Developing Supplemental Value Chains

My accommodation in Lilongwe was no budget hostel. In the last week of March, it hosted the Swiss ambassador, a government delegation from Angola and several World Bank officials along with a tobacco journalist bunking far above his station. Some guests arrived in motorcades under police protection.

Yet, despite its swanky clientele, the resort suffered from shortcomings typically associated with less upmarket retreats. Common breakfast items listed on the room service menu were consistently out of stock. Diplomats winding down after a day of navigating international relations had to do without their customary mixed drink as the hotel bar's blender had given up the ghost many happy hours ago. The toilet in at least one of the rooms was missing a simple but essential plastic part, forcing the user to flush in increments.

In a rich country, such indignities would be reason for a huffy visit to the reception. In Malawi, that would be pointless—and somewhat unreasonable. As a manager on duty explained, the missing ham, broken blender and defective toilet were all symptoms of the nation's balance of payments crisis: Because Malawi imports more goods and services than it exports, it suffers a chronic shortage of hard currency. With not enough U.S. dollars to pay for imports, many foreign-made goods are simply unavailable on the country's store shelves.

For the hotel's well-heeled international guests, the shortages represent mere inconveniences. Upon return to their home countries, they will be able to generously make up for the missed drinks and food items. (Although the malfunctioning toilet may leave them with an unwelcome olfactory reminder that they have more in common with the masses than their frequent flyer balances suggest.)

For the average Malawian, however, the trade deficit represents a real problem. Among other things, the dearth of foreign currency prevented the nation from importing enough fertilizer for its maize crop this year, spelling trouble for food security and social cohesion. While Malawi was peaceful during *Tobacco Reporter*'s visit, some feared civil unrest. "It's coming," warned a tobacco industry veteran.

One cause of Malawi's problems is the fact that its economy relies too heavily on a single commodity. Depending on the season and on who you ask, tobacco accounts for between 40 percent and 70 percent of the country's export earnings. In a good year, tobacco growers will enjoy a relative level of wealth. If the markets fail, as they did last year due to unfavorable weather conditions, there will be poverty in the villages.

In this issue, *Tobacco Reporter* examines several initiatives to help Malawi diversify its sources of income (see "Broadening the Base," page 18). Supported by government, industry and nonprofit organizations such as the Foundation for a Smoke-Free World, these projects aim to put the country's economy on a more solid footing as global demand for cigarettes levels off.

The stakes could not be higher, witnessed by the difficulties in the wake of last year's short tobacco crop. If the initiatives succeed, however, they will not only improve food security and fill store shelves but also enable Malawians to purchase more of the goods and services that are currently out of reach for them. With luck, they may even allow the weary foreign diplomat to wind down with a mixed drink again during his next visit to Lilongwe.

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