

COUNTRY PROFILE:**THE REPUBLIC OF BOTSWANA****DATED:****MAY 2011****CREDIT GUARANTEE**

IES/02: ATTACHMENT A

<i>Export Department Comment/ Opinion</i>	Rating 1B. Cover is considered on an open basis. This is not a claims free market
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Recent Political Highlights

- The President of the Botswana Ian Khama, son of a former president, was elected as Chairman of the Botswana Democratic Party (BDP) on 22 July 2003, assumed office from 1 April 2008 as an interim president to 19 October 2009 when he was elected and sworn in as the president of Botswana. He has won international and local kudos for his democratic stance and being an active leader.
- The 18 of April 2011 public sector strike caused an identity crisis for the Botswana Democratic Party which has been in power since 1966, Due to the strike schools have officially closed and hospitals have had to manage with small staff complements
- The BDP accuses the opposition of undermining the 45 years of political stability by exploiting the strike to try to spark a North Africa and Middle East style of uprising, with the countries three largest opposition parties having moved in to capitalize on the unrest by throwing support behind unions, giving fiery speeches at workers rallies and urging an ouster of President Ian Khama's government. The opposition party head Duma Boko of Botswana National Front called on the country to replicate the revolutions in Egypt and Tunisia and opposition parties are now openly involved in labour issues and the workers have also struck a relationship with the parties, but it remains to be seen how this relationship will work in future.
- The government was set to replace the striking work force without breaching any laws; however the process is still taking course.

Recent Economic Highlights

- The country has maintained a high growth rate since 1966, averaging 9% from 1966 to 1999, with one of Africa's lowest unemployment rates said to be at 7%. GDP in 2008 was R185bn with a growth rate of 2.9% and per capita GDP of R90k. The country was hit hard by the global recession incurring a negative GDP rate of 5.4% in 2009 (GDP of R173bn and per capita GDP of R83k). The decline in GDP was credited to Botswana's heavy reliance on luxury exports (diamond) and low demand therefore. 2010 saw an increase in GDP by 3,1% to R179bn and per capita GDP of R90k. Due to high fuel prices the inflation rate was at 8.1% in 2009 and 7.1% in 2010 with consumer spending and confidence gaining traction. April 2011's inflation rate was at 8.2%.
- Botswana's main economic sectors are agriculture 1.6%, industry 52.6%, 30.3% mining, and services 45%.
- Mozambique, Botswana and Zimbabwe have agreed to an R48bn port railway project; the project is said to begin in 2012 and is set to be completed by 2015. The deep water port and railway linking the three countries will transport minerals, oil tankers and passenger vessels.
- A foot & mouth outbreak may cost farmers R475m and the European Union has suspended shipments. The EU abattoir hygiene and animal traceability rules means the meat commission and their farmers cannot ship beef for six months and have set a plan to slaughter 10, 000 cattle to curb the foot and month outbreak.
- Botswana's fourth quarter 2010 trade deficit widened to R2.2bn, exports rose 2.5% while imports jumped 11% and diamond shipments rose 5.9%.
- Botswana's Central Bank (BCB) aims to balance growth and inflation. The BCB wants to keep prices stable while not risking an economic recovery by increasing interest rates too aggressively, which might hurt consumer spending.

Latest Trade Developments

- Major exports: diamonds, copper, nickel, soda ash, meat, textiles.
- Major imports: foodstuffs, machinery, electrical goods, transport equipment, textiles, fuel, petroleum products, wood and paper products, metal and metal products.
- Main trading partners: Korea, South Africa, Lesotho, Swaziland and Zimbabwe.
- SA imports from Botswana totaled R1.3bn in 2008, R885m in 2009, R1bn in 2010 and R215m up to February 2011.