiveness  131
Corruption  128
Transparency in policy making  115
Democracy  126

CONCLUSION
The Zimbabwean economy has been affected by various factors that need to be looked into of the country to regain its financial competence as well as its image. Firstly the re-branding exercise has to begin from it having good relations with other countries which will also open new avenues for collaboration and investment. More so, the issues of corruption and mismanagement of funds will this be covered by the improvement in the economy. Botswana needs to have a strong manufacturing sector that will see it manufacturing and exporting rather than importing most of its produce. The country is endowed with many natural resources, thus its growth maybe strengthened through more exports.

RECOMMENDATIONS
A number of recommendations are suggested for the re-branding of Zimbabwe leading to economic growth and development.

The Zimbabwean government
The study recommends that the government play a more effective role in rebranding Zimbabwe. In order to get assistance from the international bodies like IMF, WB and ADB, Zimbabwe should push for export-led strategies by putting judicial management of key industries, for example, the Zimbabwe Iron and Steel Company(ZISCO), the Cotton Company of Zimbabwe(COTTCO), Cold Storage Commission(CSC), Agri-business organisations and CAPS Pharmaceuticals. Most A2 farms should be state owned and managed since majority of the present owners do not have the capacity to run them. The A1 farms should get government assistance to improve production. The assistance should be in

| 12 | Gross national savings, % GDP* | 143 |
| 97 | Domestic market size | 131 |
| 97 | Foreign market size index | 131 |
| 99 | GDP | 131 |
| 45 | Strength of investor protection | 105 |
| 92 | Nature of competitive advantage | 137 |
| 89 | Quality of overall infrastructure | 121 |
| 14 | General government debt, % GDP | 90 |
| 74 | Overall competitiveness | 131 |
| 25 | Corruption | 128 |
| 49 | Transparency in policy making | 115 |
| 39 | Democracy | 126 |
form of training, agricultural inputs and the technical knowhow. Contract farming should also be another strategy extended to A1 farm owners since they lack the resources to fully utilise the land. Zimbabwe should start relying mainly on domestic funding from sales of its mineral resources since it is difficult to borrow from external sources because of the current state of its economy and sour relations with possible sources of external funding. When productivity improves on the land, the nation will have enough to feed its people. The Ministry of Finance should relax some of the regulations governing importation and exportation of goods so that capital goods should be imported duty free to revive the industry.

Customs procedures should also be relaxed on some goods meant to revive the industry hence creating employment. The government can also allow some multinational companies to invest in Zimbabwe hence bringing technology transfer. Companies into manufacturing of agricultural inputs should be attracted into the country for example companies in the manufacturing sector should import parts or components for machinery duty free. Tax holiday should be given to companies in the Export processing zones. This is a situation where companies in the export processing zones do not pay duty for raw materials or components to be used on machinery and do not pay tax or tax should be reasonable for five years. The goods will be meant for export only and not to be sold in Zimbabwe.

For the government of Zimbabwe to improve its infrastructure, for example roads and railways, it should contract international organisations to develop their roads and allow them to get a certain percentage of the toll gates for a certain period of time. The government should also not be involved in running parastatals like the Grain Marketing Board (GMB), Zimbabwe Electricity Commission (ZEC), Zimbabwe Water Authority (ZINWA), Zimbabwe Electricity Supply Authority (ZESA), Airline Air Zimbabwe, Public Universities, National railways of Zimbabwe (NRZ) and the Public Service Commission to make them more efficient in their operations. This might negatively impact on the welfare of the Zimbabwean people but for a short period of time in order to bring economic development.

To address the negative image and improve its economic competitiveness leading to industrial development and economic growth, Zimbabwe needs to pay particular attention to some of the following issues (see Table 1).

**Overall macro and micro economic environment**

Macroeconomics is about understanding the long-term forces that drive the economy and shape the business environment. It is about the economy as a whole and it focuses on how the whole economy evolves over time rather than on any one sector, region, or firm (Sargent, 1993). Microeconomics aims to model economic activities as the interaction of individual economic agents pursuing their private interests (Cao & Tian, 2007). Thus a country can focus on the following: country capacity to retain talent, Affordable of financial services, easing of access to loans, sound of banks, gross national savings, % GDP, non-wasteful of government spending, managing general government debt, GDP, increase domestic and foreign market size, and increase overall competitiveness. Zimbabwe needs to focus more on it policies on macro and micro economic fundamentals since it is ranked 87 out of 144 as compared to Botswana’s 13 out of 144.

**Property Rights**

According to Besley and Ghatak (2009), market economies rely on the creation and enforcement of property rights. Effective property rights are at the centre of thinking about
development, affect economic decisions. The state’s capability to maintain stable property rights is critical, contested or unclear property rights raise the transaction costs of buyers and sellers and prevent potential market transactions and investments to take place. For property rights to be stable, the state in particular has to constrain itself from expropriating the fruits of private investment. The government needs to assure investors of low expropriation risk (Khan, 2007). These rights require an explicit departure from a frictionless world so as to further strength of investor protection. Zimbabwe needs to work hard in this area since it is ranked 142 out of 144 as compared to Botswana’s 39 out of 144.

**Judicial independence**

Judiciary is a vital factor in the Rule of Law and more broadly in economic development. The degree of judicial independence is correlated with economic growth. A stronger judiciary is associated with more rapid growth of any economy and affects its comparative economic competitiveness (Dam, 2006). Zimbabwe needs to re-look the role of its judiciary since it is ranked 120 out of 144 as compared to Botswana’s 35 out of 144.

**Corruption**

Voskanyan (2000) echoed that: Corruption can be defined in many ways such as general disease of body politics, public exploitation, diversion of public funds, and abuse of public office for private gain. The causes of corruption also are many in number. Corruption decreases the efficiency of public spending, decreases the budget revenues, raises the budget deficit, hinders Foreign Direct Investment, reduces the effectiveness of the use of aid, dissipates political legitimacy and hinders the democratic development. In short, Corruption results in public mistrust of politicians. Zimbabwe needs to work hard on corruption since it is ranked 128 out of 144 as compared to Botswana’s 25 out of 144. It can set-up a dedicated ministry of corruption like in Botswana.

**Country credit rating**

This is generally referred to as sovereign credit ratings. Like other credit ratings, sovereign ratings are assessments of the relative likelihood that a borrower (state) will default on its obligations. The demand for sovereign credit ratings of central governments has increased dramatically the world over. Many investors, particularly U.S. investors, prefer rated securities over unrated securities of apparently similar credit risk (Cantor & Packer, 1996). Zimbabwe needs to raise its credit rating competitiveness since it is ranked 143 out of 144 as compared to Botswana’s 45 out of 144.

**Governance**

This involves transparency in policy making and the respect for democratic principles by the state and its organs. Economists agree that governance is one of the critical factors explaining the divergence in economic performance across developing countries. Governance capacities are necessary for ensuring the efficiency of markets. Zimbabwe needs to work hard in this area since it is ranked 115 out of 144 as compared to Botswana’s 49 out of 144.

**Quality of overall infrastructure**

Maclean, Jagannathan and Sarvi (2013) argue that, energy, water, transport, digital communications, waste disposal networks and facilities are essential ingredients for the
success of a competitive modern economy. The lack of modern infrastructure is an impediment to Africa’s economic development. Zimbabwe needs to work hard in this area since it is ranked 121 out of 144 as compared to Botswana’s 89 out of 144. The continuous shortage of the above will not help it in its effort to re-brand itself.

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