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BOTSWANA AND THE MULTILATERAL TRADING SYSTEM: THE IMPACT OF WTO AGREEMENTS, NEGOTIATIONS AND IMPLEMENTATION

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NOTE

- This report was prepared by Prof. Oluyele Akinkugbe, G.R. Motlaleng and Patricia Makepe (Department of Economics, University of Botswana) for the Ministry of Trade and Industry, Botswana and UNCTAD, within the framework of the Joint (ITC/UNCTAD/WTO) Integrated Technical Assistance Programme to Selected Least Developed and Other African Countries (JITAP).

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ACRONYMS

ACP	African, Caribbean and Pacific
AGOA	African Growth and Opportunity Act
ASYCUDA	Automated System for Customs Data
BDP	Botswana Democratic Party
BECI	Botswana Export Credit and Insurance Agency
BEDIA	Botswana Export Development and Investment Authority
BLNS	Botswana, Lesotho, Namibia and Swaziland
BOB	Bank of Botswana
BoBC	Bank of Botswana Certificate
BOCCIM	Botswana Confederation of Commerce, Industry and Manpower
BSE	Bovine Spongiform Encephalopathy
CSO	Central Selling Organization
CCA	Common Customs Area
CEMAC	Economic and Monetary Community of Central Africa
CEPGL	Economic Community of the Great Lakes Countries
CET	Common External Tariff
CIF	Cost, Insurance and Freight
COMESA	Common Market for Eastern and Southern Africa
DTC	Diamond Trading Company
DWP	Doha Work Programme
EAC	East African Community
ECOWAS	Economic Community of West African States
EPAs	Economic Partnership Agreements (ACP–EC)
EU–SAFTA	European Union – South Africa Free Trade Agreement
FMD	Foot and Mouth Disease
FOB	Free on Board
FTA	Free Trade Area
GATS	General Agreement on Trade in Services
GATT	General Agreement on Trade and Tariffs
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
GSP	Generalized System of Preferences
IFSC	International Financial Services Centre
IMF	International Monetary Fund
ITC	International Trade Centre
LDC	Least Developed Country
MCB	Motor Company of Botswana
MENA	Middle East and North African countries
MFDP	Ministry of Finance and Development Planning
MRU	Mano River Union
MTS	Multilateral Trading System
NAMPAADD	National Master Plan for Arable Agriculture and Dairy Development
NDP	National Development Plan
NEER	Nominal Effective Exchange Rate
NEPAD	New Economic Partnership for Africa's Development
NGO	Non-Governmental Organization

OECD	Organisation for Economic Co-operation and Development
PEEPA	Public Enterprise Evaluation and Privatisation Agency
RCSA	Regional Centre for Southern Africa
REAs	Regional Economic Integration Agreements
REPA	Regional Economic Partnership Agreements (ACP–EU)
SACU	Southern African Customs Union
SADC	Southern African Development Community
SDR	Special Drawing Rights
SDT	Special and Differential Treatment
SPS	Sanitary and Phytosanitary Measures
SURF	Sub-Regional Resources Facility (UNDP)
TBT	Technical Barriers to Trade
TDCA	Trade, Development and Cooperation Agreement
THF	Trade Hub Framework
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TRTA	Trade-Related Technical Assistance
UMA	Arab Maghreb Union
UNDP	United Nations Development Programme
UNITAR	United Nations Institute for Training and Research
USAID	United States Agency for International Development
VAT	Value-Added Tax
WTO	World Trade Organization

CONTENTS

1. INTRODUCTION AND BACKGROUND TO THE MULTILATERAL TRADING SYSTEM

Botswana is a landlocked, semi-arid country. It covers a geographical area of 582,000 km^2. The country is located in the centre of Southern Africa and shares its borders with South Africa, Namibia and Zambia. It has a relatively sparse and ethnically homogeneous population of about 1.7 million people according to the 2001 Census. Over the past two decades, the population growth rate declined from 3.5 per cent between 1981 and 1991 to 2.4 per cent between 1991 and 2001. Over 80 per cent of the population is concentrated in the southeastern part of the country because it has relatively more favourable climatic and soil conditions. Most of the country lies within the Kalahari Desert, and consequently only 5 per cent of it is suitable for arable production.

There is now an abundance of economic literature containing arguments in favour of increased global trade integration as a key variable for countries to increase economic growth and development, and in turn reduce poverty. Many other additional reasons have been suggested as to why African countries, including Botswana, should participate in the multilateral trading system.[1] One reason is the key preoccupation of most countries with the objective of food security. Realization of this objective requires access on an assured basis to world markets, as well as to agricultural raw materials for encouraging light manufacturing in rural areas. Most countries in Africa, and Botswana in particular, have a stake in building an efficient food system and maintaining market stability. Therefore, the country will gain by participating fully in the current WTO discussions aimed at progressive liberalization of agricultural trade.

The multilateral trading system can also provide a framework to improve Botswana's trade and domestic policy regimes affecting the rural sector. Thus, continuing the process of reform of the global trading system to facilitate the adoption of rural-sector policies that will reduce/eliminate policy distortions and improve the efficiency of the allocation of scarce resources in the country can provide significant gains, in terms of both consumer welfare and incomes.

Another reason for supporting and participating in multilateral negotiations is that the supply response to adjustment, be it self-initiated (as in the case of Botswana) or imposed (as in many other sub-Saharan African countries under the Bretton Woods institutions' adjustment programmes), depends upon the credibility of reforms. In fact, establishing the credibility of policy measures is at least as important as choosing the efficient policy solution. As shown in many countries, the private sector does not invest if the continuation of the reforms is in doubt. Establishing the credibility of policy measures can be achieved through the framework of multilateral rules where member Governments can lock in domestic policy reforms. The multilateral system has built-in instruments to prevent policy reversals, thus providing a framework for more credible policy reforms.

The Doha round provides another opportunity for Botswana to go beyond unilateral liberalization efforts in exchange for multilateral concessions, or to bind its domestic reforms to an internationally binding framework. Organizations such as the World Bank and UNCTAD/WTO/ITC, just to mention a few, can help facilitate this process and the development of appropriate trade and domestic policy measures, including the institutional or regulatory

[1] See Ingco and Kandiero (2002).

framework to effectively implement those measures. The Joint Integrated Technical Assistance Programme (JITAP) is making an important contribution to building capacities specific to the multilateral trading system (MTS) to negotiate and implement trade agreements. JITAP is a capacity-building programme jointly implemented by United Nations Conference on Trade and Development (UNCTAD), the International Trade Centre (ITC) and World Trade Organization (WTO). It is based on a partnership among the executing organizations and the participating countries. Effective participation in trade negotiations can also be pursued as part of alliances and coalitions with other WTO members, including the LDCs, the African Union and the ACP Group of States.

Moreover, multilateral trade negotiations have now become more complex, with many issues being covered and with close to 150 countries participating in the negotiations. The WTO is a member-driven organization, which implies that most of the analytical work, the development of proposals and the negotiation of agreements are done by members. The trade policymaking process is therefore critical to the identification of trade opportunities and challenges within the context of overall national economic policy objectives, so that a negotiating position can be formulated and promoted.

African countries', and thus Botswana's, active participation in multilateral trade negotiations is essential. A decade after the establishment of the WTO, and a strengthened MTS, the obvious questions remain as to what impact the multilateral rules and their implementation have had on the different countries of Africa; what kind of challenges these countries face in adapting and adjusting their national legislation to meet the requirements of the WTO agreement; and, given the complexity of the negotiating process, what negotiating priorities and strategies should be and/or are being adopted so as to ensure that their interests are taken into consideration in the formulation of the multilateral rules within the framework of the Doha negotiations.

Alongside the WTO negotiations are regional negotiations undertaken by Botswana and other African countries. These include the regional integration processes, such as under SACU, SADC, ECOWAS, MENA, EAC, COMESA, CEPGL, UMA, CEMAC, MRU, the ACP–EU negotiations on Economic Partnership Agreements (EPAs) and the SACU–United States free trade agreement negotiations. The overlapping negotiations present key challenges to Botswana, namely in ensuring development coherence between these processes so that they interact in a positive manner to advance its development objectives.

2. STRUCTURE AND GROWTH OF THE BOTSWANA ECONOMY

Table 1 shows the sectoral distribution of Botswana's gross domestic product (GDP) in real terms (1993/1994 prices) for the period from 1966 to 2003/2004, and reveals a major structural shift in the economy over time – a sustained expansion of the mining sector (diamonds, copper and nickel, soda ash and gold since 2004) since the mid-1970s. Thus, in the three decades or so after independence, GDP growth averaged about 9.1 per cent per annum in real terms – a growth rate that ranked among the highest in the whole world over this period. Because of its diamond wealth, good governance, political stability and prudent macroeconomic management, Botswana became an upper-middle-income country by the mid-1980s. According to the more recent classification used by the World Bank, Botswana's gross national income (GNI) per capita (Atlas method) stood at $3,430 in 2003, putting it in 88th position in the World Bank ranking of 208 countries.

Table 1. Sectoral distribution of Botswana's gross domestic product, 1966–2003/2004 (percentages)

	1966	1975/ 1976	1985/ 1986	1990/ 1991	1995/ 1996	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004
Agriculture	42.7	20.7	5.6	4.8	4.1	2.7	2.7	2.6	2.4	2.5
Mining & quarrying	-	17.5	48.9	39.5	33.9	33.7	36.5	34.7	35.9	34.7
Manufacturing	5.7	7.6	3.9	4.7	4.8	4.5	4.1	4.0	3.9	3.7
Water & electricity	0.6	2.3	2.0	1.7	2.1	2.4	2.4	2.4	2.5	2.3
Construction	7.8	12.8	4.6	7.6	6.2	6.2	5.8	5.9	5.6	5.7
Trade, hotels, etc.	9.0	8.6	6.3	5.9	9.9	10.5	10.3	10.9	10.5	10.2
Transport	4.3	1.1	2.5	3.2	3.6	3.9	3.8	3.7	3.5	3.1
Bank, insurance &	20.1	4.7	6.4	8.8	11.2	11.2	10.8	11.4	10.9	10.5
general Government	9.8	14.6	12.8	13.5	15.4	16.2	16.0	16.9	16.4	17.2
social & personal	-	2.8	2.5	4.2	6.6	6.3	6.0	6.3	6.1	3.8
FISIM	-	-0.7	-2.0	-2.3	-2.6	-3.5	-3.3	-3.6	-3.8	-3.7
Taxes on imports	-	-	-	8.1	5.8	6.2	5.4	5.2	4.3	4.3
Net taxes on products/ production	-	7.9	6.4	1.1	1.7	2.2	2.1	2.3	3.9	4.3
GDP excl. mining	-	82.5	51.1	60.9	66.1	66.4	63.5	64.8	65.6	66.1
Real GDP growth rate	-	18.4	7.7	8.3	5.5	6.6	8.6	2.1	7.8	5.7
Real GDP growth rate excl. mining	-	11.8	11.6	7.6	6.1	4.0	4.1	5.1	6.4	5.1

Sources: (i) Bank of Botswana (BoB), Annual Report, various issues, 1988 to 2003;
(ii) Ministry of Finance and Development Planning, National Development Plan Nine (NDP 9), 2003/2004–2008.

2.1 EXPORT STRUCTURE AND BALANCE OF PAYMENTS

Botswana has trade relations with a limited number of countries. Its major trading partners are the Common Customs Area (CCA) (represented by SACU member countries and in particular South Africa), the United Kingdom, the United States and the rest of Europe. The country has only a few export commodities. Table 2, which shows the percentage share of exports of the main items, reveals that Botswana's major export commodities are diamonds, copper-nickel, meat and meat products, textiles, and vehicles and parts. The exports of diamonds accounted for well over 70 per cent of total exports on average between 1980 and 2004 (table 2). Copper-nickel, vehicles and parts, and then textiles, follow. Vehicle exports are very recent: they started only in 1993 and reached their peak between 1995 and 1999 – the short period during which the Motor Company of Botswana (MCB), manufacturer of Hyundai Motors, was in operation. Meat and meat products were Botswana's main exports until the late 1960s.

Furthermore, over the two decades from 1983 to 2003, the remarkable growth in the quantum and value of diamond exports ensured that Botswana maintained a very strong balance-of-payments position. Consequently, it was able to build up large foreign exchange reserves: currently, the accumulated reserves represent about 22 months' import cover of goods and services, or $5.68

billion (MFDP, 2005). Thus, it is reasonable to assume that in the near future balance-of-payments constraints are not likely to become a problem for Botswana's sustained growth and development aspirations.

Table 2. Percentage share of exports of principal commodities (1980–2004)

Year	Meat & meat products	Live animals	Hides & skins	Diamonds	Copper - nickel matte	Textiles	Soda ash	Vehicles & parts	Other goods
1980	7.2	0.03	0.78	60.60	20.76	4.02	0.00	0.00	6.57
1985	6.5	0.02	7.84	70.38	8.05	1.94	0.00	0.00	5.22
1990	3.2	0.01	0.60	78.74	8.17	3.37	0.00	0.00	5.93
1993	3.8	0.02	0.48	78.19	5.15	2.22	1.18	2.13	6.88
1994	3.7	0.05	0.57	74.88	5.21	3.57	0.74	6.06	5.26
1995	3.0	0.04	0.62	67.05	5.53	2.46	0.37	16.11	4.82
1996	2.5	0.02	0.35	70.35	5.47	2.39	0.85	14.07	3.97
1997	2.2	0.02	0.31	73.82	4.63	2.39	1.06	11.38	4.17
1998	3.4	0.03	0.39	69.46	5.01	3.48	1.13	11.10	5.96
1999	1.8	0.02	0.20	79.38	4.56	2.03	0.87	5.45	5.66
2000	1.9	0.01	0.32	82.28	6.00	1.76	0.71	1.95	5.06
2001	2.6	0.05	0.43	84.48	4.18	1.35	0.90	2.09	3.98
2002	1.6	0.01	0.18	85.75	3.41	1.31	0.55	2.54	4.61
2003	1.3	0.00	0.07	82.88	7.86	1.45	0.11	2.83	3.46
2004	0.3	0.00	0.07	79.95	8.81	3.07	0.00	3.64	4.18

Source: Ministry of Finance and Development Planning (2005, p. 35).

2.2. POLICIES

In Botswana, the various National Development Plans (NDP) (NDP 1, 1966–1969, through to NDP 8, 1997/1998–2002/2003) have all indicated that the design of macroeconomic policies has been based on two main objectives – achieving sustainable economic growth and diversification of the economy away from dependence on mineral and government-led development. The current National Development Plan (NDP 9, 2003/2004–2008/2009) features a third main objective—sustainable and diversified development through competitiveness in global markets. This addition derives essentially from the national vision (the Vision 2016 document). In line with these objectives, the Government of Botswana has been seeking to promote non-traditional exports (export of goods other than diamonds and beef) and growth of the non-mining and non-government sectors.

2.2.1 Fiscal policy

As in all other countries of the world, the expenditure priorities of the Government of Botswana and the ways of mobilizing revenues to finance them have been spelt out in the annual budget presentations since 1966. For many years after independence, Botswana maintained great fiscal discipline. This was necessary in order to achieve its goal of macroeconomic stability and low inflation. However, the 1998/1999 government budget marked a turning point in the soundness and sustainability of the country's fiscal position since a budget deficit was recorded for that fiscal year. Deficits were registered again for the financial years 2001/2002, 2002/2003 and 2003/2004 and a deficit of about P1.43 billion is expected for the fiscal year 2004/2005. To address the problem of budget deficits, the Government has adopted a number of measures to raise revenues and save costs. The revenue-raising measures include introduction of the value-added tax (VAT) system in July 2002. Similarly, some recent reforms were introduced into tax policy and administration system. These include the establishment of the Botswana Unified

Revenue Service (BURS) — by merging the Customs and Excise, VAT and the Department of Taxes. The BURS came into being on 1 August 2004.

2.2.2 Monetary policy and financial sector development

Monetary policy is undertaken by the Bank of Botswana, as an agent of the Government of Botswana. In 1989, Botswana began the process of reform and financial liberalization. The package entailed removal of controls on interest rates; licensing of additional commercial banks; introduction of a financial instrument, the Bank of Botswana Certificate (BoBC) to conduct open-market-type operations; and removal of exchange controls. The reforms continued through the 1990s, with modernization of the system of bank regulation and supervision, restructuring of weak State-owned financial institutions and enactment of the Collective Investment Undertakings Act, followed by, among others, the setting up of the Botswana International Financial Services Centre (IFSC). The IFSC began operations in 2003. The types of financial services targeted are the following: (a) international banking and financing operations, including treasury operations and corporate advisory services; (b) fund management, including management, administration and custodial services for mutual funds, unit trusts and similar collective investment undertakings; (c) financial intermediation services for group operations; and (d) insurance and reinsurance services.

The benefits that Botswana expects to derive from the IFSC are greater economic diversification through the growth and development of the financial sector, accompanied by greater integration of Botswana into the international community. The companies to be set up in the IFSC are expected to generate high-quality employment for citizens, create additional income, help with the transfer of skills and technology, and contribute to government revenue. They are also expected to encourage downstream economic activities in areas such as provision of legal/financial services to the IFSC companies, office accommodation, hotels/restaurants and telecommunications services. As of January 2005, 23 companies had been accredited to the IFSC; they cut across a range of sectors, including cross-border banking, investment funds, financial advisory services, ICT services and administration (MFDP, 2005). The promotional effort is continuing and there is an expectation that many more businesses will be registered by the IFSC in the years ahead.

2.2.3 Trade policies and strategies

Botswana’s trade policy and trade structure over the years have been influenced largely by its membership of the Southern African Customs Union (SACU), as well as its participation in various bilateral and multilateral trading arrangements. These include membership of SADC; the Botswana–Zimbabwe Trade Agreement; the ACP and Cotonou (formerly Lomé) trade agreements with the EU, and more recently the United States' AGOA and the ongoing negotiations for the SACU–USA FTA. However, it should be noted that despite these different arrangements, Botswana’s trade policy over the years has sought to achieve the broadest possible free and dependable access for Botswana’s industrial products and services. The policy has also aimed at improving Botswana’s access to industrial raw materials through the reduction of tariffs on imported raw materials for the purposes of meeting the nation’s goals of achieving not just the diversification of productive activities, but also economic export diversification.

Most notable of all the trade arrangements in terms of the influence on Botswana's trade policy is its membership of SACU (comprising South Africa, Botswana, Lesotho, Namibia and Swaziland). The SACU agreements provide for duty-free trade within SACU, and a relatively high degree of protection against imports from the rest of the world. In recent years, SACU tariffs against the rest of the world have been progressively reduced, partly in response to membership of the World Trade Organization (WTO), and this has increased competition from world imports in both Botswana and other SACU member countries. Additionally, the process of tariff reduction in the SACU area has been further reinforced by the Free Trade Agreement between South Africa and the EU (the SA–EU–TDCA), under which barriers to imports into the SACU area from the EU are being progressively reduced. The SADC free trade agreement will also reduce barriers to imports into Botswana and the SACU area, as well as providing improved access for exports into the SADC market. Similarly, the proposed Economic Partnership Agreements (EPA) will soon replace the Cotonou Agreements, under which many African, Caribbean and Pacific (ACP) States enjoy privileged access to the EU market. With EPA, access to the EU market for ACP States will be tied to reciprocal access to ACP markets for EU exporters.

From the foregoing, one may want to postulate that in the years to come, the transformation of the different trading arrangements in the light of the need to conform with the WTO agreements may mean greater competition at home and abroad for industrialists and entrepreneurs in Botswana. Therefore, a strengthened negotiating regime will be required, as will a very progressive and consistent trade policy agenda. These will not only pave the way for attaining the target of Botswana's vision 2016 — namely, sustained growth and global competitiveness — but also ensure that a more diversified and vibrant economy is entrenched. Furthermore, it could be expected that with the potentials for an expanded market in the Southern African region as envisaged by the SADC trade protocol, as well as for an expanded African export market under the NEPAD trade initiatives, ample opportunities will exist for Botswana exporters that are able to compete with other exporters in these markets. Similarly, there are tremendous market opportunities available in the United States for Botswana exporters (textiles and apparel in particular) under the United States' AGOA.

2.2.4 Exchange rate policy

Exchange rate policy in Botswana is targeted at achieving an equitable balance between maintaining the competitive position of domestic producers — especially producers of non-traditional export goods — and avoiding monetary instability and high inflation. Sustainable economic diversification, the creation of productive employment opportunities and expanding economic opportunities for Botswana entrepreneurs require that greater emphasis be given to maintaining the international competitiveness of domestic producers of exports. To this end, the exchange rate policy maintains a stable nominal effective exchange rate (NEER) of the Pula by pegging the currency to a basket of currencies comprising the special drawing rights (SDR) and the South African Rand (ZAR) in proportions that reflect Botswana's trade shares. By promoting the stability of the nominal effective exchange rate, the exchange rate mechanism has also acted as a nominal anchor for monetary policy. Over the past few years, the real exchange rate of the Pula has gradually appreciated against the currencies of its major trading partners. Hence, on 5 February 2004, the Pula was devalued by 7.5 per cent against the basket, so as to partly reverse the steady real effective appreciation.[2] This devaluation is also expected to improve the external competitiveness of the nation by providing an important boost to exporters and domestic producers competing with imports. Tourism, textiles, diamonds, copper-nickel and agricultural products are among the many sectors expected to benefit from the devaluation.

[2] Since 30 May 2005 it has been devalued further, by 12 per cent.

2.3 FUTURE OUTLOOK

Botswana's short-term economic performance relies heavily on its main growth primer, diamond exports. Such exports depend in turn on global economic prospects, especially in the major diamond markets of Europe and North America. While such developments are volatile, diamond and other exports appear to be rebounding, and this suggests that future stockpiling of diamonds is unlikely. Real GDP is forecast to grow in the fiscal year 2005/2006 by around 4.5 per cent and by around 5 per cent in the fiscal year 2006/2007, a performance dependent mainly on improved diamond output and buoyant non-mining growth of close to 6 per cent.[3] Furthermore, the commencement of gold mining in late 2004 at the Mupane gold mine (scheduled to produce 100,000 troy oz/year), coupled with continuing high nickel prices, means that mineral sectoral output may be boosted. Inflation is expected to rise to 7 per cent (above the Bank's maximum target rate of 3–6 per cent for 2005), and future trends are uncertain. Despite a restrictive monetary policy and declining bank credit growth, further inflationary pressures are likely owing to recent devaluations of the Pula, and price movements in South Africa, which are speedily transmitted to Botswana. The current account surplus is forecast to widen to 4.1 per cent of GDP in 2005 and 4.5 of GDP in 2006, owing largely to the increase in trade surplus resulting from buoyant mineral exports. On the other hand, the services account of the balance of payments may continue to remain in deficit, mainly because the cost of importing more goods into the country will offset the observable slight increases in receipts from financial services and tourism.

The economy's longer-term outlook will also be heavily influenced by economic strategies used to support economic diversification, such as providing sound macroeconomic policies, including fiscal balance with low tax rates, monetary stability, sustained export expansion initiatives and competitive exchange rates, as set out in the National Development Plan 9 (2003/2004–2008/2009). Economic diversification policies to encourage broad-based and sustainable development are expected to reduce heavy dependence on government assistance by many economic sectors and subsectors, since increasing government expenditures and subsidies cannot be sustained without commensurate private-sector growth and productivity improvements.[4]

The Government's four development-planning objectives are economic growth, social justice, economic independence and sustained development. The theme of the Ninth National Development Plan (NDP 9, 2003/2004–2008/2009) is "towards realisation of Vision 2016: Sustainable and Diversified Development through Competitiveness in Global Markets". The targets set are poverty reduction, and greater economic empowerment of the country's citizens. Key priorities are to control the cost of development projects and maintain existing public infrastructure.

Furthermore, the Government views rural development as essential for alleviating poverty. It recently launched the National Master Plan for Arable Agriculture and Dairy Development (NAMPAADD), which is a broad agricultural development strategy intended to restructure arable agriculture and dairy development programmes to address existing government policy objectives of food security, poverty alleviation and the economic empowerment of rural people. The Government's National Poverty Reduction Strategy, which was adopted in 2003, is aimed at designing a cohesive national action framework to guide anti-poverty initiatives.

[3] Economist Intelligence Unit (2005).
[4] Botswana Institute for Development Policy Analysis (2001).

Finally, and in terms of key challenges which may confront the external trade sector of the economy in the very near future, it may be necessary to point out that the phasing out of the Multifibre Agreement on Textiles and Clothing on 31 December 2004 is likely to have adverse effects on Botswana's exports of textiles and clothing despite the GSP and AGOA arrangements. It is likely that Botswana will be seriously affected for two main reasons. First, despite AGOA preferences, the end of the MFA will expose Botswana to competition from larger low-cost producers such as China, which can still sell their goods at lower prices on the global market. The fragmented nature of activities in the textiles and clothing sector in Botswana means that the country cannot compete effectively with more efficient Asian producers in terms of unit labour cost, quality and productivity. Second, most participants in the textile and clothing sector in Botswana and other African countries are Asians who shifted their activities to Africa to avoid the quota wall and maximize the market access opportunities provided by the AGOA initiative. With quota-free trade in textiles and clothing, many of these Asian producers are already starting to relocate to their home countries, thereby exposing the supply constraints that often characterize production and exports in Africa. This is a serious wake-up call for Botswana to intensify ongoing efforts to diversify production and upgrade the quality of its exports. JITAP's export strategy programme could help Botswana firms understand the dynamics of the production processes of the modern economy in order to effectively compete in global markets. This learning process is not a short-term affair and would require public–private partnership. JITAP could play an important role in this regard.

3. BOTSWANA'S EXTERNAL TRADE RELATIONS

The global trading environment has changed most significantly in the last two to three decades. The increasing number of regional trading arrangements and the increased role of the WTO since the mid-1990s have accelerated the process of opening developing countries' domestic markets for imports and reducing tariffs. Botswana is a signatory to a number of trading agreements that provide market access opportunities, but also open the domestic market to imports. Botswana's membership of the Southern African Customs Union (SACU) since 1970 is the particularly notable. The other agreements/instrument are:

- The Cotonou Agreement, under which EPAs are being negotiated with the EU;
- The WTO agreements;
- The SADC Free Trade Agreement (SADC FTA);
- The United States' African Growth and Opportunity Act (AGOA); and,
- The EU–South Africa Free Trade Agreement (SA–EU–TDCA) through membership of SACU.

Box 1. Trading agreements of interest to Botswana

Agreement	Status
SACU	• Agreed framework for revenue sharing and institutional arrangements
SADC FTA	• Being implemented • Services negotiations have not yet started
EU-SA FTA	• Being implemented
EPA	• First phase of negotiations started in 2002. Botswana to negotiate as part of SADC, which will include Angola, Lesotho, Mozambique, Namibia, Swaziland and United Republic of Tanzania.
AGOA	• Became eligible in August 2001
WTO	• Uruguay Round Agreements • Doha Round negotiations (ongoing)
SACU–USA FTA	• Preliminary negotiations started

3.1 SOUTHERN AFRICAN CUSTOMS UNION

Botswana, like the rest of the smaller SACU member States, relies mostly on the more developed South African economy for the supply of raw materials, capital goods and consumer items. There is little or no trade among the rest of the SACU member States. South Africa is the main source of Botswana's imports and the largest non-mineral export market. The dominance of South Africa in Botswana's external trade (imports and non-diamond exports) is due to Botswana's membership of the Southern African Customs Union (SACU). The SACU agreement has its origins in the Customs Union of 1910. It provides for the free movement of goods and the right of transit among and through member States. SACU is composed of South Africa and its smaller (Botswana, Lesotho, Namibia and Swaziland).

The original Customs Union of 1910 was revised in 1969, as a result of negotiations initiated after Botswana, Lesotho and Swaziland became independent. Under the 1969 SACU agreement, South Africa agreed to compensate the smaller member countries by increasing the share of SACU duty revenue allocated to them by 42 per cent above their respective shares of imports and dutiable consumption in the Customs Union. Compensation was based on South Africa's exclusive role in protecting South African industries through the common external tariff, the latter's price-raising effect, its tendency to concentrate production in South Africa, and the loss of sovereignty over trade and excise policy. The agreement was renegotiated in 1979, and further negotiations to reform the overall pact governing the SACU Agreement were completed in 2002.

The new SACU Agreement was signed by the Heads of State in Botswana on 21 October 2002. The new formula will apply to all members, and will be limited by the amount of customs and excise duty actually collected. Hence, as countries liberalize, the total tariff revenue collected will tend to fall. To address this expected decline, payments to each member State will be made from three distinct components: a customs component, an excise component and a development component.

Total customs revenues collected will be distributed according to each country's share of total intra-SACU imports. Countries that import most from within the union will receive the largest share of the customs pool, thus being provided with implicit compensation for the so-called cost-raising and polarization effects that accrue (largely to South Africa) as a result of the customs union.

Excise revenues will be distributed on the basis of each country's share of total SACU GDP – a proxy for the value of excisable goods consumed. South Africa, as the largest economy within SACU, can expect to retain around 80 per cent of total excise revenue collected (given the initial allocation to the development component).

The new formula creates a development component, set as a fixed percentage of the excise pool (initially 15 per cent). All five SACU countries will receive shares that are nearly equal, but which will be adjusted marginally in favour of the less developed countries. In effect, South Africa is the only net contributor to this component.

3.2 SADC TRADE PROTOCOL

Botswana is a member of the 14-nation Southern African Development Community (SADC), which started implementing a free trade agreement on 1 September 2000. The accord will cut tariffs on 12,000 defined product areas in the SADC region. By 2008, implementation of the liberalization of products considered less sensitive will lead to the freeing of 85 per cent of intra-SADC trade from tariffs. From 2008 to 2012, the sensitive products will be liberalized, creating a free trade area (FTA) by 2012.

The protocol covers 12 SADC countries: Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, the United Republic of Tanzania, Zambia and Zimbabwe. The Democratic Republic of the Congo has indicated that it intends to ratify the protocol. Seychelles has given notice of its withdrawal from SADC.[5]

The SADC FTA is governed by principles of asymmetry, which give the weaker economic partners more time to implement onerous obligations of the agreement than the stronger ones. In terms of time frame, pace of tariff reduction and the coverage of the SADC FTA, the agreement is structured in such a way that the SACU member States will front-load (open their markets faster), Mauritius and Zimbabwe (the non-SACU SADC developing countries) will mid-load and the least developed member States (Angola, Malawi, Mozambique, United Republic of Tanzania and Zambia) will backload.

The protocol is structured into three categories:

(i) Immediate liberalization. Effective 1 September 2000, tariffs were reduced to zero on products that attract less than 17 per cent import duty. Products in this category include copper, iron products and steel, wood and articles made of wood, machinery and appliances, paperboard and printed materials, hides, skins and leather.

(ii) Gradual liberalization. Tariffs will be removed within three years of implementation on products that attract import duties of between 18 and 25 per cent (by 2003). Products in this category include furniture, bedding, selected chemicals, paper products, machinery and appliances. Products that attract duties of above 25 per cent will be duty-free within five years of the implementation of the FTA (by 2005). Products in this category include leather articles, rubber, selected textiles, vehicles, selected footwear, cutlery, ceramic kitchen and tableware.

(iii) Sensitive list. Sensitive products are to be liberalized more gradually, starting in 2008 and with full liberalization by 2012. These are largely textiles, clothing and footwear products that were the subject of disagreement and outstanding negotiations among the SADC member States.

Disagreements among the member States arose out of the production, manufacture and retailing of fabrics and how they ought to be traded, the originality of fabrics and what quantity should be imported. A new formula, resolving the rules of origin, was agreed upon, allowing SADC's least developed countries (Malawi, Mozambique, United Republic of Tanzania and Zambia) to apply a less stringent system for clothing and textiles for five years. A quota arrangement was agreed on during the transition phase to govern trade in the clothing and textile industries. Within this period, the least developed SADC countries would be expected to invest in the capacity to meet the stricter rules of origin. Other members have agreed to a stricter regime, requiring elaborate processing (substantial transformation) of clothing and textiles being traded within the region.

[5] Daily News online, 8 July 8 2003, http://www.gov.bw/cgi-bin/news.cgi?d=20030708 (last visited 21 November 2005).

In September 1999, the SADC Trade Negotiating Forum was mandated by the SADC Ministers of Trade to work towards the liberalization of trade in services. The mandate is based on Article 23 of the SADC Protocol on Trade, which recognizes the importance of trade in services and requires member States to adopt policies and implement measures in accordance with their obligations under the General Agreement on Trade in Services (GATS) with a view to liberalizing the services sector in the region.

Table 3 shows that intra-trade in the SADC region has grown since 1980, but it continues to constitute on average only about 10 per cent of total exports from the region. This implies that there is still a long way to go in terms of enjoying the benefits of the regional agreement of the SADC trade protocol.

Table 3. Intra-SADC trade flows, 1980– 2003

	1980	**1990**	**1995**	**2000**	**2002**	**2003**
Value of intra-SADC trade ($ millions)	108	1058	4124	4453	4240	5345
Intra-SADC trade as a percentage of total SADC exports	0.4	3.1	10.6	12.0	9.3	10.0

Source: UNCTAD (2004).

3.3 TRADE RELATIONS WITH THE EUROPEAN UNION

The European Union–Southern African Trade and Development Cooperation Agreement (TDCA) has now complicated Botswana's trade relations with the EU. On the one hand, as a signatory to the Cotonou Agreement, Botswana has non-reciprocal access to the EU market for most of its products. On the other hand, because of the EU–SA TDCA and the strong economic ties with South Africa, Botswana has ended up participating in a reciprocal FTA with the EU.

On 23 June 2000 the EU and 77 African, Pacific and Caribbean (ACP) countries signed a new partnership agreement in Cotonou, (Benin) replacing the Lomé IV Convention. The Cotonou Agreement is based on five interdependent pillars: (i) a comprehensive political dimension; (ii) participatory approaches; (iii) a strengthened focus on poverty reduction; (iv) a new framework for economic and trade cooperation; and (v) reform of financial cooperation.

On trade, the text is actually an agreement to negotiate how to replace the non-reciprocal preferential (Lomé) regime with WTO-compatible Economic Partnership Agreements (EPAs). The Cotonou Agreement is a 20-year accord, and from 2002 until December 2007, the ACP and the EU will negotiate a WTO-compatible reciprocal free trade agreement to be gradually implemented from 2008 to 2020. The EPAs will involve trade in goods and services on an almost reciprocal basis. The objective is abolition of both tariff and non-tariff obstacles to trade. Additionally, the aim of the EPAs is to foster the smooth and gradual integration of the ACP countries into the world economy, and also promote ACP internal regional integration processes. This is expected to help the ACP countries to manage the challenges of globalization.

The SADC countries are divided in their choices of regional negotiating groups for EPAs: Angola, Botswana, Lesotho, Mozambique, the United Republic of Tanzania and Swaziland will negotiate as SADC, while Malawi, Mauritius, Zambia and Zimbabwe have opted to negotiate as Eastern and Southern Africa (a group composed of COMESA member States), which launched its negotiations in February 2004.

The ACP–EU negotiations are taking place at a time when there are many other parallel negotiations, all of which will have interrelated effects. For both practical and developmental reasons, including dealing with the multiplicity of trading arrangements, Botswana needs to identify, first, its national development priorities and, second, its regional goals. These should be the foundations on which its multilateral policy should be based. Policy for trade with the EU needs to be tailored so that it is compatible with these national, regional and multilateral priorities.

Botswana would benefit from signing an EPA if the EU at all times maintains the developmental aspects of EPAs, and the agreement is framed in such a way as to support the development needs of ACP countries. One area critical to Botswana in signing an EPA relates to loss of revenue from lower tariffs on imports from the EU. The Economic Commission for Africa (ECA) estimates the revenue impact for Botswana under the EPA process to be a shortfall in revenue in the amount of $5,232,995. Another risk involved in the EPA process could be, for example, if Botswana and other African countries are made to liberalize at a faster pace and not in line with their own poverty reduction and development plans. On the other hand, the ECA estimates that if the EPAs are properly implemented with sequencing which provides immediate unrestricted access to EU markets, and assist regional integration in sub-Saharan Africa (SSA) and countries' capacity to trade, EPAs could yield gains of up to $8 billion for SSA, with gains of $1.2 billion from regional integration. This would be possible if flexibilities are built into the agreements to accommodate the diverse interests of countries in the same EPA, and also the need to make some of the issues open, taking into account the changing economic landscape.

One of the objectives of the EPA process is to promote regional integration. The process could have an impact in breaking down the barriers to intraregional trade among African countries. Equally important is Africa's involvement in wider South–South trade cooperation, as growing South–South trade provides an opportunity for African countries to become part of this growing trend. Africa's trade with other developing countries is growing strongly, compared with its trade with its traditional trading partners. Other developing countries are providing expanding markets for African countries, increasing the scope for further expansion. Africa’s trade in goods with other developing countries accounts for about 28 per cent of its total trade in goods with the world.[6] Trade between African and Asian developing countries has been particularly dynamic, rising to more than $58 billion in 2003, as compared with $12 billion in 2000. Trade between African and Latin American countries is also growing. There is potential for expanding such trade further. The GSTP (Global System of Trade Preferences among Developing Countries) provides an ideal instrument for African countries, especially LDCs, to secure preferential market access to the growing markets in the South, without competing with developed countries. The third round of GSTP negotiations affords an important and unique opportunity for African countries members of the GSTP Agreement to engage actively in the negotiations to obtain commercially meaningful benefits, including through greater preferential market access. It also provides many African countries that are not yet members of the GSTP Agreement with the opportunity to participate in the negotiations and accede to the GSTP Agreement.

3.4 TRADE RELATIONS WITH THE UNITED STATES

Botswana's trade with the United States has been conducted within the framework of that country's Generalized System of Preferences (GSP) scheme. However, in May 2000, a Trade and Development Act was signed into law by the US President. Title I of the Act concerns the extension of certain trade benefits to sub-Saharan Africa; and it is referred to in the Act as the

[6] 2002 data from UNCTAD (2004).

African Growth and Opportunity Act (AGOA). Trade relations between Botswana and the United States are currently governed by the new Act.

The Act extends GSP for eligible sub-Saharan African beneficiaries until 30 September 2008, seven years longer than in the rest of the world. Sub-Saharan African beneficiary countries are also exempted from competitive need limitations, which cap the GSP benefits available to beneficiaries in other regions. For any sub-Saharan African country to receive the liberalized GSP benefits, it must first be GSP-eligible under the existing criteria of the Act.

The President of the United States is authorized to provide duty-free treatment under GSP for any article after the US Trade Representative and the US International Trade Commission have determined that the article is not import-sensitive when imported from African countries.

The Act authorizes the President to designate countries as eligible to receive the benefits of AGOA if they are deemed to have established, or to be making continual progress towards establishing, the following: (i) market-based economies; (ii) the rule of law and political pluralism; (iii) the elimination of barriers to US trade and investment (i.e. provision of national treatment for US investment); (iv) protection of intellectual property; (v) efforts to combat corruption; (vi) policies to reduce poverty, and increase the availability of health care and educational opportunities; (vii) protection of human rights and worker rights; and (viii) elimination of certain child labour practices. In addition, the designated country should not engage in activities that undermine US national security or foreign policy interests.

There is ample evidence to suggest that Botswana’s exports to the United States have been on the increase because of AGOA. Table 4 shows that in 2004, Botswana’s exports to the United States were $72.986 million as compared with only $13.642 million in 2003. If the influx of cheaper textiles to the United States from Asia does not erode AGOA market access, it can be expected that Botswana's exports to this particular market will continue to grow.

Table 4. Botswana’s exports to the United States, 2002– 2005

	2002	**2003**	**2004**	**2005 YTD**
Value of Botswana’s exports to the United States ($ millions)	29.732	13.642	72.986	61.782

Source: http://reportweb.usitc.gov/africa/trade_balance.jsp.

3.5 WORLD TRADE ORGANIZATION

Botswana's trade relations with the rest of the world are mostly governed by the WTO most-favoured-nation and national treatment rules. The "WTO process" is complex. It has a number of dimensions, including (i) involvement in designing the rules of the multilateral trading system itself; (ii) participation in multilateral trade negotiations; (iii) implementing measures necessary for meeting a country’s obligations to the system as a whole and to its trading partners; and (iv) using the rules and institutions of the system to ensure that a country’s trading partners respect its rights.

The WTO was established in 1995. It took over from the 1947 General Agreement on Trade and Tariffs (GATT), which dealt with trade in goods. The WTO includes new agreements on services, investment, intellectual property, technical barriers to trade, sanitary measures and plant health. Agriculture and textiles were brought into the GATT rules for the first time. The WTO also has a new system for settling disputes.

Participation in the WTO process involves a variety of national actors: (i) staff in the home capital responsible for formulating national trade policy; (ii) staff in the home country responsible for implementing trade policy agreements; and (iii) the Geneva delegation responsible for negotiating trade agreements.

In principle, WTO membership allows countries to participate fully in the WTO process and in decisions about the future development of the global trading system. In practice, however, Botswana (like other SADC countries) faces a number of obstacles to effective participation in the WTO process. These obstacles make it difficult to draft appropriate legislation and regulations, meet the requirements for procedural notifications, staff government institutions with technical personnel able to implement the policies and commitments undertaken, and monitor trading partners' implementation of WTO obligations in order to assess whether market access has been unfairly denied or trade rights infringed, and to prepare appropriate responses.

Many African countries, such as Botswana, have acceded to the WTO and are complying with the WTO Agreements. Within the framework of these agreements, African countries can make use of various special and differential treatment provisions to facilitate compliance with the WTO agreements and also to take advantage of them (see table 5). Similarly, under the ACP–EU Cotonou Partnership Agreement, Botswana can benefit from the preferential duty-free treatment and low tariff treatment for imports into the European Union. The United States and Japan also provide more favourable market access conditions under their GSP schemes for African countries such as Botswana than hitherto obtained under the WTO. However, owing to competition and stringent conditions imposed on imports, such as TBT and SPS requirements as well as environmental norms, many African countries, including Botswana, have been unable to make inroads into these markets.[7] Moreover, many of the preferential arrangements contain stringent conditions, in particular stringent rules of origin, which prevent effective utilization of preferential market access by African enterprises.

Table 5

Summary of provisions in the WTO Agreements on SDT for LDCs and developing countries (DCs)

Uruguay Round Agreement	Fewer obligations (and exemption)	Lower implementation or transition period
1. Agriculture	Restrictions on food exports possible if not net exporter (DCs); domestic support or export subsidies permitted, e.g. exemption from AMS (LDCs)	10 years to make commitments on ceiling bindings (LDCs)
2. Technical barriers to trade	Domestic standards permitted if international standards are not appropriate (DCs)	
3. Trade-related investment measures	Flexible application, considering e.g. infant industries, balance of payments and safeguard measures (DCs)	7- and 5-year transition period, with possibility of extension, to eliminate GATT-inconsistent TRIMs (LDCs and DCs)
4. GATT Article VII (customs valuation) and related decisions	Flexible application with reference to the value of imported goods, particularly if goods undergo further processing in country of importation (DCs)	Non-signatories to Tokyo Round but accepting WTO granted with possible extension (plus 3 years relating to computed value method) (DCs)

[7] UNCTAD (2005a).

5. Import licensing procedures	Exempted from additional administrative/ financial burdens in fulfilling some requirements (DCs)	2-year delay possible (DCs)
6. Subsidies and countervailing measures	Prohibition of export subsidies does not apply (LDCs)	Subsidies on use of domestic over imported goods permitted for 8 (LDCs) and 5 years (DCs); 8 years to phase out export subsidies after attaining "export competitiveness" for a given product (LDCs)
7. Safeguards	Permitted to maintain measures for 10 instead of 8 years	
8. GATT's related decisions	Parties to economic integration agreements need not eliminate all discriminations, e.g. those with positive impact on national policy and development (DCs)	2 years to establish inquiry points to provide information on laws, regulations etc. with significant effect on trade covered by commitments (DCs)
9. TRIPS	11-year delay possible and extendable on request (LDCs); 5-year delay (DCs)	
10. Trade Policy Review Mechanism	Subject to review every 6 years (DCs); and possibly longer intervals (LDCs)	
11. GATT 1994		Submission of schedules extended by 16 months (15 April 1995 instead of 15 December 1993) (LDCs)
12. Sanitary and phytosanitary measures		5-year delay on measures affecting imports possible (LDCs); time-bound exemptions, in whole or in part, possible on request (DCs)
13. Textiles and clothing		Non-MFA members to notify full details of first integration programme and the use of special transitional safeguard mechanism within 1 year and 6 months respectively, instead of 60 days in both cases (most LDCs)
14. Technical barriers to trade		Time-bound exceptions, in whole or in part, may be granted on request (DCs)

Source: Extracted from WTO (1995), UNCTAD (1995), and UNCTAD (2005a).

For Botswana to effectively participate it needs to (i) fully understand and internalize the contents, implications and constraints imposed by WTO Agreements; (ii) articulate national trade objectives and pursue them effectively in multilateral negotiations; (iii) formulate and pursue trade and development strategies consistent with its WTO obligations; and (iv) assert and defend its trade-related rights against infringements.

On 14 November 2001, the Fourth Ministerial Conference of the World Trade Organization approved the launch of the Doha Work Programme (DWP) of multilateral trade negotiations covering an ambitious agenda that would also specifically place the needs and interests of developing countries at the heart of the negotiations.

Botswana faces an enormous task in dealing with the DWP. In many of the areas in the Declaration there is a need for careful analytical work that identifies what the policy issues are and what SADC countries' interests are. This must be complemented by a solid empirical foundation that accurately reflects local polices and practices. Botswana should determine the costs and benefits of entering into any agreement.

Even if the requisite analysis is undertaken and is reflected in domestic policy debates and formulation of national positions, a precondition for defending these interests is effective participation in Geneva. Botswana's effective participation in the WTO processes is circumscribed owing to limited capacity, both in Geneva and at the lead ministry.

WTO members met in Cancún from 10 to 14 September 2003 for a mid-term review of the Doha Round of trade negotiations, launched in November 2001. Trade ministers entered the Fifth WTO Ministerial Conference divided on agricultural and non-agricultural negotiating modalities, on whether to launch negotiations on the so-called Singapore issues and their possible scope, on the approach to take towards strengthening existing WTO provisions on special and differential treatment for developing countries, and on how to address implementation problems left over from the Uruguay Round.

In the period following the Doha Ministerial Conference, most deadlines were missed, sometimes repeatedly. Only one of the major issues of concern to developing countries, namely TRIPS and public health, was settled before the Fifth WTO Ministerial Conference in Cancún. Although much progress had been made in moving towards a formula-based approach to reduce agricultural support and both agricultural and non-agricultural market access barriers — potentially creating a powerful vehicle to significantly reduce the most distorting trade policies (export subsidies, tariff peaks) — ministers had a complex agenda. In Cancún, they failed to agree on how to move forward.

The DWP is unique in that it places development at the heart of the work programme of the WTO. The ultimate success of the DWP will be judged by the extent to which it facilitates the integration of developing countries into the multilateral trading system. The importance of the DWP for Botswana, and for Africa for that matter is clearly seen in the level of preparations. In the run-up to the Sixth WTO Ministerial Conference in Hong Kong (China) the DWP is at a critical point in its trajectory, and with the recent developments the negotiations have entered a new phase.

The decisions that WTO members take in Hong Kong (China) will determine the shape of the multilateral trading system for years to come. There is no credible alternative to a strengthened rules-based multilateral system. There is therefore the need to strengthen the international community's commitment to trade liberalization that is development-oriented, and a successful Doha Round is an integral component in facilitating private-sector-led economic growth and a key building block for financing development and accelerating progress towards achieving the Millennium Development Goals (MDGs).

The Doha Round has therefore been viewed as an important turning point for the majority of the membership of the WTO to be more involved in the process of negotiations, and to ensure that their views are clearly reflected in the agenda-setting and decision-making process and that they benefit from the increased opportunities and welfare gains, which UNCTAD estimates to be as much as $310 billion annually, half of which developing countries could capture. With regard to African countries, the Doha Round is a unique opportunity for them to expand their trade, while reinforcing the system of rules to support their development and growth. African countries, and Botswana in particular, realize the importance of trade in their economic development, and have as a result supported the Doha Round. Africa's high level of positive engagement played a critical role in the reaching of an agreement by WTO members on the July 2004 Framework, which relaunched the negotiations after the failure of Cancún. The challenge facing WTO members now is how to turn the Doha Declaration into a true development round.

The July Package sets out the framework, structure and direction for future negotiations in agriculture and cotton, non-agricultural market access (NAMA), services, trade facilitation and development issues. It reaffirmed the importance of long-standing trade preferences and of addressing the issue of preference erosion. By explicit consensus, the July Package mandated negotiations on trade facilitation, and dropped the other three Singapore issues from the Doha Round. Furthermore, it further provided a more flexible and realistic approach to the time frame for the conclusion of the negotiations by extending the deadline for negotiations beyond 1 January 2005. It also set new time lines for some aspects of the work programme, including SDT review (July 2005), implementation-related issues and concerns (July 2005) and services (May 2005 for submission of revised offers). No timelines were set for agriculture and NAMA. It was significant that the Decision explicitly dropped the three Singapore issues[8] from the DWP by providing that "no new work towards negotiations" would be undertaken during the Doha Round and they would not form part of the single undertaking. In a related development, the deadline for the amendment of the TRIPS Agreement in accordance with the August 2003 Decision was extended to March 2005.

However, a number of important issues and key parameters still needed to be resolved from the perspective of Africa and other developing countries before and in the course of negotiations. This was the view shared by a large number of countries in a comprehensive debate that took place at the fifty-first session of the Trade and Development Board of UNCTAD in October 2004. UNCTAD member States recognized that the August 2004 Decision marked the beginning of a new and difficult stage of negotiations that will be more technical and politically challenging, and agreed on the need to maintain and reinvigorate the momentum for negotiations regained in the immediate process leading to the July Package. They emphasized that a major challenge facing WTO members in the new phase of negotiations was to deliver, through substantive negotiations, the Doha mandate to place the needs and interests of developing countries at the heart of the work programme.

Substantive progress in the negotiations has so far been limited. There is thus a need to further re-energize the negotiating process and for new political momentum by all, especially the developed trading partners, to take ambitious steps forward in delivering on the development contents of the Doha agenda. There is also a need for achieving balance and parallelism within and across negotiating issues while keeping in mind that agriculture is the key. African countries need to identify and ascertain specific pre-commitments and down payments, as well as the type and level of flexibilities, contained in the frameworks, along with the balance thereof in the overall negotiations, and their implications for the direction of future negotiations.

The time is ripe for a "fair deal for Africa" that enhances its production and trade capacity and competitiveness, provides it with effective and favourable market access, secures for it genuine market entry opportunities, and responds to its specific trade and development concerns. *Our Common Interest*, the report by the Commission for Africa, recommended a concrete

[8] The other three Singapore issues were trade and investment, trade and competition, and transparency in government procurement.

"coherent package" to make serious inroads into alleviating poverty and Africa's continued marginalization (see box 2). Africa needs a genuine "development round" and a development-oriented sustainable and dynamic trading system. To that end, a change of course is in order — from a mercantilist approach to trade negotiations to an approach based on MDGs and the São Paulo Consensus, emphasizing fairness, equity and development solidarity (UNCTAD, 2005a).

Box 2. Some recommendations of the Commission for Africa

Building the capacity to trade

- Support Africa in achieving greater economic efficiency through regional integration and trade facilitation at both the regional and national levels;
- Integrate trade facilitation into national development strategies and urgently reduce non-tariff trade barriers by undertaking reforms in air and sea transport, and customs administration, and improving governance;
- Follow up on commitments to supporting trade facilitation made in the 2004 WTO July Framework Agreement;
- The Integrated Framework should continue to be supported and expanded to all African low-income countries;
- Improve the economic environment for farmers and firms, backed by major investments of aid from developed countries. Funding for infrastructure should, in part, be spent on improving African transport and communications.

Ambitions for Doha

- Make development within the framework of the Doha negotiations urgent and an absolute priority for the achievement of MDGs;
- Agree at the Hong Kong (China) Ministerial Conference to immediately eliminate trade-distorting support to cotton and sugar, and commit to ending export subsidies and all trade-distorting support to agriculture by 2010;
- Agree at the end of the Doha negotiations to progressively eliminate all tariffs by 2015 and reduce NTBs;
- Agree that developed countries cannot invoke exemptions for "sensitive products";
- Reduce tariffs in higher-income developing countries;
- Conclude the Doha talks no later than the end of 2006;
- Reduce reciprocal demand in WTO and EPA negotiations to a minimum and allow for appropriate time frames, up to 20 years or more if necessary. A review of Article XXIV of the GATT may be useful in support of this;
- Make SDT work better by making legal recourse to disputes conditional on applying a "development test";
- Prioritize development under EPAs through upfront commitment to EBA for all sub-Saharan Africa, and reform rules of origin;
- Apply a development test when designing product standards, so as to assess impacts and minimize barriers they may create, and provide resources to help Africa meet those standards;
- Shift the resources allocated to OECD agricultural protection ($350 billion) away from waste and into rural development and environmental investments.

Making preference work for Africa

- Immediately extend bound quotas and duty-free access to all exports from low-income sub-Saharan African countries, and simplify and relax rules of origin to include allowance for "global cumulation" and a minimum value added of 10 per cent in the country of origin for all products.

In addition to its preparations for the Sixth WTO Ministerial Conference, Botswana, through its Trade Minister in conjunction with other SADC Trade Ministers issued a communiqué on 23 September 2005[9] reaffirming their commitment to constructive participation in the process leading to the Ministerial Conference. The ministers emphasized that all necessary efforts should be made to ensure that the outcome of the Ministerial Conference adequately reflected the trade and development needs of developing countries. They stressed that the WTO

[9] See Annex.

negotiations could be considered successful only if development was at the core of the process and outcome.

3.5.1 Challenges and limitations to increased engagements and implementation of WTO obligations and commitments

As the SADC region in general, and Botswana in particular, engage in the multilateral negotiations, they will incur considerable financial costs as they create the institutions and implement the myriad of standards demanded by the trading system. In most cases, implementing WTO obligations would cost as much as an entire year's development budget. Finger and Schuler (2002, p. 493) note that WTO obligations reflect little awareness of development problems and little appreciation of the capacities of the least developed countries. More fundamentally, it is not clear that all of these standards are ideal for the developing countries, and there is the ever-present danger that they will be used for protectionist purposes.

Botswana, like other SADC countries, faces many constraints associated with the implementation of measures such as those relating to sanitary and phytosanitary standards (SPS) and technical barriers to trade (TBT). The major constraints pertain to lack of resources, infrastructure and expertise. In trying to help the region cope with the provisions of the SPS Agreement, the multilateral trading system needs to allow sufficient time for SADC countries to adjust and to implement new regulations. To help enforce and assess standards, it is critical that the region request appropriate technical assistance to enhance its expertise. Oyejide (2000) points out that the cost of implementation of some of the WTO Agreements, the lack of financial support, the failure to deliver the agreed "special and differential" treatment to least developed countries and the potential problems of some of the WTO Agreements may constrain Africa's efforts to improve economic performance. UNCTAD is of the view that helping developing countries meet the costs of implementation should not be based on best-endeavour declarations, but rather should be factored into the rule making itself.[10]

Botswana and the other SADC countries also have to take precautions when they further open their financial sectors. In principle, financial liberalization offers gains, but costs may be associated with countries opening up to the world. Apart from the demand associated with effective regulation and infrastructure, financial liberalization may increase risks in terms of capital volatility, lead to a loss of autonomy and increase the likelihood of contagion (Bossone, Hanohah and Long, 2001).

Many of these issues are complex and lack of trade capacity in the country is a substantial limitation. The major issues in the Doha Round will require careful and conceptually robust analytical work. Research and analyses that evaluate the country's proposals will be crucial to enhancing its participation. JITAP should help Botswana to continually assess aspects of the WTO Agreements and their potential impact.

The difficulties faced by developing countries in implementing WTO Agreements, against the background of the advance of the Doha negotiations, including implications for preference erosion and the expiration of the WTO Agreement on Textiles and Clothing and the resultant increase in competition, have become salient among developing countries with regard to adjustment-related issues.

[10] UNCTAD (2005a, p.11).

It has thus become increasingly and widely recognized that adjustment support for trade (and in respect of trade-related shocks), reform, liberalization and trade-capacity building should be integrated *ex ante* into trade agreements to facilitate the implementation of liberalization commitments and promote the beneficial participation of developing countries in world trade. A specific mechanism to meet the financial requirements for adjustment challenges could be brought into being through the creation of the "Aid for Trade" initiative. In addition, building a productive supply capacity and competitiveness structure will require seed funding by donors and coherence among international organizations. The creation of an Aid for Trade fund was recommended in the United Nations Millennium Project report and endorsed by the report of the Commission for Africa. Key questions related to the Aid for Trade fund include the following: (a) its size and scope; (b) where it should be located and how it should be managed; (c) what areas and countries should be targeted for support; and (d) how it should be related to the outcomes of the Doha Round and its potential agreements (Puri, 2005). An UNCTAD study suggested that for optimum impact, such a facility, in addition to adjustment support, could also enable countries to invest in productive capacity, particularly in new and dynamic products, infrastructures, regulatory systems, institution building, transfer of technology, trade facilitation and social safety nets. Such new funding needs to be non-debt-creating, additional to existing development aid flows and channelled directly to recipient countries, and, where appropriate, should utilize public–private partnerships seeded by donor funding.

3.6 TRADING CHARACTERISTICS

Exports have played a very important role in the economic development of Botswana. Like most developing countries, Botswana has emphasized the promotion of a diversified export portfolio. However, unlike most of the developing countries, it has done so not because of balance-of-payments problems, but because of the need to reduce the reliance on one commodity, diamonds. Botswana's export commodities are diamonds; meat and meat products (beef); copper-nickel matte; vehicles and parts; soda ash; hides and skins; live animals; and textiles. Diamonds, beef and copper-nickel matte are Botswana's traditional exports, while the rest of the commodities are classified as non-traditional exports. Until the early 1970s, meat and meat products accounted for over 50 per cent of Botswana's total exports. Diamond exports started in the early 1970s, while exports of copper-nickel matte started in 1974; exports of vehicles and parts commenced only in 1993. Table 9 shows that even though the contribution of non-traditional exports in total increased most significantly between 1993 and 1999 as a result of vehicle exports, this tapered off again from 2000 as a result of the closure of Botswana Motor Company. Thus diamond exports now account for well over 80 per cent of total exports from Botswana.

Furthermore, Botswana's trade relations are concentrated in only a limited number of countries. The main destinations of Botswana's exports are the United Kingdom, the rest of Europe, SACU (dominated by South Africa) and Zimbabwe. During the period from 1998 to 2002 (table 7), Botswana's share of exports going to the United States, SACU and other European countries declined significantly, while the share going to the United Kingom increased. This dramatic change in the direction of exports is due to diamond exports that started to be sold by De Beers Central Selling Organization cartel (the Diamond Trading Company), based in London. Prior to that arrangement, most of Botswana's diamond exports were sold directly in Switzerland. In the case of imports, the main source of Botswana's imports is SACU, followed by Zimbabwe. Botswana's imports are predominantly vehicles and transport equipment, machinery and electrical equipment, food, beverages and tobacco, and metal and metal products.

Table 6. Value of principal exports and imports, 1998–2003

	1998	1999	2000	2001	2002	2003
	In millions of $					
Total exports, f.o.b.	2073	2661	2682	2326	2375	3038
Diamonds	1480	2122	2236	1937	1978	3482
Non-diamond	593	539	446	389	398	555
Meat	74	59	55	73	44	53
Copper-nickel	73	88	108	70	76	154
Textiles	72	54	48	33	47	60
Soda ash	40	43	41	36	42	47
Other	334	297	195	176	187	240
Total import, c.i.f.	2265	2200	2085	1816	1933	2393
Food, beverages and tobacco	297	306	294	254	316	334
Wood and paper products	155	177	161	160	137	210
Textiles and footwear	136	129	121	85	88	112
Chemical and rubber products	201	204	203	188	216	247
Fuel	103	107	103	122	138	167
Metal and metal products	228	190	151	140	137	184
Machinery and electrical equipment	480	464	463	357	380	470
Vehicle and transport equipment	368	297	258	221	186	291
Other goods	296	327	332	289	235	380
	(In percentage of total)					
Exports						
Diamonds	71.4	79.7	83.4	83.3	83.2	81.7
Non-diamond	28.6	20.3	16.6	16.7	16.8	18.3
Meat	3.6	2.2	2.0	3.2	1.9	1.8
Copper-nickel	3.5	3.3	4.0	3.0	3.2	5.1
Textiles	3.5	2.0	1.8	1.4	2.0	2.0
Soda ash	1.9	1.6	1.5	1.5	1.8	1.6
Other	16.1	11.2	7.3	7.6	7.9	7.9
Total exports, f.o.b.	100.0	100.0	100.0	100.0	100.0	100.0
Imports						
Food, beverages and tobacco	13.1	13.9	14.1	14.0	16.4	13.9
Wood and paper products	6.9	8.1	7.7	8.8	7.1	8.8
Textiles and footwear	6.0	5.9	5.8	4.7	4.5	4.7
Chemical and rubber products	8.9	9.3	9.7	10.3	11.2	10.3
Fuel	4.6	4.9	4.9	6.7	7.2	7.0
Metal and metal products	10.1	8.6	7.2	7.7	7.1	7.7
Machinery and electrical equipment	21.2	21.1	22.2	19.7	19.7	19.6
Vehicle and transport equipment	16.3	13.5	12.4	12.2	14.8	12.1
Other goods	13.1	14.8	15.9	15.9	12.1	15.9
Total imports, c.i.f.	100.0	100.0	100.0	100.0	100.0	100.0

Source: IMF, Botswana: Staff Report for the 2002 Article IV Consultation, IMF, Washington DC.

Table 7. Direction of trade, 1998– 2002

	1998	1999	2000	2001	2002
	In millions of Pula				
Exports, f.o.b.	8693	12228	13835	14306	14983
Southern African Customs Union	1494	1271	927	924	968
Zimbabwe	249	291	541	374	391
Other Africa	111	137	126	108	113

United Kingdom	4830	8130	9644	12283	12864
Other Europe	1870	2221	2417	452	473
United States	90	86	82	35	37
All other	48	91	98	130	136
Imports, c.i.f.	9804	10164	10613	10557	10169
SACU	7402	7784	7846	8193	7892
Zimbabwe	375	397	367	335	323
Other Africa	54	27	35	35	34
United Kingdom	321	272	442	468	451
Other Europe	644	664	1307	833	802
Korea, Republic of	457	264	22	22	21
United States	135	188	174	190	183
All other	418	569	421	480	462
	(In percentage of total)				
Exports, f.o.b.	100.0	100.0	100.0	100.0	100.0
Southern African Customs Union	17.2	10.4	6.7	6.5	6.5
Zimbabwe	2.9	2.4	3.9	2.6	2.6
Other Africa	1.3	1.1	0.9	0.8	0.8
United Kingdom	55.6	66.5	69.7	85.9	85.9
Other Europe	21.5	18.2	17.5	3.2	3.2
United States	1.0	0.7	0.6	0.2	0.2
All other	0.6	0.7	0.7	0.9	0.9
Imports, c.i.f.	100.0	100.0	100.0	100.0	100.0
SACU	75.5	76.6	73.9	77.6	77.6
Zimbabwe	3.8	3.9	3.5	3.2	3.2
Other Africa	0.5	0.3	0.3	0.3	0.3
United Kingdom	3.3	2.7	4.2	4.4	4.4
Other Europe	6.6	6.5	12.3	7.9	7.9
Korea, Republic of	4.7	2.6	0.2	0.2	0.2
United States	1.4	1.8	1.6	1.8	1.8
All other	4.3	5.6	4.0	4.5	4.5

Source: IMF, Botswana: Staff Report for the 2002 Article IV Consultation, IMF, Washington DC.

3.6.1 Botswana's export structure

As described above, Botswana's export commodities are diamonds, meat and meat products (beef), copper-nickel matte, vehicles and parts, soda ash, hides and skins, live animals and textiles. Diamonds, beef and copper-nickel matte are Botswana's traditional exports, while the rest of the commodities are classified as non-traditional exports. Tables 8 and 9 reveal an upward trend in the share of traditional exports in total exports between 1980 and 1990. Moreover, between 1994 and 1999, the share of non-traditional exports in total averaged about 20 per cent. This must have been due to the exports of motor vehicles, which however ceased in 2000. Hence from 2000 onwards, traditional exports began to benefit once again from the decline in the share of non-traditional exports. It should be noted that under the Lomé Convention a quota of 39,100 tonnes of beef per annum is exportable to the EU market from the ACP States. Since 1986, Botswana's share of this quota has been 18,916 tonnes per annum. This is the largest and the most lucrative market for Botswana's beef.

Table 8. Percentage share of traditional exports in total exports (1980–2004)

Year	Meat & meat products	Diamonds	Copper-Nickel matte	Total traditional exports
1980	7.2	60.60	20.76	88.56
1985	6.5	70.38	8.05	84.93
1990	3.2	78.74	8.17	90.11
1993	3.8	78.19	5.15	87.14
1994	3.7	74.88	5.21	83.79
1995	3.0	67.05	5.53	75.58
1996	2.5	70.35	5.47	78.32
1997	2.2	73.82	4.63	80.65
1998	3.4	69.46	5.01	77.87
1999	1.8	79.38	4.56	85.74
2000	1.9	82.28	6.00	90.18
2001	2.6	84.48	4.18	91.26
2002	1.6	85.75	3.41	90.76
2003	1.3	82.88	7.86	92.04
2004	0.3	79.95	8.81	89.06

Source: Ministry of Finance and Development Planning (2005, p. 35).

Table 9. Percentage share of non-traditional exports in total exports (1980– 2004)

Year	Live Animals	Hides & Skin	Textiles	Soda Ash	Vehicles & Parts	Other Goods	Total: Non traditional exports
1980	0.03	0.78	4.02	0.00	0.00	6.57	11.44
1985	0.02	7.84	1.94	0.00	0.00	5.22	15.04
1990	0.01	0.60	3.37	0.00	0.00	5.93	9.89
1993	0.02	0.48	2.22	1.18	2.13	6.88	12.86
1994	0.05	0.57	3.57	0.74	6.06	5.26	16.21
1995	0.04	0.62	2.46	0.37	16.11	4.82	24.42
1996	0.02	0.35	2.39	0.85	14.07	3.97	21.68
1997	0.02	0.31	2.39	1.06	11.38	4.17	19.35
1998	0.03	0.39	3.48	1.13	11.10	5.96	22.13
1999	0.02	0.20	2.03	0.87	5.45	5.66	14.26
2000	0.01	0.32	1.76	0.71	1.95	5.06	9.82
2001	0.05	0.43	1.35	0.90	2.09	3.98	8.74
2002	0.01	0.18	1.31	0.55	2.54	4.61	9.24
2003	0.00	0.07	1.45	0.11	2.83	3.46	7.92
2004	0.00	0.07	3.07	0.00	3.64	4.18	10.96

Source: Ministry of Finance and Development Planning (2005, p.35).

3.6.2 Exports by commodity and destination

3.6.2.1 Traditional exports

Meat and meat product exports (beef)

Tables 10, 11 and 12 show Botswana's exports of meat and meat products, diamonds and copper-nickel for the period from 1980 to 1999 by destination. Table 10 reveals that while exports of Botswana Meat to SACU countries and other African countries seemed to have been on the decline since 1980, exports to the United Kingdom and other Europe grew. With respect to diamond exports, table 11 shows that the main markets are the United Kingdom and Switzerland. Between 1980 and 1999 diamond exports to Switzerland declined significantly, while exports of diamonds to the United Kingdom increased. As explained above, this development was a direct response to the shift in the marketing strategy of De Beers as opposed to any changes in the structure of demand or a reaction to any particular market access under any of Botswana's trade agreements. Finally, table 12 shows that since the mid-1980s Norway and Zimbabwe have been the only two importers of Botswana's exports of copper-nickel.

Table 10. Meat and meat products exports (%)

Year	SACU	Other Africa	UK	Other Europe
1980	67.82	20.86	9.12	2.19
1981	56.33	11.03	22.17	10.47
1982	41.54	6.47	44.87	7.13
1983	20.17	5.06	53.83	20.95
1984	30.25	7.57	33.91	28.27
1985	39.91	11.76	28.14	20.19
1986	31.07	8.17	35.44	25.32
1987	45.97	16.18	20.06	17.79
1988	34.56	14.24	28.64	22.56
1989	24.07	31.92	19.78	24.23
1990	22.61	19.18	26.51	31.69
1991	23.20	18.86	30.96	26.98
1992	19.52	16.39	31.37	32.71
1993	17.87	24.60	29.06	28.46
1994	18.97	15.98	31.44	33.61
1995	25.57	11.13	32.26	31.05
1996	17.39	7.97	41.53	33.11
1997	13.24	10.65	39.33	36.78
1998	10.56	8.45	38.62	42.36
1999	11.49	10.54	41.88	36.09

Source: Compiled from statistics provided by the Central Statistics Office (CSO) Botswana.

Table 11. Diamond exports (%)

Year	SACU	UK	Switzerland	USA	Rest of world
1980	0.00	0.00	100	0.00	0.00
1981	0.00	0.00	100	0.00	0.00
1982	0.00	7.42	92.58	0.00	0.00
1983	0.00	0.00	100.00	0.00	0.00
1984	0.00	0.00	100.00	0.00	0.00
1985	0.00	0.00	100.00	0.00	0.00
1986	0.00	0.00	100.00	0.00	0.00
1987	0.00	0.34	99.66	0.00	0.00
1988	0.00	0.00	100.00	0.00	0.00
1989	0.00	0.00	100.00	0.00	0.00
1990	0.00	0.00	100.00	0.00	0.00
1991	0.00	0.02	99.97	0.00	0.00
1992	0.00	0.22	99.66	0.12	0.00
1993	0.00	15.86	83.86	0.28	0.00
1994	0.00	32.51	66.79	0.69	0.00
1995	0.00	53.49	45.74	0.78	0.00
1996	0.04	74.47	24.72	0.77	0.01
1997	0.04	73.47	26.03	0.46	0.00
1998	0.07	76.38	23.39	0.16	0.01
1999	0.05	80.25	18.97	0.07	0.66

*Source: c*ompiled from statistics provided by the Central Statistics Office (CSO) Botswana.

Table 12. Copper-nickel exports (%)

Year	SACU	Zimbabwe	Norway	USA
1980	0.00	0.00	0.10	99.90
1981	0.00	0.00	0.06	99.94
1982	0.00	15.47	0.06	84.47
1983	0.00	17.90	77.93	4.17
1984	0.00	0.00	0.46	99.54
1985	8.16	15.03	57.08	19.74
1986	6.86	32.44	60.70	0.00
1987	0.00	33.08	66.92	0.00
1988	0.07	31.57	68.36	0.00
1989	0.22	38.63	61.15	0.00
1990	0.00	38.84	61.15	0.00
1991	0.00	39.08	60.92	0.00
1992	0.00	36.63	63.37	0.00
1993	0.00	34.62	65.38	0.00
1994	0.00	24.89	75.11	0.00
1995	0.00	26.17	73.51	0.00
1996	0.00	32.84	67.16	0.00
1997	0.00	29.69	70.31	0.00
1998	0.00	31.27	68.73	0.00
1999	0.00	33.88	66.07	0.00

*Source: c*ompiled from statistics provided by the Central Statistics Office (CSO) Botswana.

3.6.2.2 Non-traditional exports

(i) Textiles

Table 13 shows that the markets for Botswana's textile exports are SACU, the United States, Zimbabwe and the United Kingdom. The table reveals that while exports to Zimbabwe have continued to decline over the years — presumably owing to the continued economic and political crisis in Zimbabwe — there is continued demand from the United Kingdom and the United States for more of Botswana's textile exports. While exports of textiles to the United States are expected to continue to grow as a result of AGOA arrangements, the end of the Multifibre Agreement in December 2004 may well change the scenario. This is because cheaper textile exports from Asia have started to flood the market in Europe and the United States.

Table 13. Direction of trade, textile exports (%)

Year	SACU	Zimbabwe	UK	USA	Other Africa	Rest of world
1983	18.84	77.85	2.79	0.53	0.00	0.00
1984	77.49	8.17	9.57	4.77	0.00	0.00
1985	41.45	50.09	5.14	3.32	0.00	0.00
1986	34.46	58.54	2.83	4.17	0.00	0.00
1987	33.42	61.49	2.25	2.83	0.00	0.00
1988	29.77	63.50	3.25	3.48	0.00	0.00
1989	25.65	65.77	2.70	3.71	1.74	0.43
1990	19.47	74.79	2.68	0.06	2.98	0.01
1991	16.95	74.81	4.87	2.38	0.95	0.03
1992	45.41	41.77	10.46	0.57	1.50	0.29
1993	73.88	21.22	2.90	0.01	1.76	0.24
1994	78.80	15.17	1.65	4.04	0.05	0.28

1995	65.29	14.98	7.30	10.35	0.81	1.27
1996	40.65	23.33	19.82	11.66	2.51	2.02
1997	39.22	17.49	19.23	17.12	5.00	1.93
1998	40.65	14.48	24.18	19.57	0.57	0.54
1999	41.26	14.43	22.22	21.28	0.66	0.15

Source: compiled from statistics provided by the Central Statistics Office of Botswana.

(ii) Hides and skins; live animals; and vehicles and parts

Botswana's exports of hides and skins, live animals, and vehicles and parts are presented in table 14. The main markets for hides and skins are Other Europe, Zimbabwe and SACU. The table shows that while the exports of hides and skins to SACU and Zimbabwe have been on the decline, Other Europe seems to have been buying more of these products from Botswana. Moreover, competition from Argentina in the US market might have driven down Botswana's exports of hides and skin to the United States from 1994 onwards. Botswana's exports of live animals are mainly destined for SACU, Other Europe and the rest of the world. Exports of live animals to the US market seemed to have virtually stopped since 1994 (table 14). Finally, the main market for Botswana's exports of vehicles and parts is SACU.

Table 14. Direction of trade, non-traditional exports (%)

Year	SACU	Zimbabwe	Other Africa	UK	Other Europe	USA	Rest of world
Hides and skins exports							
1989	29.27	37.33	0.00	1.42	8.22	23.74	0.08
1990	9.59	25.45	0.70	11.81	42.37	9.40	0.68
1991	7.15	25.43	1.49	0.03	48.73	16.88	0.28
1992	20.89	12.04	0.00	1.42	51.50	14.05	0.10
1993	28.62	0.40	0.00	0.01	65.54	4.76	0.67
1994	33.29	9.88	0.01	0.01	46.81	2.62	7.38
1995	28.98	13.02	0.00	0.03	54.57	1.14	2.26
1996	11.62	18.45	0.00	0.00	67.36	0.27	2.30
1997	4.79	30.88	0.19	0.00	60.55	0.76	2.84
1998	15.57	13.32	0.10	0.00	70.65	0.43	0.02
1999	12.08	19.34	0.00	0.00	67.24	1.32	0.03
Live animals							
1989	33.26	0.00	0.00	2.74	14.29	18.29	30.74
1990	0.00	0.69	2.93	9.66	45.17	6.90	29.66
1991	12.03	15.19	0.13	0.00	17.85	25.44	29.37
1992	49.07	2.97	0.62	0.00	39.81	1.66	5.87
1993	41.10	0.00	0.11	1.57	9.97	30.57	16.69
1994	47.36	0.00	0.03	0.75	33.07	0.03	18.75
1995	61.36	0.70	0.00	5.68	10.47	0.00	21.79
1996	44.33	0.05	0.05	6.75	7.31	0.05	41.46
1997	68.93	0.00	0.07	0.00	9.35	0.00	21.64
1998	88.26	0.00	0.03	0.00	7.53	0.00	4.18
1999	79.36	0.00	0.04	0.00	13.06	0.04	7.49
Vehicles & parts exports							
1989	50.17	0.00	49.83				
1990	93.10	6.90	0.00				

1991	99.42	0.58	0.00
1992	15.32	19.24	49.76
1993	97.13	2.87	0.00
1994	99.10	0.65	0.25
1995	97.15	2.51	0.34
1996	98.66	0.99	0.34
1997	89.45	6.45	4.10
1998	94.13	0.98	4.89
1999	91.36	0.98	7.55

Source: compiled from statistics provided by the Central Statistics Office of Botswana.

3.6.3 Trade in services

Botswana is a net importer of services, especially of transportation services. For the entire period from 1993 to 2002, trade in services (invisibles) recorded deficits in the balance-of-payments account (Bank of Botswana, 2003, S-84 – S-85). A small surplus was recorded on tourism ($26 million in 2001) and in the overall services account of P174 in 2003 (Bank of Botswana, 2003).

4. TRADE POLICY FORMULATION AND IMPLEMENTATION

4.1 TRADE POLICY ORIENTATION AND NEGOTIATION STRATEGY

As highlighted previously, and as discussed in UNCTAD (2005a, pp. 27–29; 2005b), the trade and investment policies of most African countries, such as Botswana, are shaped not only by national considerations within the broad outward-oriented development strategy and the need to achieve sustained diversification of their economies, but also by regional and multilateral developments, some of which are moderated by trade negotiations. To the extent that these negotiations define the boundaries and content of external market access opportunities and challenges as well as the general trade rules and regulations, they tend to impact directly and significantly on the articulation of a country's trade and investment policies y and their successful implementation. The set of feasible trade and investment policies therefore tends to emerge from the interaction of domestic and external factors.

Box 2. Botswana and the SPS

Botswana’s sole significant preferential export is chilled and frozen boneless beef: its exports to the EU are substantial and probably would not occur in the absence of preferences. The dominant sources of EU beef imports are in Latin America. The structure of Botswana’s preferential regime constrains these major suppliers from taking over its market share.

One key major challenge for Botswana as it relates to SPS, in this regard is to maintain its foot and mouth disease (FMD) status. This has been difficult in the recent past with civil disorder in Zimbabwe. Ever more stringent requirements from the EU (and, increasingly, other markets) to demonstrate the absence of FMD (or BSE) require government and farmers to adapt.

Even without the SPS issue, Botswana faces a market-driven challenge to increase its output in order to offset any decline in EU unit prices. Increased output would also be needed if a post-2007 trade regime with the EU provided a global quota for all of the Southern African States, leading to competition between them to achieve the economies of scale that would come from being the sole or dominant Southern African supplier. In the longer term, a gradual enlargement of EU imports from Latin America and Australasia could similarly provoke competition for market share with the Southern African States.

Source: Stephens and Kennan (2005b).

In the case of Botswana, which has chosen to adopt export diversification and, by implication, outward-orientation as a growth and sustained development strategy, there are at least two broad trade negotiation objectives. One is to obtain and maintain external market access opportunities for Botswana's diversified export products (whenever this can be successfully achieved) that are as generous and secure as possible. This is a key objective since outward orientation and export-led growth could be frustrated in the absence of adequate and stable market access. The second broad objective for Botswana relates to the supply side and involves the freedom to use appropriate policies for supporting and enhancing domestic capacities for greater productivity and competitiveness. The realization of both of these broad objectives has a good deal to do with the country's trade and investment policies.

In spite of the general lowering of tariffs in Africa's (and Botswana's) major export markets achieved through a series of successive multilateral trade negotiations as well as market access concessions of various preferential trade schemes, a range of market access barriers continues to inhibit current exports and the potential exports the country could produce through processing and manufacturing activities. These market access barriers include tariff peaks (i.e. tariffs of 15 per cent and above) which weigh particularly heavily on labour-intensive agricultural and manufactured products, tariff escalation through which tariff rates increase with the degree of processing and which therefore penalizes processed exports from SSA countries, and high SPS and other product standards that typical SSA exports are often unable to meet, as well as heavy agricultural domestic support and export subsidies in the developed countries which depress world prices and impose export revenue and market share losses on African producers.[11] The elimination or substantial reduction of each of these market access barriers constitutes the first broad objective for Botswana, as it does for many of the other SSA countries in the negotiations associated with the DWP.

It is widely recognized, of course, that improved market access is, of itself, not sufficient for the realization of the full benefits of an outward-oriented development strategy. Enhanced export supply response capacity is clearly just as important. Trade and investment policies have two sometimes conflicting roles to play in this context. On the one hand, liberal trade and investment policy regimes may be needed to promote competition, and thus enhance productivity and growth. On the other hand, selective use of trade and investment policies may be necessary as a means of establishing and building appropriate domestic capacity for effective supply response. In these circumstances, a two-track approach may be ideal in the area of trade policy. This consists of gradual import liberalization, which results in a modest level of protection, combined with effective use of appropriate mechanisms for providing exporters with free trade status. The same consideration suggests gradual liberalization of the investment policy regime, with retention of the right of selective intervention.

By bringing their average import tariffs to around 15 per cent within the range of 0–20 per cent while eliminating quantitative import restrictions (including exchange control), quite a number of SSA countries such as Botswana may have achieved the goal of import liberalization in the context of the two-track approach referred to above. The full implementation of the CETs of various regional integration schemes — SACU, SADC, the African Common Market, and so forth — should enable Botswana to reach this target, even though this may constrain the attainment of the same target with respect to Botswana and the rest of the world outside the mentioned regional integration efforts in Africa. The second track is particularly crucial but has perhaps not received the attention it deserves in many African countries such as Botswana. In the

[11] UNCTAD (2005a).

presence of a significant degree of tariff protection, the export sector will bear a corresponding tax burden unless it is "compensated" by being given free trade status. Finally, the liberalization of the investment policy regime, which Botswana has been trying to attain in the last couple of decades through different policy regimes and support programmes, has wisely retained an in-built selective component because it has been based on autonomous efforts supported by bilateral treaties and intra-African regional arrangements. This selective component is crucial since it is meant to provide the country with the freedom and flexibility to pursue its own policies, which would reflect its unique needs and circumstances.

It is therefore an important part of the negotiating objective of SSA countries and Botswana to seek ways of retaining as much "policy space" and flexibility as is required to meet their development goals.

4.2 TRADE POLICY FORMULATION AND IMPLEMENTATION

Furthermore, and as alluded to above, Botswana is a member of SACU. Hence, most of its trade and investment policy instruments (customs matters in particular) are set at the regional level — essentially as dictated by the various terms of the SACU Agreements. The Ministry of Trade and Industry retains primary responsibility for formulating and implementing trade and industry policies, especially in areas not covered by the SACU Agreement. Within the Ministry, the Department of International Trade handles foreign trade policy, including multilateral, regional and bilateral trade relations, and issues import permits.

Other institutions with important inputs into trade-related policies include the ministries responsible for finance (budget, expenditure/revenue measures, and development plans); mineral resources, transport and communications; agriculture; the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM), the Botswana Export Development and Investment Authority (BEDIA); and the Bank of Botswana. The Public Enterprise Evaluation and Privatisation Agency (PEEPA) was established in late 2001 to formulate and administer the Government's Privatization Policy. A national committee was established to coordinate the implementation of the Government's Industrial Development Policy with a view to stimulating manufacturing activity; industrial development is a key objective and has been incorporated into the Ministry of Trade and Industry's strategic plan for 2001–2009. Furthermore, the 2002 SACU Agreement provides for a national body to be established in each member country; it will be in charge of SACU issues (including tariff changes) at the national level and will make recommendations to the Customs Union Commission.

Trade policies are formulated through a consultative process involving all stakeholders, including government, business, workers and civil society, under the umbrella body called the National Committee on Trade Policy and Trade Negotiations (coordinated by the Department of International Trade). An initial consultancy report is prepared and released for public comment through a national seminar. Following revisions, a white paper is usually produced as the basis of government policy. JITAP can provide meaningful support for the Government in this area.

The Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) is the main body representing the private sector's views to government. Implementation of policies at the national level is reviewed every three years under the auspices of BOCCIM. The Botswana Chamber of Commerce and Industry acts as the voice of small and medium-sized businesses to government. The Exporters Association of Botswana also represents major exporters' interests, and provides specialized export services, including assistance in identifying foreign markets. The

Botswana Federation of Trade Unions represents workers in the tripartite consultative process with business and government.

Furthermore, the Government established the independent Botswana Institute for Development Policy Analysis (BIDPA) in 1995 to conduct contractual public policy research for it and other clients, including monitoring of economic performance. Its main research areas are economic planning and projections, welfare, incomes and poverty, and structural change of the economy. BIDPA also trains local economists in policy research and provides valuable public commentary on topical economic policy issues. Additionally, the Botswana Export Development and Investment authority (BEDIA) was established in 1998 to promote facilitate and monitor investment flows to Botswana. BEDIA also assists in the identification of activities that are regionally and internationally competitive, in the development of a national export strategy, in advising government on trade policies to adopt, and in the provision of assistance for manufactured exports.

Trade liberalization and investment promotion remain key elements of Botswana's trade policy framework and its development strategy. The Government's main objectives are to promote export-led industrialization; foreign direct investment is attracted to diversify the economy away from diamond (and other minerals) into non-traditional goods, such as textiles, clothing, engineering products, leather goods, electronics and pharmaceuticals. Broadening Botswana's manufacturing base is a key objective of the Government's industrial policies. Developing small and medium-sized enterprises is also a high priority. Economic empowerment of its citizens is to be achieved by promoting their participation in mainstream economic activities, without compromising transparency, accountability, competition, efficiency and equity. The Government also wishes to create a more enabling business environment to facilitate private sector growth, which it sees as essential to the economy's sustained and balanced development. Promoting vigorous competition, including from imports, is to be encouraged while ensuring that adequate safeguards and regulatory measures protect consumers from monopoly prices and other unfair trading practices, as well as ensuring environmental conservation.

A major challenge facing Botswana is to accelerate the pace of non-mining export growth and product diversification. Meeting this challenge has been constrained largely by two broad factors. First, exporters and manufacturers have limited capacity to identify and take advantage of market opportunities emerging from globalization. Second, there is a lack of requisite capacity in both the private and public sectors to understand and respond adequately to the rules and challenges of the MTS. These gaps are present at the levels of the individual, institutions and systems.

The constraining factors are weak institutional capacities in the formulation of trade policies, and understanding and implementation of the WTO Agreements and negotiations; lack of a national knowledge base regarding the multilateral trading system and poor information flow among stakeholders; lack of supply capacity and market knowledge on the part of exporting and export-ready enterprises to derive benefit from business opportunities presented by trade liberalization under the emerging MTS; and lack of coordination among various stakeholders, including trade-related technical assistance initiatives.

In order to address these constraints the Government under JITAP launched the National Committee on Trade and Policy Negotiation (NCTPN) to advise the Cabinet on policy formulations pertaining to bilateral and multilateral trade negotiations and policy positions adopted, such as those relating to SACU, SADC, AGOA, WTO and other regional formations.

JITAP is providing support to the NCTPN under Module 1 — that is, MTS institutional support, compliance, policies and negotiations. Under this Module, UNCTAD is assisting in four areas: (a) constructive dialogue among government institutions, the business sector, academia and civil society for the purpose of informing the Government of their concerns and priorities regarding WTO issues and other trade agreements (regional, ACP–EU) on which decisions need to be taken by the country; (b) effective participation in the negotiations in WTO, particularly under the Doha Work Programme, and other trade negotiations; (c) formulation of national trade policy in the context of the multilateral trading system in particular and the international trading system in general, and strengthening linkages with national development plans; and (d) effective implementation of the rights and obligations under the WTO Agreements. In Botswana, the NCTPN constitutes the institutional mechanism for a more effective engagement in international trade and the trading system so as to ensure beneficial integration and realize development gains.

Box 3. Main trade-related legislation in Botswana, December 2002

Area	Legislation
Exports and imports	Customs and Excise Act, and 2001 amendments and regulations
Government procurement	Public Procurement and Asset Disposal Act, 2001
Competition	Consumer Protection Act, 1998
Services	Botswana Power Corporations Act, 1971
Mining	Mines and Minerals Act, as amended in 1999
Standards	Standards Act, 1995
Intellectual property rights	Copyright and Neighbouring Rights Act, 2000; Industrial Property Act, 1996; Industrial Property Regulations, Statutory Instrument No. 78 of 1997; Industrial Property (Amendment) Act, 1997
Price control	Control of Goods, Prices and Other Charges Act
Foreign investment	Foreign Investment Act; Foreign Investment Code, 2001

Source: Information provided by the Botswana authorities.

In addition, the Southern African Global Competitiveness Hub — an initiative of USAID's Regional Center for Southern Africa (RCSA) located in Gaborone under the Trade Hub Framework (THF) of the US Government — promotes regional integration and regional cooperation by strengthening the ability of Southern African countries and business to develop their export trade and facilitate other country-based initiatives that seek to promote national competitiveness in the global markets. The major objectives of the THF are to promote US–African business linkages; enhance the competitiveness of African products and services; expand the role that trade can play in African poverty reduction strategies; improve the delivery of public services supporting trade; build African capacity for trade policy formulation and implementation; and strengthen the enabling environment for African business. The core focus of the THF is to ensure communication, coordination and alignment of partners' and stakeholders' strategies and activities. The THF incorporates the multi-agency dimension of doing business, and recognizes that most concrete results are achieved at the national level; hence there is support for bilateral missions and national programmes to enhance trade. The THF is intended to support and leverage country-level activities as it offers a range of services throughout the region.

4.3 TRADE AGREEMENTS

Botswana attaches great importance to its WTO membership and is committed to a liberal, fair and equitable trade regime. Table 15 shows selected recent notifications by Botswana to the WTO.

Table 15. Selected notifications to WTO, September 2002

WTO Agreement	Description of requirement	Periodicity	Most recent notification	Comment
Agreement on Agriculture (Article 18.2)	Domestic support	Annual	G/AG/N/BWA/5 15 April 1997	Domestic support commitments for 1995/1996
Agreement on Agriculture (Article 10 and 18.2)	Export subsidies	Annual	G/AG/N/BWA/4 24 February 1997	No export subsidies during 1996
Agreement on Agriculture (Article 5.7)	Special safeguard provisions	Annual	G/AG/N/BWA/3 21 February 1997	No special agricultural safeguards were invoked in 1996
Agreement on Implementation of Article VI of the GATT 1994 (Article 18.5)	Laws and regulations	Once, then changes	G/ADP/N/1/BWA/1 29 September 1995	No laws and regulations on anti-dumping practices
TRIPS (Article 63.2)	Laws and regulations	Once, then changes	IP/N/1/BWA/1 19 February 2002	Copy of copyright and industrial property legislation
Agreement on Safeguards (Article 12.6)	Laws and regulations	Once, then changes	G/SG/N/1/BWA/1 11 February 1997	No laws or regulations on safeguards
Agreement on Sanitary and Phytosanitary Measures (Article 7, Annex B)	SPS to be notified promptly	Once, then changes	G/SPS/N/BWA/3 29 October 1997	Microbiological specifications for raw and processed milk
GATT 1994 (Article XVII:4(a) and Understanding on the interpretation of Article XVII:1	State trading enterprises	Annual	G/STR/N/1/BWA 7 February 1997	No State trading enterprises
Agreement on Subsidies and Countervailing Measures (Article 25.11)	Countervailing actions taken	Semi-annual	G/SCM/N/23/Add.1/Rev.8 23 April 2002	No countervailing actions taken during 1 July – 31 December 1996
Agreement on Subsidies and Countervailing Measures (Article 25)	Measures	Annually	G/SCM/N/71/BWA 7 March 2002	No export subsidies
Agreement on Technical Barriers to Trade (Annex 3, Paragraph C of Code of Good Practice for Preparation, Adoption and Application of Standards)	Acceptance or withdrawal from the Code of Good Practice	Once, then changes	G/TBT/CS/N/109 31 August 1999	Acceptance of Code of Good Practice
Agreement on Copyright and Neighbouring Rights Act. (Article 63.2, Act No. 8 of 2000).			IP/N/1/BWA/1 19 February 2002	

Source: WTO documents.

Furthermore, as described above, Botswana is a member of SADC and the African Union/African Economic Community, in which all the other SACU countries also participate. Botswana's capacity to negotiate trade agreements bilaterally is further curtailed by the 2002

SACU Agreement. Botswana is concerned about the adverse economic impact of the European Union–South Africa Trade, Development and Cooperation Agreement (TDCA). Although the major products of interest to Botswana, such as beef, have been excluded from the TDCA, Botswana (and other SACU members) are de facto obliged to implement the reciprocal tariff preferences negotiated by South Africa on EU exports, without receiving corresponding improved market access to the EU. This situation is to be aggravated by the establishment of the EU/South Africa Free Trade Area in 2012, well ahead of 2020 for other ACP States. Of further concern are the revenue losses for Botswana from reduced tariffs on imports from the EU. To address these concerns, the EU agreed to establish an appropriate institutional mechanism in consultation with Botswana (and Lesotho, Namibia, and Swaziland) to consolidate its existing trade preferences to BLNS beyond 2007, to improve immediate access, and to assist BLNS in fiscal restructuring commensurate with revenue losses from the TDCA.

4.3.1 Bilateral agreements

Botswana's 1988 bilateral trade agreement with Zimbabwe provides generally for reciprocal duty-free entry of each other's goods. To be eligible for preferential treatment, manufactured goods must meet rules of origin requirements for at least 25 per cent local content, and Botswana/Zimbabwe, as the exporting country, must be the place of last substantial manufacturing (or, for non-manufactured products, where solely produced or grown). The Botswana Department of Customs and Excise issues certificates of origin to exporters. Botswana imposes quotas on clothing imports from Zimbabwe; apparently, quotas have not been used since the mid-1990s. Trade between the two countries has declined in relative importance: Zimbabwe represented about 2 per cent of Botswana's merchandise exports and 4 per cent of imports in 2001.

Botswana has a reciprocal customs agreement with Malawi dating back to 1956, which works on a de facto basis; that is, all goods, except spirits, can be imported duty-free. Although Botswana has occasionally imported sugar from Malawi under this agreement, it is rarely used. Botswana has MFN trade agreements with the following countries; China, Cuba, the Czech Republic, India, the Republic of Korea, Romania, the Russian Federation, Slovakia and Zambia. These agreements provide a general framework for the bilateral trade between Botswana and each of those countries.

4.3.2 Other agreements

As a developing country, Botswana is eligible for GSP treatment from most industrialized countries, which provide preferential access to their markets (at zero or reduced tariffs) for eligible products, subject to rules of origin. Product coverage and rules of origin vary between countries, but generally require the goods to be wholly obtained or sufficiently processed in Botswana, as evidenced by certificates of origin issued by the Department of Customs and Excise. Countries providing Botswana with GSP treatment include Australia, Canada, the EU, Japan, New Zealand, Norway, Switzerland and the United States. These arrangements have particularly benefited craft and leather exports.

4.4 TRADE POLICIES AND PRACTICES BY MEASURE

Botswana is streamlining customs procedures and has amended its customs legislation to meet US requirements under AGOA. Few significant changes have been made to its import-licensing regime since 1998. All imports must be licensed; certain products are subject to nonautomatic permits and prohibitions, mainly for self-sufficiency, health, safety and environmental reasons. Botswana's standards are based on international norms or those of its major trading partners. It has accepted the Code of Good Practice under the WTO TBT Agreement.

4.4.1 Measures directly affecting imports

(i) Registration, and import duties and related measures

Under the SACU Agreement, BLNS apply import duties and related measures set by South Africa. However, in practice, applied customs tariffs, excise duties, valuation methods, rules of origin and contingency trade remedies are, so far, the only trade policy measures harmonized throughout SACU. For import duties and related measures, differences exist among SACU members in customs procedures, import duties (other than customs tariffs and excise duties), and duty and tax concessions.

In Botswana, all traders must be licensed with the Ministry of Trade and Industry. Licensing is handled by the National Licensing Authority. Customs clearing agents are licensed by the Department of Customs and Excise of the Ministry of Finance and Development Planning. While it is not mandatory to use an agent to clear goods, agents need to be engaged for commercial and regular importers.

Botswana is streamlining its customs procedures and has adopted the ASYCUDA system. According to the authorities, it currently takes 10–45 minutes to clear commercial goods, provided that all documents are in order. Computerization through ASYCUDA has been implemented at the Gaborone Inland Office and the busiest border with South Africa (Thlokweng Border Gate). Imported goods are randomly checked. Botswana does not have a bond guarantee system. It introduced a Single Administrative Document for customs declaration from 1 May 2002. The customs legislation (the Customs and Excise Act (Cap 50:01) of 1970)) was amended in July 2001 to implement US requirements for Botswana to export goods, especially textiles and clothing, preferentially to the American market under AGOA.[12] The customs legislation is being amended to update and align it with the South African Customs and Excise Act.

Commercial importers (and exporters) may apply to operate customs-bonded warehouses, using storerooms, fixed vessels, tanks or other premises. Security on the bonded warehouse must cover duty liability, and the operator must maintain a stock register. Goods may be stored for up to five years, during which time duties are paid on goods released. Warehouses must be physically secure.

Botswana has used the possibility available to BLNS under the SACU Agreement to protect infant industries on three occasions. These were to protect the Kgalagadi Soap Industry during the 1970s (by an additional tariff of 100 per cent), the Kgalagadi Breweries Ltd during the 1980s and early 1990s (by a 50 per cent additional tariff) and Bolux Milling Pty Ltd (by quotas for the first five years, and then an additional tariff of 75 per cent for three years). In each case, the temporary protection was provided for the maximum period of eight years permitted under the SACU Agreement. These industries still exist; the Kgalagadi Soap Industry is exporting to such countries as Malawi, Namibia and occasionally South Africa, while Bolux Milling Pty Ltd is facing intense competition from South African suppliers and is seeking further protection

[12] Customs and Excise Duty (Amendment) Act. Accompanying regulations (Customs and Excise (Amendment) Regulations) were introduced in August 2001, requiring textile and clothing manufacturers and exporters to keep appropriate records for at least five years.

against "dumping". While no industries currently receive infant industry protection, an application from Okavango Wineries on bottled drinking water is under consideration. The general criteria and procedures for determining whether to provide such protection are being developed.

In July 2002, the 10 per cent sales tax, which applied uniformly to imports and domestically produced consumer goods (but not staple foods), and some services, was replaced with a value-added tax (VAT) of 10 per cent with few exemptions, such as petrol, diesel, paraffin, maize and sorghum meal, and financial, educational, and health services.[13] Exports and fuel products are zero-rated; producers can claim tax credits for VAT paid on inputs. VAT refunds must, by law, be repaid to exporters within one month of submission of returns, and two months for other taxpayers.[14] The customs legislation is currently being amended to introduce a fuel levy on petrol and diesel.

The business threshold for VAT registration is an annual turnover of above P250,000. The VAT applies uniformly to domestic and imported goods, including those imported from SACU members. The base for levying VAT on imports varies slightly between SACU and non-SACU countries. For non-SACU countries, VAT is levied on the import's landed duty-paid price, namely f.o.b. price and import duties, plus the value of any services relating to the good, such as commission, packaging, transportation, short-term warranty insurance and warranty expenses. VAT is levied on imports from SACU members on the greater of their f.o.b. price plus freight and insurance costs (i.e. landed duty free-price), and their "fair market price". "Fair market" prices are used to stop under-valuation where a sale occurs between related parties. It is determined using the ruling market price of identical goods in the same market.

Government receipts from the SACU Common Revenue Pool are forecast to fall in 2002–2003 to P1.541 billion, down from P1.735 billion in 2001–2002 and P2.188 billion in 2000–2001. In 2000–2001, SACU revenue accounted for 15 per cent (13 per cent in 2001–2002) of total government revenue (including grants). The introduction of the VAT with its extended coverage on goods and services was expected to increase revenue substantially and thereby to reduce the share of SACU revenue in total.

(ii) Import prohibitions and licensing

There have been few significant changes to Botswana's import licensing regime since 1998. Imports of certain agricultural products, such as vegetables, dairy products, meat and meat products, and poultry must be licensed on food-security grounds. The licences are usually issued by the Ministry of Trade and Industry. Imports of firearms and ammunition are also licensed for security reasons. In addition, import licences are issued for boats and aquatic apparatus by the Department of Minerals, Energy and Water Affairs, and for imports of second-hand goods, such as motor vehicles and clothing. The Ministry of Environment, Wildlife and Tourism licenses all imports of endangered species that are covered by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). In general, imports of agricultural products and plants require approval from the Ministry of Agriculture in the form of a permit, for sanitary and phytosanitary reasons.

[13] Value Added Tax Act, 2000 (Act No.1 of 2001).
[14] Interest will be paid on overdue amounts at the rate of 1 per cent per month. The law also permits such refunds to be offset against the taxpayer's other tax liabilities.

Imports of fresh pork are banned; import permits are granted only on processed pork products. Poultry imports are permitted only when there is a shortfall of poultry products in the domestic market. Imports of some vegetables, meat and dairy products are seasonally banned. Import prohibitions apply to goods such as obscene material and environmentally hazardous products, such as toxic or radioactive waste, mainly to protect health, safety and morality.

(iii) Other measures

Botswana has no official countertrade or offset arrangements, or agreements designed to influence the quantity or value of goods and services exported to Botswana. It has no trade sanctions in force.

Botswana has strategic reserve stocks in grains and petroleum products. The Botswana Agricultural Marketing Board holds grain reserves. Under the Government's Oil Storage Development Programme, strategic fuel storage facilities, constructed at Gaborone and Francistown, maintain stocks equivalent to 90 days of national consumption.

4.4.2 Measures directly affecting exports

(i) Registration and taxes

The same registration procedures apply to both importers and exporters. All commercial exports require an Export Declaration Form. An export tax applies to beef.

(ii) Export prohibitions, controls and licensing

Export licences are required for all exports, including to SACU members, for food security, sanitary and phytosanitary, and statistical reasons, and under international conventions to which Botswana is a signatory. No government restrictions apply to the export of rough diamonds. However, such exports have, on occasion, been affected by the terms of commercial agreements governing the sale of diamonds by Debswana (currently Botswana's only diamond producer, in which the Government holds a 50 per cent stake with De Beers) to the Diamond Trading Company (DTC), an international cartel operated by De Beers, which is the exclusive purchaser of Debswana's output. The sales arrangements provide for the stockpiling of diamonds by Debswana during periods when supply exceeds demand at ruling prices, in the form of export quotas set by the DTC. The Government does not sanction these quotas. Legislation is about to be introduced to enforce restrictions under the United Nations' Kimberley Process International Certification Scheme to control trade in "conflict" diamonds. This will require all rough diamonds exported from Botswana to have a valid Kimberley Process Certificate (all imports must also have a valid certificate issued by the exporting country).

(iii) Export subsidies, finance and assistance

Botswana operates a number of schemes providing tariff exemptions and concessions on imported inputs used in exports to non-SACU markets.[15] A duty credit certificate scheme, introduced in 1993, provides duty credits to enable imports, at reduced customs duties, of inputs used in the manufacture and export of specified textile and clothing products to non-SACU members; firms must have exported for a minimum of one year to be eligible. The duty credit is

[15] To be eligible, exporters must be registered with the Department of Customs and Excise.

set at a percentage of the value of exports, and varies across products; credits are allowed against duties paid on importation of certain textile and clothing products.[16] The scheme is aimed at increasing the international competitiveness of exporters of eligible products. Six firms currently benefit from the scheme; exports covered are blankets, T-shirts, jerseys, household textiles, jeans and duvets.

Industrial rebates for specific exporting industries, such as food, textiles and beverages, and general rebates of customs duties for exclusive exporters, also apply. Rebates cover components and materials used in the manufacture, processing or packaging of goods exclusively for export. The participant should intend to manufacture the material imported under the scheme as goods for export, and the imported material cannot be sold domestically or within SACU (without prior permission from the Department of Customs and Excise). All export earnings must be repatriated to Botswana. Duty drawback on capital equipment and manufactured inputs used in exports exists, mainly for irregular exports. Such claims are made within one month from the date of export and take up to three months to be paid. SACU members are to harmonize their duty and tax concessions (rebates, refunds and drawbacks of customs duties on imports) as required by the 1969 and 2002 SACU agreements.

The Export Credit Insurance and Guarantee Company (BECI) provide export insurance covering pre- and post-shipment credit. It was established in 1996 as a wholly owned subsidiary of the Botswana Development Corporation. It offers insurance against non-payment by foreign buyers resulting from commercial risk (default and insolvency) and political risk (transfer delays, strikes, war or import restrictions that prevent entry into the buying country). While BECI carries all insured commercial risks, the Government has reinsured its political risks since 1997 (Political Risk Reinsurance Act, 1997). Goods and services are eligible. Exports covered include exports of steel, optical and computer equipment, textiles and motor components to countries such as South Africa, Namibia, Kenya and the United States. BECI has recently extended its insurance business to cover non-payment risks on domestic credit sales. It also offers an export-financing scheme to its policyholders whereby BECI guarantees their bridging finance from commercial banks. The Ministry of Trade and Industry is currently examining a proposal for government involvement in the scheme.

Export promotion is mainly the responsibility of the Botswana Export Development and Investment Authority (BEDIA), established in 1998. It arranges the participation of manufacturing enterprises in regional and international exhibitions. It also conducts overseas market research aimed at finding export markets for Botswana-made products. BEDIA is also responsible for promoting Botswana as a viable location for foreign direct investment, and encourages joint ventures between foreign investors and citizen entrepreneurs.

5. CONCLUSIONS, STRATEGIC OPTIONS AND POLICY RECOMMENDATIONS

The average growth rate of real GDP in Botswana — about 9.1 per cent — over the three decades after independence in 1966 was one of the highest in the world, a performance which led the country to be rated as an upper-middle-income developing country. This economic performance was achievable, not just because of the mining and export of diamonds, but also because of the developmental State posture assumed by the Government since 1966. This

[16] The percentages used to determine the amount of duty credit are 25 per cent of the export value for clothing and accessories, 8 per cent for yarns, 17.5 per cent for household textiles and 12.5 per cent for fabrics and other textiles.

entailed the putting in place of liberal economic policies and strategies through the different national development plans and other strategy papers, and more recently in Vision 2016 — the long-term vision for Botswana.

In more recent times, Botswana has continued to take new policy initiatives, with the goal of increasing productivity and efficiency of domestic resources, aligning the exchange rate of the domestic currency and thereby improving the international competitiveness of Botswana's producers.

At the same time Botswana is burdened with a multiplicity of regional integration agreements and bilateral FTAs of varying preferential natures, which has placed a heavy management burden on the Government and requires policymakers to carry out complex analyses. The most important of these agreements, FTAs and so forth are SADC, SACU (the world's oldest customs union), the African Growth and Opportunity Act, the US–Southern African Customs Union Free Trade Area negotiations, the Doha Round of the WTO, the SADC Trade Protocols and the ACP–EU EPA negotiations. Even though these will create greater opportunities for greater access to regional and international markets, tariff structures and rates, valuation systems and rules of origin are not consistent. As SADC implements its Trade Protocol, and COMESA moves towards the status of a customs union, countries parties to two or more agreements will be faced with the question of compatibility with WTO obligations. Effective management of the current complexities is beyond the capacity of the Government — a typical scenario of policymaking and analysis supply constraint — and the burden will only increase.

Furthermore, regional integration agreements can cause trade diversion by disallowing procurement from the least-cost source; when this occurs, they diminish rather than increase welfare. While intraregional trade is important for economic, social and political reasons, these need to be made complementary to the multilateral trading system as individual countries' prospects for trade lie in trade with the rest of the world. With the Economic Partnership Agreements and the United States–FTA negotiations impending, local capacity to conduct the complex analyses required for well-informed negotiations is generally weak, especially within government entities.

The trade and investment policies of most African countries, such as Botswana, are shaped not only by national considerations within the broad outward-oriented development strategy and the need to attain sustained diversification of the economy, but also by regional and multilateral developments, some of which are moderated by trade negotiations. In the particular case of Botswana, which has chosen to adopt export diversification and, by implication, outward orientation as a growth and sustained development strategy, there are at least two broad trade negotiation objectives. One is to obtain and maintain external market access opportunities for its diversified export products — whenever this can be successfully achieved — that are as generous and secure as possible. This is a key objective since outward orientation and export-led growth could be frustrated in the absence of adequate and stable market access. The second broad objective for Botswana relates to the supply side and involves the freedom to use appropriate policies for supporting and enhancing domestic capacities for greater productivity and competitiveness. The realization of both these broad objectives has quite a lot to do with the country's trade and investment policies and therefore its negotiation strategies at the regional, bilateral and international levels as well as under the DWP.

Moreover, in view of the complex challenges facing Botswana, like other African countries, no single multilateral or development agency or individual development partner can on its own address these difficulties, and therefore careful coordination amongst agencies is required. In this regard, trade policies and trade negotiation strategies in Botswana are formulated through a consultative process involving all stakeholders, including government, business, workers and civil society (NGOs) under the umbrella of the National Committee on Trade Policy and Trade Negotiations. Efficient functioning of the umbrella committee through capacity building, more frequent meetings, stakeholder seminars and workshops, brainstorming sessions on trade issues and the engagement of regional and international experts familiar with MTS and other WTO-related issues to give periodic talks will go a very long way towards preparing Botswana for different negotiation forums.

An essential aspect of this type of multidisciplinary and multipronged approach is trade-related technical assistance (TRTA). The role of technical assistance is generally to help developing countries such as Botswana build human resources and institutional capacities, which are obviously lacking in the Department of International Trade of the different ministries, provide trade information and trade-related legal support, and improve their negotiating capacities to make them more active players in multilateral trade. Other key roles of TRTA will be the construction of commercial infrastructure to enable Botswana to draw on the benefits of improved market access and an open, equitable and rule-based system. A particular area of concern in this regard is TRTA that will allow Botswana to respond to and deal with problems of implementing the TBT and SPS Agreements, and to deal with other measures that affect trade.

To be very specific, in respect of TRTA needs in Botswana, what is required most are the following:

- Institution building to better handle trade policy issues and international trade negotiations;

- Strengthening export supply capabilities, especially in new and dynamic sectors of world trade, by strengthening the policy environment for trade liberalization; improving the competitiveness of enterprises; increasing investment in productive sectors; and removing bottlenecks to increase production of tradable goods and services;

- Strengthening trade support services in terms of trade efficiency; trade facilitation; access to finance; access to trade information; development of products, both new and existing ones; improving standards, packaging, quality control, marketing and distribution channels; and international purchasing and supply management;

- Training and developing human resources in trade and trade-related areas;

- Supporting trade-related regulatory and policy framework that will encourage trade and investment;

- Capacity building in services trade, which could be used to remove some of the supply-side constraints facing export production if bold decisions are made on the opening up and the restructuring of the key service sectors — transport, telecommunications, financial and energy services. The strategy is to take advantage of the de facto openness that exists in the domestic services sector. One could then attach access conditions to this market access already existing for foreign services suppliers. The point is to use Articles IV and VII of GATS. The access conditions will reflect the capacity, efficiency, competitiveness and regulatory capacity of the domestic services sector. The donors and development partners can help in providing technical assistance, especially in building regulatory capacity.

The involvement of women, the media and other disadvantaged sectors of Botswana society in trade and trade-related policy formulation, negotiation and implementation will also be essential.

In addition, the other stakeholders in the country, such as NGOs, the private sector and research institutions, need timely access to relevant and quality information for effective public education about both the general and country-specific issues in the MTS, which is supposedly located in the Department of International Trade of the Ministry of Trade and Industry in Botswana. The Ministry can further enhance the public-awareness-raising work of NGOs and other civil society organizations in the country, giving them more readily access to information on the Doha negotiations and the positions they take and the reasons why. Governments need to put in place policies that remove the frustrations that interested institutions face when seeking trade policy information if not yet provided for. Anxiety that these institutions may criticize Governments' positions on issues should not be used to restrict access to information. Such concerns are best dealt with through a readiness on the part of officials to engage in dialogues with interested parties on trade issues. This is the best way to promote mutual understanding even if it does not always lead to agreement; a vigorous public opinion is better than none. Dialogue can be advanced by officials, both technocrats and politicians, being ready to accept invitations from interested institutions to speak in meetings they organize and to share platforms to debate trade policy issues.

With respect to regional and interregional trade negotiations, there appear to be considerable gaps in knowledge in Botswana regarding the processes for articulating, coordinating and aggregating trade negotiating interests and positions, and maintaining close and self-reinforcing linkages between trade policymakers within the country and negotiators abroad, as well as monitoring the implementation of trade negotiation agreements. Building capacity for articulating interests, negotiations and implementation must be based on improved knowledge derived from appropriate research. In addition, the process of trade negotiations requires significant research and analytical support to determine the likely effects of particular proposals and carry out appropriate cost-benefit and other analysis whose results may then assist negotiators in articulating their positions. A typical example of this will be the familiarization of the Botswana National Committee on Trade Policy and Trade Negotiations with the *Trade Analysis Handbook* recently released by the Institute of Development Studies (United Kingdom). This handbook provides not only guides and frameworks for preparing for EPA negotiations, but also statistical data that can be used to undertake simulations (in Excel) of different negotiation positions when preparing for EPA (EU–ACP) negotiation missions.

Similarly, across Africa, the World Bank and the International Monetary Fund (IMF) are part of common knowledge, because they have been prominent influences in economic policy issues for the past two decades. This has not been the case with the WTO and with the MTS, which it oversees, and which is more or less a newcomer with influence way beyond its period of only about a decade on the global trading system. There is thus an urgent need to raise the profile of the WTO in African popular consciousness, more so given what has been identified above as a supply constraint for trade policy and trade negotiation strategies formulations in many African countries. JITAP has an important role to play in this area.

In addition, the Sub-Regional Resources Facility (SURF) of the UNDP should be seen as being complementary in its regional TRTA to those of other agencies, including the WTO and UNCTAD. There have been various capacity-building programmes under the United Nations Institute for Training and Research (UNITAR), some of which are trade-related, as inputs to the UNDP system of SURF. Delivery of UNITAR training on capacity building usually comes as a package covering different aspects of international affairs management,[17] including those relating to international trade. Similarly, the USAID–RCSA Global Competitiveness Hub in Gaborone has the potential to make an immense contribution to trade-related research and capacity building in Botswana. Hence Botswana should always take advantage of all of these international development partners and the programmes of assistance that they offer to meet its supply-side problems in trade policymaking and implementations. These partners can be of assistance in the areas of:

- Helping to increase public awareness and stimulate debates about trade policy issues;
- Helping to identify key issues and in the building and strengthening of domestic constituencies;
- Conducting trade policy research;
- Carrying out training;
- Participating in official trade policy structure and processes;
- Providing technical and financial assistance for the development of physical infrastructure, which continues to be a critical bottleneck for economic growth and development.

Finally, to achieve and maintain the growth rates necessary for eradicating poverty, Botswana must diversify its export trade away from excessive concentration on diamonds and beef (traditional exports) and trade competitively in global markets. To be competitive in these markets, Botswana needs to create an environment that encourages trade, open markets and productive commerce. Business in Botswana will in turn have to respond to global market opportunities by producing and selling competitive goods and services. This will most certainly require productive use of labour, capital and natural resources; better access to inputs, business services, credit and export finance; the ability to meet technical, quantity and quality standards of export markets; and lower input and transaction costs. It will also require proactive participation in the Doha negotiations to seek new and better market opportunities while seeking to maintain policy flexibility necessary for promoting industrialization and development.

By way of summary, the other important issues that emanate from this report, which will need to be addressed by the Botswana authorities, are highlighted below.

- Regional integration agreements' complexities and conflicts will have to be comprehensively examined and addressed for internal compatibility and consistency with WTO rules, regulations, policies and procedures.

- Policy barriers to foreign direct investment in the country will have to be critically studied with a view to reducing and eliminating them in the not too distant future.

- Targeted technical assistance will be required by Botswana to address supply-side constraints in the production of exportable goods.

[17] Usually training covers diplomacy and multilateral negotiations; simulation exercises and video-based performance analysis; environmental law; law and natural resources (water, oil); trade law and trade dispute settlement; arbitration exercises; international protection of human rights; international criminal law; and mediation and conflict resolution.

- The newly drafted competition laws will have to be operational and enforced in a very transparent manner.

- Transparency of all rules/regulations in the country will have to be enhanced

- Gender and HIV problems must be adequately considered in the country

- There is a need for improved harmonization of macro and sectoral policies (e.g. fiscal balance, inflation, exchange rate, banking sector, capital controls and labour migration).

- There is also a need to simplify and increase the coherence of trade policy among imperfectly overlapping regional trade regimes.

- Private–public sector discussions should be facilitated to build a consensus for trade policy reform needed to accelerate implementation of international trade agreements.

- The analytical capacity of research institutions and networks in Botswana to conduct analyses of trade policy issues and facilitate more collaboration on global trade-related research between institutions in Southern Africa and other institutions should be strengthened.

- The Government of Botswana, donor agencies and other development partners in the country will have to provide the necessary support for development of cross-cutting institutions — for example, legal, regulatory, policy, financial, research, education and training, market development, utilities, public safety, trade facilitation and social services — that allow firms to have confidence in the business environment and invest in the future.

- The Government of Botswana needs to ensure that trade facilitation systems and personnel (e.g. customs, transportation and clearing/forwarding agents) are available to ensure efficient border crossings for goods, services and personnel.

- The Government will also have to provide the regulatory environment for the efficient and low-cost delivery of physical infrastructure, for example transport, telecommunications, energy/water utilities and waste treatment systems.

- The relevant agencies of the Government will also have to continue to assist private firms with long-range strategic planning of how to cope with effects of HIV/AIDS on workforce issues (policies regarding care, sick leave, personal leave, training for multi-skilling and worker redundancy).

- There is a need for strengthened capacity to analyse the effects of trade liberalization policies on women's income and employment and on migration flows; explore options to mitigate the negative social outcomes of trade liberalization policies with regard to women; and promote labour legislation that ensures fair and equitable working conditions for women.

- All export agencies such as BMC need to have adequate and capable representation in the National Committee on Trade Policy and Negotiations.

- The heavy reliance on EU markets needs to be reduced by diversifying to other global markets such as those in Asia.

- There is a need to consider vertically integrating and commercializing industries such as the beef sector in order to stimulate cattle offtake and enhance competitiveness.

- There is a need to inculcate the adoption and use of ICTs amongst producers in order to ensure that they have information regarding markets, which are increasingly becoming consumer-driven.

- Better promotion of inter-ministerial cooperation is essential in order to avoid duplication of activities.

ANNEX

SADC TRADE MINISTERS' COMMUNIQUE

(SADC/Min-WTO/1/2005/5)

1. The Ministers of Trade of the Member States of the Southern African Development Community (SADC) met in Cape Town, South Africa on 23 September 2005 to review the state of play of the WTO negotiations in preparation for the 6th WTO Ministerial Conference to be held in Hong Kong, China 13 to 18 December 2005 and:

2. The Ministers reaffirmed the Cairo Declaration and the Road Map on the Doha Work Programme adopted by the African Union (AU) Ministers of Trade during their 3rd Ordinary Session held 5 to 9 June 2005 and of the Livingstone Declaration adopted by the Ministers responsible for Trade of the Least Developed Countries (LDC) during their 4th LDC Meeting held 25 to 26 June 2005 in Livingstone, Zambia.

3. The Ministers deliberated upon and adopted the 2005 Cape Town Recommendations as an Annex to this Communique, and agreed to meet at a later stage in order to review the status of the negotiations before the WTO Hong Kong Ministerial Conference on a date and at a venue to be determined.

4. The Ministers welcomed the recent initiative taken by the G8 Ministers meeting in Gleneagles, United Kingdom from 6 to 8 July 2005, to cancel the debt of some African countries, and welcomed the Aid for Trade Agenda, which could address the supply-side constraints and adjustment costs for SADC Member States.

5. The Ministers reiterated SADC's commitment to a rules-based, open, non-discriminatory and equitable Multilateral Trading System (MTS), and expressed concern with the continuous marginalization of sub-Saharan Africa in the World Trading System and underlined the need to enhance the participation of SADC Member States, particularly the LDCs, in the MTS, in order to achieve economic growth, employment and development for all. A balanced outcome of the WTO negotiations, reflecting the trade interests of all WTO Members, in particular the developing countries, is a necessary condition for ensuring development gains from an increasing participation of SADC Member States in the MTS.

6. The Ministers expressed concern on the slow progress of the WTO negotiations, particularly in key areas of interest to SADC Member States and acknowledged the need to intensify and expedite the negotiations and to undertake a serious consensus building effort by all WTO Members to ensure success of the 6th WTO Ministerial Conference.

7. The Ministers reaffirmed commitment to constructively participate in the process leading to the 6th WTG Ministerial Conference, and emphasized that all necessary efforts should be made to ensure that the outcome of the Ministerial Conference adequately reflects the trade and development needs of developing countries and allows for a timely conclusion of the WTO negotiations.

8. The Ministers recognized the primacy of the Geneva-based negotiating process, and reaffirmed the need for the negotiations to be inclusive and fully transparent to ensure political ownership by all WTO Members of both the process and the outcome of the negotiations. The preparatory work for the 6th WTO Ministerial Conference should

produce a negotiated text that effectively reflects the views of all WTO Members and provides the basis for further deliberations and decision-making at the Conference. The Ministers urge WTO Members to provide small and vulnerable economies with adequate opportunity to participate and express their views on issues of concern to their economies.

9. The Ministers stressed that the WTO negotiations can only be considered successful if development is at the core of the process and outcome. A balanced outcome of the Doha negotiations requires the incorporation of an effective development content that meets the legitimate expectations of SADC Member States and other developing countries. They noted that the need to work expeditiously towards implementing the development dimensions of the Doha negotiations was adequately acknowledged by all United Nations (UN) Members in the outcome of the recent UN General Assembly that gathered to review progress towards the achievement of the Millennium Development Goals.

10. The Ministers underscored that a development-oriented outcome of the negotiations must include:

a. Elimination of agricultural export subsidies and a meaningful and effective reduction of trade distorting domestic support within a credible and expeditious time frame;

b. Enhanced and predictable market access for the exports of SADC Member States, removal of trade distorting non-tariff barriers (NTBs) and market entry obstacles, and bound duty free and quota free market access in developed countries for SADC LDCs exports;

c. Retention of the negotiating approach agreed in the Guidelines and Procedures for the Negotiations on Trade in Services. The results of the negotiations should include commercially meaningful commitments from developed trading partners in services sectors and modes of supply of interest to SADC Member States, in particular on the temporary movement of natural persons providing services as well as for small service suppliers;

d. Expeditious and permanent solution to the TRIPS and Public Health issues in view of the HIV and AIDS pandemic in the SADC Region;

e. Provision of a mechanism for effectively addressing the problems of preference erosion within the WTO;

f. Prompt and adequate solution to all pending development issues of the Doha Work Programme and the inclusion of effective and operational special and differential treatment (S&D) provisions in all areas of the negotiations; and

g. Incorporation of effective measures addressing the particular concerns of small and vulnerable economies.

11. The Ministers stressed that S&D treatment should effectively preserve adequate space for national development policies in SADC Member States. Therefore, there is a need to maintain an appropriate balance between national policy space, international disciplines and commitments in the outcome of the WTO negotiations.

12. The Ministers emphasized the need for all WTO Members to demonstrate the willingness to reach an agreement on the amendment of Article 31 of the TRIP'S Agreement on Public Health so as to ensure that SADC and other developing countries with insufficient or no manufacturing capacity in the pharmaceutical sector, are able to access affordable medicine.

13. The Ministers recognized that drought is a recurrent menace, which threatens food security in the SADC Region, and outlined the necessity to achieve an outcome which adequately addresses and ensures food security in all the vulnerable countries, and also recognized the importance of providing food aid in grant form which should not cause commercial displacement.

14. The Ministers reaffirmed the need of prioritising technical assistance and capacity building as core elements of the development dimension of the Multilateral Trading System, and recognized that the establishment of the Doha Development Agenda Global Trust Fund has made a great contribution in this regard and emphasize that Members should be encouraged to continue contributing generously in favour of these programmes.

15. The Ministers expressed sincere thanks to the Government and the people of the Republic of South Africa for hosting the meeting, and for the warm hospitality and the excellent facilities put at their disposal, and recognized the assistance provided by the UNCTAD Secretariat to the SADC Member States.

Done at Cape Town on 23 September 2005

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