

Botswana: Trade Brief*

Trade Policy

As judged by the latest Trade (MFN) Tariff Restrictiveness Index (TTRI), on which it is ranked 89th out of 125 countries, Botswana's trade regime is more open than that of an average Sub-Saharan Africa (SSA) country. Its tariff policy is governed by the Southern African Customs Union (SACU), which regulates customs and excise duties on goods imported from non-SACU countries and establishes transit rights for products transported over Southern African territory. Botswana's 2007 MFN applied simple tariff average (7.9 percent) is in line with that of the other SACU members, while goods traded within the customs union are duty free. In addition, over 52 percent of all imports enter under a zero duty regime (2006). Botswana maintains a number of nontariff barriers including import permit requirements for a range of food products, seasonal trade bans on selected agricultural goods, and a state monopoly on beef exports. With respect to services, a number of key sectors, including mobile telephony and banking, are open to competition and investment by foreign providers. Although foreign competition is fully permitted in the telecom sector, Botswana's 2006 International Telecommunication Union (ITU) competition index in telecom is 1.5 (on a scale of 0 to 2, fully competitive). As the country has made only few and weak commitments under the GATS, it has ample scope for locking in its service trade regime with future deeper unilateral commitments in the Doha Round.

Market Access

According to the latest Market Access TTRI (including preferences), Botswana's manufacturing exports enjoy the most favorable access to their destination markets in the world, with a score of 0.1 and ranking 1st out of 125 countries. Similarly, its exports faced only a 0.1 percent rest-of-the-world applied tariff weighted average in 2006 compared to a much higher regional (3.0 percent) and upper-middle-income group (2.1 percent) averages. As a member of the Southern African Customs Union (SACU) and the South African Development Community (SADC), Botswana has enjoyed duty-free access to its most important markets. SACU provides duty-free access to the markets of its members, including Lesotho, Namibia, South Africa, and Swaziland. Moreover, as a SACU member, Botswana benefited indirectly from the South Africa-EU Trade Development and Cooperation Agreement. Recently, it agreed to an Interim Economic Partnership Agreement (EPA) with the EU, covering goods market access, fisheries, and development aid. The aim is to complete negotiations for a more comprehensive EPA by the end of 2008, which should also cover trade facilitation, agriculture, trade in services, and technical barriers to trade. In addition, Botswana's exports enjoy preferential access to the U.S. market under the African Growth and Opportunity Act (AGOA). Furthermore, SACU states and 10 other members of SADC agreed in 2001 to pursue greater intraregional liberalization. Overall, while 87 percent of exports were with free trade agreement (FTA) partners, Botswana's MFN duty-free exports constituted 97.1 percent of the country's total exports in 2006. This explains the very low value of U.S. and EU preferences despite their very high utilization rate.

Behind the Border Constraints

Botswana's 2007 Doing Business rank was 51st (out of 178), much better than its comparators, but several impediments to private business still remain, including shortages of land with utility

*As of April 2008. See the World Trade Indicators 2008 database at <http://www.worldbank.org/wti2008>

connections and other supporting infrastructure (such as road access and telecommunications links) and a multiplicity of regulations and required permits. Furthermore, because of particularly high per container export costs, its Trading Across Borders subcategory rank was a poor 145th. Although penetration of information technology (IT) and educational coverage are comparable to the SSA average, they are well below the mean in upper-middle-income countries. Per capita rates for Internet users (4.6 percent in 2006), for example, are noticeably lower than in an average upper-middle-income country (22.9 percent). The 60 percent (2006) telephone and mobile phone rate is well above the SSA average (22 percent), but much lower than the comparable income group average (95 percent). For 2005, the secondary school enrollment rate in Botswana was 74.9 percent, comparing favorably to the regional rate (35.4 percent), while the upper-middle-income country group rate is 88.0 percent

Trade Outcomes

Botswana's real growth in total trade of goods and services has been uneven, from an average of 2.4 percent in 2000–04 to 8.5 percent in 2005–06, and dropping to 3.4 percent in 2007, resulting in a ranking of 140th out of 160 countries. Botswana's trade share in GDP neared 88 percent in 2007, slightly lower than the SSA mean but lagging the upper-middle-income average openness ratio of 122.7 percent. With a share of 72 percent in 2006 of all goods exported, diamonds are Botswana's primary export, followed distantly by copper (15 percent) and beef (2 percent). The vast majority of exports go to Europe (about 87 percent in 2006). The main sources of imports are other members of the SACU.

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