

**Remarks by
Ambassador Joseph Huggins Embassy of
the United States of America
To the BTA Stakeholders Conference
On Telecommunications Liberalization in Botswana
January 31, 2005**

Protocol greetings: distinguished guests, ladies and gentlemen - good morning. I am pleased to address you this morning on the vital issue of telecommunications liberalization in Botswana and the attraction of foreign direct investment. I would like to thank the Botswana Telecommunications Authority for its invitation and I would like to commend the consultants for their hard work on preparing the draft final report to be discussed today.

This stakeholders workshop will address complicated and sensitive issues, like whether to encourage infrastructure or service-based competition, the speed and costs of liberalization, mounting regional competition, new regulatory frameworks and competition policies, to name only a few. I look forward to observing these discussions today and enthusiastically await the final decisions.

Botswana seeks to successfully transform its resource-intensive economy into a diversified and knowledge-based market with vibrant growth potential, which does not depend on the variances of single commodity price fluctuations. That is a worthy goal and is reflected in this nation's guiding strategy Vision 2016 document. I have consistently supported this goal in my engagement with the government and private sector of Botswana through expanding the U.S.-Botswana economic partnership.

It is important to remember that each country approaches the reform and modernization of its economic and regulatory frameworks through the unique lens of its personal social, political and cultural history. The case for liberalization and the mechanics for implementation vary widely across countries and regions of the world. But there is a universal ideal that inspires each and every one of these reform initiatives. That is; If you foster competition in the marketplace, you will improve the quality of services and products provided to your citizens, you will strengthen the competitive position of your local companies in the global economy, and you will eliminate the inefficiencies that inhibit future growth. In the United States, for example, the shift from a manufacturing-dominated to a services-based economy has been catalyzed by reforms and innovations in telecommunications and information technologies. Companies can share and evaluate information. Private and public networks can be linked across vast distances. E-government can reduce budget constraints while enhancing service and efficiency. The opportunities are only constrained by the limits a society chooses to impose upon its own system.

This morning I would like to focus my brief remarks on three key areas. First, I will address the telecommunication industry's potential as a driver of economic growth, including the depth of societal impacts it can generate. Second, I will discuss the

prerequisites to achieving the goals intended through liberalization. And, finally, I would like to close my remarks by discussing the opportunities liberalization can create for inward foreign direct investment. I don't mean just in the telecommunications industry, but across the breadth of sectors that depend upon information and communications technologies for the success of their business operations.

1) Telecommunications - A driver of growth

Telecommunications liberalization could enable Africa to leapfrog the industrial revolution by bringing the most modern products and services into its economies immediately, and reducing prices for businesses and consumers alike. Global companies must access information and communicate with their clients and associates in real time. Given today's competitive environment, the private sector can no longer afford to correspond with its clients through regular letter mail. Costs for business services must be better aligned to foster growth and not stifle it. It currently costs me more than one dollar, or P 4.44, per minute to call Washington from Botswana. However, I can call Botswana from Washington at 5 cents, or 22 Thebe, per minute, thanks largely to the competition fostered by telecommunications liberalization in the United States and the tremendous innovations it spawned.

Without access to modern, reliable and cost effective communications and data processing, it is virtually impossible for firms to be integrated into global production chains. Telecommunications is also essential for trade facilitation and e-commerce solutions, and plays an enabling role in the overall growth of the economy. For Botswana's experience, upgrading the telecommunications infrastructure is essential for the achievement of its diversification goals, such as the growth of the International Financial Services Center.

Telecommunications can also help address economic development goals. It can bring communities together and allow local ideas to gain global momentum. Medical information can be shared more easily to tackle emergencies. Educational tools can link universities and primary schools across continents. Governments can more easily communicate best practices and share ideas. Small businesses can access new tools to reduce the costs of doing business, and link with international markets at a fraction of the cost. The enabling role of telecommunications is virtually limitless, with applications in nearly all economic sectors, including agriculture, education, health, tourism and even manufacturing.

2) Prerequisites to Success

There are tremendous immediate and long-term benefits of telecommunications liberalization. But there are also necessary conditions for liberalization, which must be considered in the debate. An independent and efficient regulatory framework that promotes competition and entrepreneurship is the first essential ingredient. The players must have a clear understanding of the rules of the game, both to encourage market entry and sustainability. Second, there is a growing need for the protection of intellectual property rights for the knowledge-based industries that will flower following liberalization. Third, a timely and predictable legal system for the resolution of disputes, -including national treatment of foreign firms, could guarantee transparency. And, finally, there are capacity building needs, including education and public awareness about the benefits that will be derived from liberalization. If the economic and social benefits I discussed are to accrue to Botswana, Botswana must be educated about how to take full advantage of the expected influx of new information, products and services offered by a — more competitive and innovative telecomm sector.

As Ovum's report points out, there are also challenges that will face Botswana through liberalization, such as advancing the rural connectivity project. Connecting rural and urban communities has tremendous benefits for the complete integration of society and the distribution of benefits ICT may bring. I commend the drafters for acknowledging the difficulties as well as opportunities reform will bring, and I agree that liberalization does not prohibit innovative means of achieving social goals, such as rural connectivity.

3) Attracting FDI

Attracting foreign direct investment is essential to bring job creation, technical skills, and hard currency to Botswana. As any businessperson will tell you, however, there is more to attracting investment dollars than good governance. Transparency and the rule of law may get a country noticed; in the case of Botswana the adherence to these principles has made this country the darling of political science professors and economists the world over. But money flows where opportunities abound, and only by having a complete package of investment-attractive policies and the right infrastructure will a country really succeed in bringing investment. Finally, Botswana cannot merely expect foreign investors to discover this nation or the opportunities created by telecommunications liberalization without effort and resources spent to attract them. Botswana must be more aggressive in marketing itself as a receptive destination for investment and a welcoming nation to foreigners.

Botswana is facing increasing competition from other markets, not just in the developed world, but from its neighbors. South Africa is set to liberalize its industry next month and there could be a piece of the pie for Botswana. My interest is in bringing US investors and products to Botswana to support its economic growth and promote expanded U.S.-Botswana economic relations. Investors will be watching South Africa's experience closely and similar reform in Botswana could go a long way towards attracting investors into its industries - not just in telecommunications - but in a variety of other sectors of the economy that will benefit directly from liberalization. For example, the International Financial Services Center.

4) Conclusion

I hope I have left you with a better appreciation for the positive impact the telecommunications industry can have on economic growth; an understanding of some of the necessary prerequisites to successfully generating that growth; and challenges and opportunities reform will have on the attraction of foreign direct investment.

I would like to leave you this morning by reiterating two key points I made in my introduction. First, that each country must address its reform and modernization efforts based on its unique set of political, economic, social and cultural circumstances. And, second, that despite these differences, common ground is built on a universal ideal that inspires each and every one of these reform initiatives. If you foster competition in the marketplace, you will improve the quality of services and products provided to your citizens, you will strengthen the competitive position of your local companies, and you will eliminate the inefficiencies that inhibit future growth.

Before I conclude my remarks, let me again thank the Botswana Telecommunications Authority for their invitation to this workshop and commend Ovum for their comprehensive report. I look forward to today's discussions. Thank you.