

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

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



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NOTE

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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

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1. INTRODUCTION AND BACKGROUND TO THE MULTILATERAL TRADING SYSTEM

Botswana is a landlocked, semi-arid country. It covers a geographical area of 582,000 km². 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

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