

Trade Between the United States and Botswana

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**Ambassador Huggins, Honorable Minister Nkate,
distinguished Senators, ladies and gentlemen:**

The goal of USAID's Regional Center for Southern Africa is to promote equitable sustainable growth in a democratic Southern Africa. The cornerstone of this goal is the promotion of trade, competitiveness, and economic growth. The U.S. Government established the Regional Center in 1995 at the invitation of the Government of Botswana. The Regional Center implements a broad range of regional programs that promote democracy, good governance, trans-boundary natural resource management, and economic growth. We also provide a range of services to other USAID

missions to help them implement their respective country development programs.

U.S. President Bush made a commitment to Africa, to improve economic growth through expanded global trade. He created the TRADE¹ Initiative and called for the establishment of regional hubs for global competitiveness in Africa. The Regional Center already had programs in place that could support the goals of the TRADE Initiative. It moved quickly to establish the first of these African regional hubs in Botswana last year. The Southern Africa Global Competitiveness Hub or more commonly called the TRADE Hub was formally opened by Honorable Minister Nkate and U.S. Assistant Secretary of State Walter Kansteiner earlier this year. The TRADE Hub supports governments, public and private sector associations, and businesses in their efforts to improve the efficiency of regional markets, be more competitive in global markets, and to increase exports. Through these efforts, jobs are created and businesses are able to fuel the engine of economic growth and achieve poverty reduction.

¹ Trade for African Development and Enterprise

The TRADE Hub is more than a building. It is a framework for integrating the work of multiple U.S. Government agencies to promote trade, competitiveness and economic growth in Southern Africa. We have multiple contractor teams implementing activities under this framework.

I will give a brief overview of the region's competitiveness and the work the TRADE Hub is doing. In order to give a more concrete expression of this work, I will highlight some of the work we are doing in Botswana. It will serve to illustrate the kind of work we are doing throughout the region.

Southern African countries recognize that increased trade and open markets are the drivers of economic growth and poverty reduction. The U.S. Africa Growth and Opportunity Act or AGOA has created unprecedented opportunities for expanded exports to U.S. markets. Following this breakfast, you will have an opportunity to view an exhibit of selected AGOA-eligible products from around the region.

In 2002, duty free exports from Southern Africa to the US under AGOA were \$1.9 billion. AGOA has also brought

millions of dollars of new investments to the region. It is estimated that more than 180,000 jobs have been created in Southern Africa since AGOA went into effect. If the indirect employment impacts are considered, the total increases to 360,000 jobs. The largest number of jobs have been created in the textile and apparel sector as a result of AGOA. The countries of Southern Africa account for more than 85% of non-oil exports under AGOA. In 2002, AGOA exports from Botswana increased almost four-fold over the previous year, driven by an increase in apparel exports.

This was made possible by businesses, governments, and donors working together to eliminate barriers, reduce the cost of doing business, and create an investment climate that supports business expansion. The Regional Center has played an important role to help governments and businesses access U.S. markets under AGOA. Nevertheless, the region's share in total world exports in 2001 was less than 1%, far less than what is needed to spur economic growth.

Southern Africa is still not sufficiently competitive in world markets. The causes vary by country, and some countries

are better positioned than others to respond to the challenges of competing in world markets. As a region, though, the policy and regulatory environment continues to constrain trade, impede commerce, and increase the cost of doing business. The private sector in many parts of the region is relatively weak and needs strengthening to participate in global markets. Trade capacity building is also needed to enable countries to effectively participate in the global trading system.

The TRADE Hub provides assistance for trade capacity building. This assistance helps the region participate in and benefit from open markets and trade agreements. It is playing an important role in building the capacity of governments to participate in the World Trade Organization. It has a significant role in the establishment of the U.S.-Southern Africa Customs Union Free Trade Area. It is also supporting the Southern Africa Development Community Free Trade Area. Botswana has benefited from this support in a numbers of ways:

- Staff in the Ministry of Trade have received training on WTO issues.

- **Botswana has benefited from trade capacity building efforts provided as part of the on-going US-SACU Free Trade Agreement negotiations and the implementation of the SADC Free Trade Area.**
- **The Botswana public and private sector has received technical assistance on accessing US markets under AGOA.**

The TRADE Hub is also assisting governments and regional associations to implement customs reform and harmonization. This is helping to reduce the cost of doing business in the region. It is also an essential component in regional market integration.

- **The Hub has assisted Botswana in adopting harmonized regulations and customs forms for goods in transit. Botswana is participating in the pilot implementation of these forms along the Trans-Kalahari Corridor. This Corridor links Botswana to the port of Walvis Bay on the west coast of Namibia.**

The TRADE Hub is promoting key policy, legal and regulatory reforms in the energy, telecommunications and transport sectors. We are supporting the efforts of governments and regional associations to create an efficient and effective economic infrastructure in the region. These reforms will facilitate trade, competitiveness and economic growth.

- Botswana Power Corporation, for example, has received training and support for institutional development through a utility partnership managed by the U.S. Energy Association. It also participates in the USAID-supported regional electricity trading system through the Southern Africa Power Pool. This reduces the cost they pay for electricity which enables them to invest more in electricity infrastructure.**
- The Botswana Telecommunication Authority has received support in formulating regulations. It is also participating in the network for telecommunications training in cooperation with US and African universities.**

- **The Botswana Ministry of Transport and the private sector are participating in joint management institutions at the national and corridor level. Soon a Memorandum of Understanding will be signed with Namibia and South Africa on the management of the Trans-Kalahari Corridor. The TRADE Hub has facilitated the establishment of these public-private partnerships.**
- **Transportation and agricultural officials have toured the US to see work being done by their U.S. counterparts. These types of exchanges enhance transportation management and stimulate agricultural trade opportunities.**
- **A national technology transfer center on road infrastructure has been established. This was done in collaboration with the U.S. Federal Highway Administration, Botswana Ministry of Works, and the University of Botswana.**

The TRADE Hub is strengthening the capacity of advocates and champions of regional and global trade, particularly through producer and industry associations.

It is promoting export business competitiveness through the adoption of standards. The TRADE Hub is helping agribusiness groups achieve compliance with U.S. food safety requirements and sanitary and phyto-sanitary regulations.

It is facilitating AGOA business linkages. For example, it developed a program with the International Cotton Council to introduce US buyers of apparel to Botswana manufacturers. This included factory visits to communicate buyer expectations as well as provide recommendations on quality and productivity improvements. It assisted local businesses with market research, US buyer identification, and export investment services. In other words, the TRADE Hub provides assistance to get goods and services to market by establishing standards, creating and promoting business linkages, and facilitating trade.

The TRADE Hub is also providing assistance to countries in the region to harmonize key policies, such as tax policies. The Hub is supporting financial market development in order to promote macroeconomic convergence and the adoption of an enabling environment for trade and investment.

- **For example, the Botswana Stock Exchange is receiving technical assistance in reviewing its legal and regulatory framework. It is also receiving support to develop a business plan in order to establish itself as an autonomous self-regulatory body. Assistance is also being provided to facilitate the trading of Botswana government bonds on the Exchange.**

Over the past several years we have learned a great deal about what works and what is needed in the region. We have just completed a process of consultations and analyses that have helped us update and refocus our strategy to create a more competitive Southern Africa.

This strategy will guide our work for the period 2004 to 2010. It focuses on bringing together cross-border industry “clusters” that represent the building blocks of competitive advantage. We will work along an entire supply chain, both regional and international. The focus will be on those industry groupings that show the most promise for achieving global competitiveness.

The Hub will emphasize the development of business strategies. It will help increase the sophistication of business operations, as well as workforce development.

We will expand our collaboration with other US government agencies to apply the best talent and experience of the US Government to the challenges of global competitiveness. This was the expressed intent of U.S. President Bush when he announced the TRADE Initiative.

The TRADE Hub will continue to address important aspects of policy reform and the development of crucial public and private sector consortia to promote key policy reforms. It will continue to provide targeted trade capacity building support, particularly for the US-SACU free trade agreement negotiations.

The strategy for creating a more competitive Southern Africa will be integrated with a complementary strategy to diversify rural livelihoods in response to U.S. President's Initiative to End Hunger in Africa. The strategy to diversify rural livelihoods will focus on the development of a more

competitive agricultural sector and agribusiness environment in Southern Africa. This will promote food security, agricultural growth, and rural incomes.

The competitiveness strategy will also strive to mitigate the impact of HIV/AIDS on the capacity of governments to implement their economic growth strategies. It will work with private sector associations and business development service providers to develop business strategies to mitigate the impact of HIV/AIDS on profitability, productivity, and markets for goods and services. The Regional Center's HIV/AIDS programs will complement other US Government programs that focus on HIV/AIDS prevention and treatment.

There is much more that can be said about the work being done to create a more competitive Southern African economy. I encourage you to view the exhibits as a small sample of the many products that the region is already exporting or can export to the U.S. and other global markets. The TRADE Hub is here to facilitate and promote trade, competitiveness and economic growth in Botswana and the Southern African region. We are your partners in economic growth.

Thank you.

FACTS:

- In 2002, total AGOA exports were \$9 billion; AGOA exports not including petroleum were \$2.2 billion. AGOA exports from the 10 AGOA-eligible Southern African countries was \$1.9 billion. So perhaps you want to say that “Southern Africa accounts for more than 85% (or almost 90%) of *non-oil* exports under AGOA.”
- **RCSA operations in Botswana and some of its regional programs that directly implement activities in Botswana contribute \$6.5 million to the local economy.**