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Norwegian beef trade with Botswana and Namibia

An analysis of the two quota-schemes

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NORWEGIAN SCHOOL OF ECONOMICS

Abstract

We examine the Norwegian preferential beef import from Botswana and Namibia, which is administered under two different quota-schemes. The General System of Preferences (GSP) quota of 2,700 tons is allocated to Norwegian importers on a first-come, first-served (FCFS) basis and the EFTA/SACU quota of 500 tons is allocated through an auction. In addition, the quotas are administered through firm-specific allocations within Botswana and Namibia. We investigate which stakeholders benefit from the way the two quotas are allocated by analyzing price data collected from different levels of the value chain. Our main findings are that the exporting and importing firms benefit most from the trade, and that the specific quota allocation method impacts whether exporters or importers have the most bargaining power. We also find evidence that the Norwegian government obtains some profits. Finally, we argue that the preferential beef trade is justifiable in the light of Norwegian development objectives. However, there is a potential risk that the exporters seem to become too dependent on the Norwegian preferential trade.

Preface

The authors of this thesis are both majoring in economics, and the thesis was written as a part of the Master of Science in Economics and Business administration at the Norwegian School of Economics (NHH). We both have a strong interest in development economics and international economics, and that is the reason why we chose to write about Norwegian trade with developing countries. The process of writing this thesis has been challenging and interesting. We are especially grateful to those people who have helped us in the progress of this thesis. First of all, we thank our advisor, Liam Brunt. He has contributed with his proficiency, academic strength, curiosity and kindness. We would also like to thank Gunnar Dalen (Nortura), Terje Wester (Fatland), Anders Horntvedt (Finansavisen), Stian Dyre Hansen (Norsk Polar), Martin Ravn (Noridane) and Sigurd-Lars Aspesletten (the Norwegian Agricultural Authority) for their expertise and help. Finally, we thank Bjørgulf Andersen and his colleagues at Norwegian Customs.

We are responsible for any errors.

Erik Aurdal & Elisabeth Løyland Omholt

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Abbreviations

AMI Allied Meat Importers

BEDIA Botswana Export Development and Investment Authorities

BMC Botswana Meat Commission

BCSO Botswana Central Statistics Office

DFQF MA Duty-Free and Quota-Free Market Access

ECOSOC United Nation's Economic and Social Council

EFTA European Free Trade Association

EPA Economic Partnership Agreement

EU European Union

FCFS First-come, First-served

FMD Foot and Mouth Disease

FTA Free Trade Agreement

HDI Human Development Index

IMF International Monetary Fund

GATT General Agreement on Tariffs and Trade

GDP Gross Domestic Product

GNI Gross National Income

GSP Generalized System of Preferences

LDC Least Developed Country

MEATCO Meat Corporation of Namibia

MFN Most Favored Nation

NAA Norwegian Agricultural Authority

NAD Namibian Dollars

NCA Norwegian Competition Authorities

NC Norwegian Customs

NCC Namibian Competition Commission

NFSA Norwegian Food Safety Authority

NOK Norwegian kroner

NORAD Norwegian Agency for Development Co-operation

NUPI Norwegian Institute of International Affairs

ODA Official Development Aid

ODI Overseas Development Institute

OECD DAC Organization of Economic Co-operation and Development's Development Assistance Committee

OIE The World Organization for Animal Health

SACU Southern African Customs Union

SPS Sanitary and Phytosanitary Standards

TRQ Tariff-Rate Quota

UN United Nations

UNCTAD United Nations Conference on Trade and Development

UNDP United Nations Development Program

UNICEF United Nations International Children's Emergency Fund

WTO World Trade Organization

Introduction

Botswana and Namibia are today eligible to export 3,200 tons of bovine meat duty-free to Norway on an annual basis. The export to Norway is regulated under two different quota-schemes, the Generalized System of Preferences (GSP) and the EFTA/SACU quota. Botswana and Namibia were approved for export in 1995, and exporters have since then had preferential and duty-free market access to Norway. Export of bovine meat from Botswana to Norway started in 1996 and continues today, while Namibia had some problems in the beginning with salmonella and did not export continuously on an annual basis before 1998 (Sunnevåg, 1999).

We found this particular beef trade to be an interesting research subject for several reasons. First of all, the import from Botswana and Namibia has been highly debated in Norway and in the two exporting countries. Both Botswana and Namibia are recipients of special treatment, since they can export duty-free to Norway even though they are not classified as least developed countries (LDCs). There is also an on-going debate about the quota allocation methods. The fact that the trade is allocated by two different quota-schemes, makes the research interesting.

Further, there has not been conducted much research on the economics of quota administration. A more recent paper by Khandelwal, et al. (2012), reviews the productivity of Chinese textile firms before and after deregulation of a quota-scheme. Their main findings imply that inefficient quota administration can exclude productive firms (Khandelwal, et al., 2012). Also, there has not been done a lot of research on this specific beef trade – as far as we know. Sunnevåg (1999) published a report discussing possible auction formats for the Botswana and Namibian beef quotas. Another paper by Rich, et al. (2012), was recently published through the Norwegian Institute of International affairs (NUPI). The aim of that paper was to explain Norwegian beef imports under the GSP and the paper includes a discussion about the beef import from Botswana and Namibia. Other papers published by NUPI also include discussions about this beef trade.

However, none of these papers aim to answer the question of who benefits from how the quotas are allocated. The exception is Sunnevåg (1999), who discussed this question in the context of auction formats.

This thesis aims to answer this question, and it is therefore our main research topic. Since both Botswana and Namibia receive special treatment and are not classified as LDCs, we also find it necessary to discusses whether or not the trade is justifiable in the context of Norwegian development objectives. Research for this project was conducted through mostly electronic and public listed sources and through the economic literature. Our research is also based on interviews with some of the stakeholders in the beef trade, such as Norwegian importers and quota regulators (Norwegian Customs and the Norwegian Agricultural Authority).

The thesis is divided into six chapters. Chapter 1 provides a quantitative overview of the beef trade. Chapter 2 reviews the origins of the beef trade with Botswana and Namibia, and discusses why these countries receive a special treatment. Chapter 3 analyzes the economic situations of Botswana and Namibia and the productivity of their respective beef sectors. The chapter further reviews how these issues comply with Norwegian development objectives. In chapter 4, we present an overview of relevant quota allocation theory and the mechanisms behind the current quota allocation methods. Chapter 5 describes the different exporting and importing firms and what some of their interests are regarding the allocation methods. In chapter 6, we use various price data to estimate which of the stakeholders profit from the beef trade. Finally, we have discussed our concluding remarks.

Chapter 1

An overview of the beef trade

1.1 Quantity and commodity regulations

As mentioned, the Norwegian beef trade with Botswana and Namibia consists of total 3,200 tons of bovine meat and is regulated under two different quota-schemes. These two quota-schemes differ when it comes to quantity and which products it is allowed to export. Exporters from Botswana and Namibia are eligible to export 2,700 tons under the GSP quota, and 500 tons under the EFTA/SACU quota. The GSP quota was implemented in 1995, while the EFTA/SACU quota came into force in 2008. The GSP quota only opens for import of a few specific boneless beef products, which are steaks and fillets and other cuts of meat (table 1). The bovine meat can either be imported fresh/chilled or frozen.

Table 1: List of commodity codes eligible for trade under the GSP quota.

Commodity code	*Description*
02.01.3001	Beef steaks and fillets of bovine animals. Fresh or chilled (boneless).
02.01.3009	Other meat of bovine animals. Except carcasses, quarters and “pistola-cuts”. Fresh or chilled (boneless).
02.02.3001	Beef steaks and fillets of bovine animals. Frozen (boneless).
02.02.3009	Other meat of bovine animals. Except carcasses, quarters and “pistola-cuts”. Frozen (boneless).

Source: (NC, 2013a).

The EFTA/SACU quota is on the other hand more flexible, and allows importers to import bovine meat with bones (table 2). This quota covers bone-in meat such as carcasses, forequarters, hindquarters and so- called "pistola-cuts".[1] However, neither the importers nor the exporters have exploited this opportunity, and the beef trade has basically consisted of the commodity codes allowed under the GSP quota.

Table 2: List of commodity codes eligible for trade under the EFTA/SACU quota.

Commodity code	*Description*
02.01	Meat of bovine animals, fresh or chilled.
02.02	Meat of bovine animals, frozen.

Source: (EFTA/SACU, 2006).

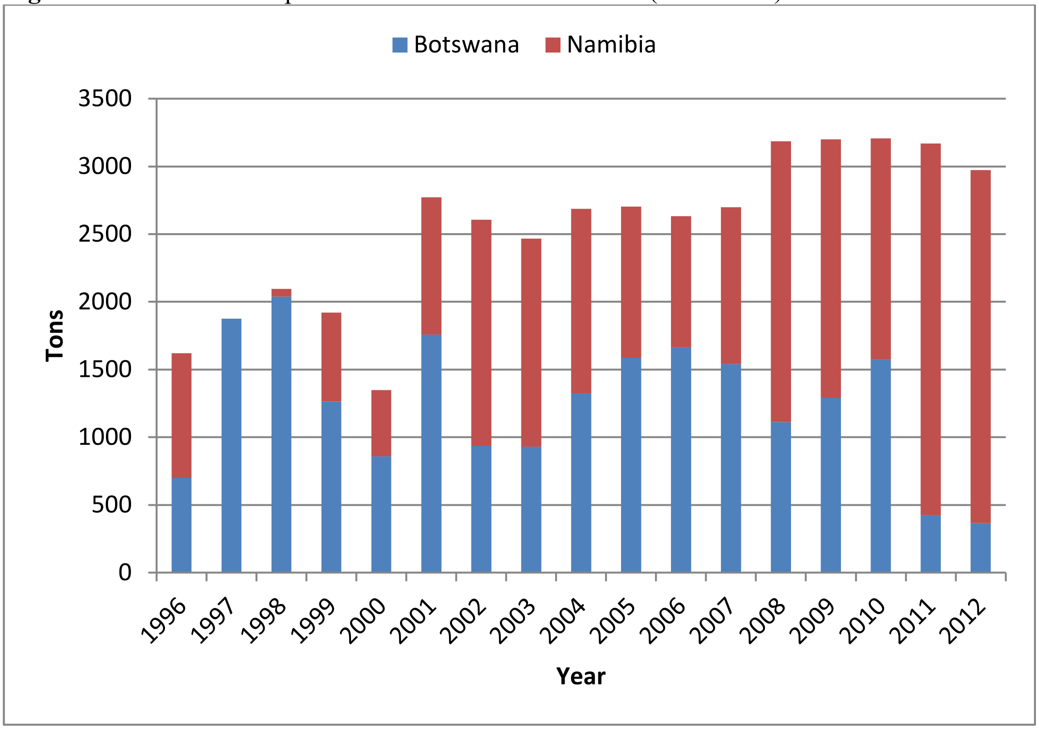
1.2 Trade data

1.2.1 The import quantity

After the implementation of the EFTA/SACU quota in 2008, there has been an increase in the total quantity imported from Botswana and Namibia. There has also been a change in which of the two countries it has been most popular to import from. Figure 1 shows the annual quota import of beef from Botswana and Namibia in the period between 1996 and 2012. During the 1990's, most of the beef allowed imported under these quota-schemes came from Botswana. More recently, a larger share of the import has been of Namibian origin; almost 90 per cent of the total trade in 2011 and 2012. The main reason for this is that Botswana was banned from the trade due to recent outbreaks of foot and mouth disease (FMD) (Agritrade, 2012).

[1] For a more detailed list of what the commodity codes in table 2 include, see Appendix A.

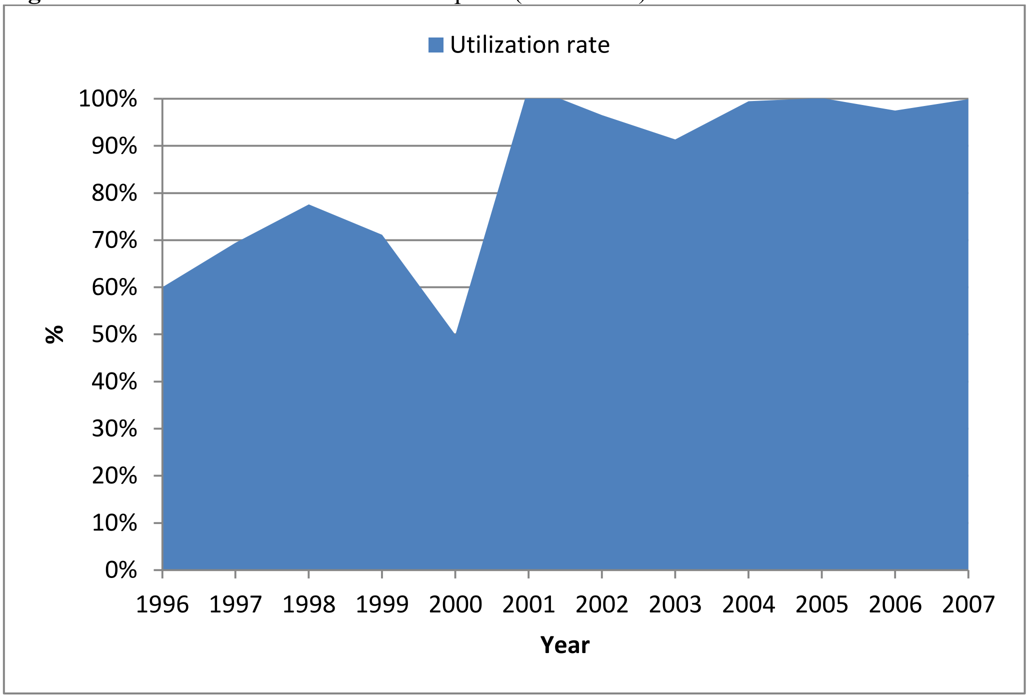
Figure 1: Bovine meat import from Botswana and Namibia (1996-2012).



Note: The figure exhibits the quantity of Norwegian beef import from Botswana and Namibia between 1996 and 2012. The figure only includes the quantity of bovine meat imported under the two quota-schemes; GSP and EFTA/SACU. Source: (Statistics Norway, 2013a).

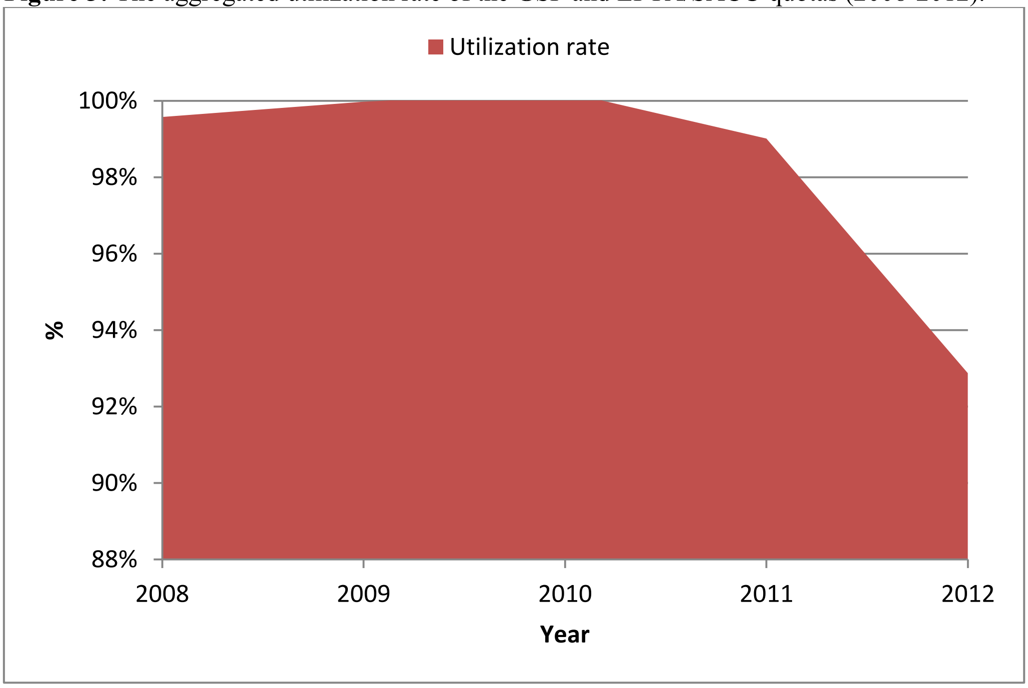
The utilization rate of the GSP quota (2,700 tons) from 1996 to 2007 is illustrated in figure 2. The utilization of this quota has varied since it was implemented in 1996. So far, the lowest amount of import occurred in year 2000. The utilization rate of the GSP and EFTA/SACU quotas (2,700 tons plus 500 tons) is illustrated in figure 3. Since 2008, the aggregated utilization rate of these two quotas has been close to 100 per cent.

Figure 2: The utilization rate of the GSP quota (1996-2007).



Note: The figure exhibits the utilization rate of the GSP quota. The maximum quantity of import allowed duty-free from Botswana and Namibia was 2,700 tons in the years between 1996 and 2007. The EFTA/SACU quota was not implemented before 2008. Source: (Statistics Norway, 2013a).

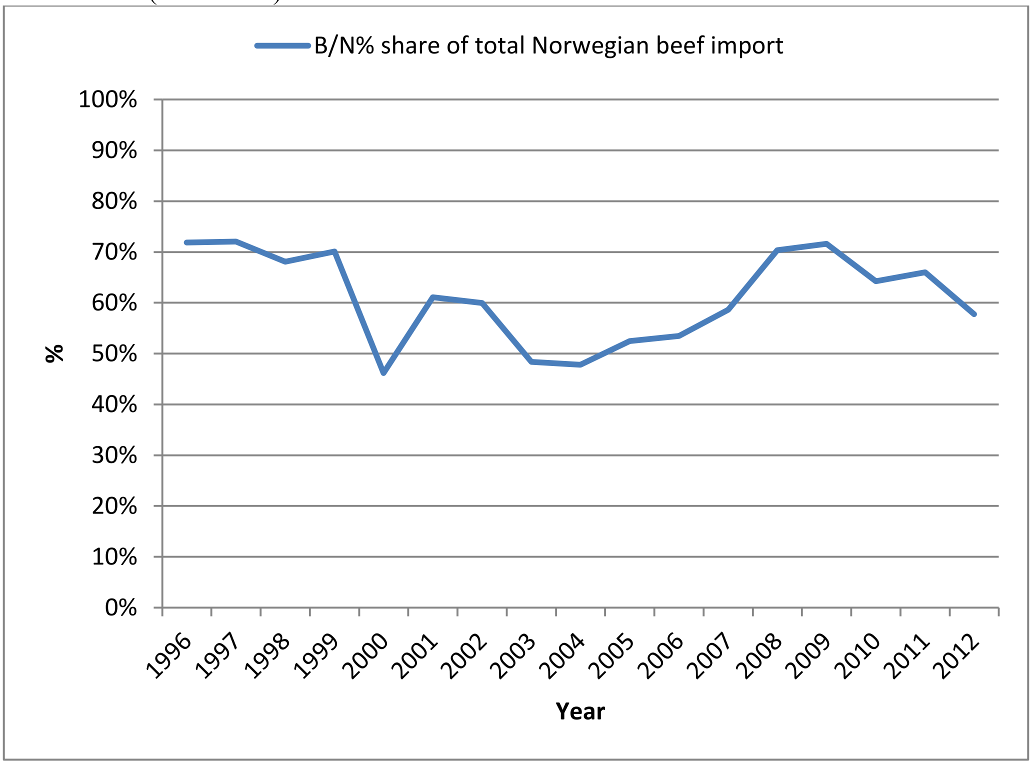
Figure 3: The aggregated utilization rate of the GSP and EFTA/SACU quotas (2008-2012).



Note: The figure exhibits the utilization rate of the GSP and EFTA/SACU quotas. Between 2008 and 2012, the maximum quantity of beef allowed to export duty-free under these quotas was 3,200 (2,700 + 500) tons. Source: (Statistics Norway, 2013a).

The magnitude of beef import from Botswana and Namibia compared with the total Norwegian import of similar products is illustrated in figure 4. Hence, carcasses are excluded and the commodities included are boneless beef steaks and fillets and other boneless cuts of meat. It is appropriate to do such a comparison, since these are the only commodities imported under the two quota-schemes for Botswana and Namibia. Further, bone-in products, allowed to be imported under the EFTA/SACU quota, are limited in world trade due to strict health requirements and the increased risk of FMD outbreaks (Rich, et al., 2012).

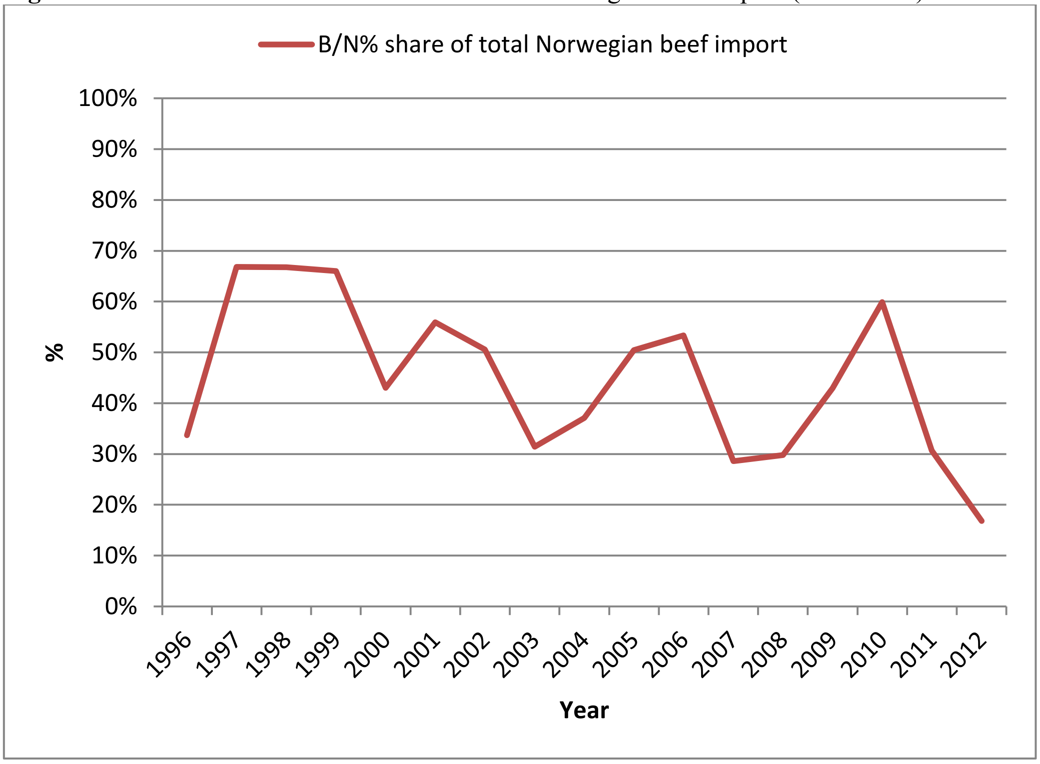
Figure 4: Botswana and Namibia's share of total Norwegian import of specific beef commodities (1996-2012).



Note: The figure exhibits the import (measured in tons) from Botswana and Namibia under the two quota-schemes (GSP + EFTA/SACU) as a share of total Norwegian import of the specific commodity codes listed table 1. Source: (Statistics Norway, 2013a).

The Botswana and Namibian share of total import of the specific commodities has held a steady rate since the beginning in 1996. The maximum share was approximately 72 per cent in the years 1997 and 2009. The lowest share was 46 per cent in 2000. In recent years, the share has been around 60 per cent of total import. These numbers imply that the import from Botswana and Namibia counts for a substantial part of the total import of steaks and fillets and other cuts of meat. However, if one reviews the percentage share of total Norwegian import of beef, the magnitude of the Botswana and Namibian import is reduced. When all imports of bovine meat, such as carcasses and bone-in products are included in the calculation, the picture becomes suddenly quite different. This percentage share of import is illustrated in figure 5. Here, one can clearly see that the Botswana and Namibian share of total import has varied a lot since the beginning in 1996. In 1999, the share was accounted to be as high as 70 per cent. However, the magnitude of the trade compared with total trade has been quite modest in the two most recent years. In 2012, the share was approximately 17 per cent, which is accounted to be the lowest share ever.

Figure 5: Botswana and Namibia's share of total Norwegian beef import (1996-2012).



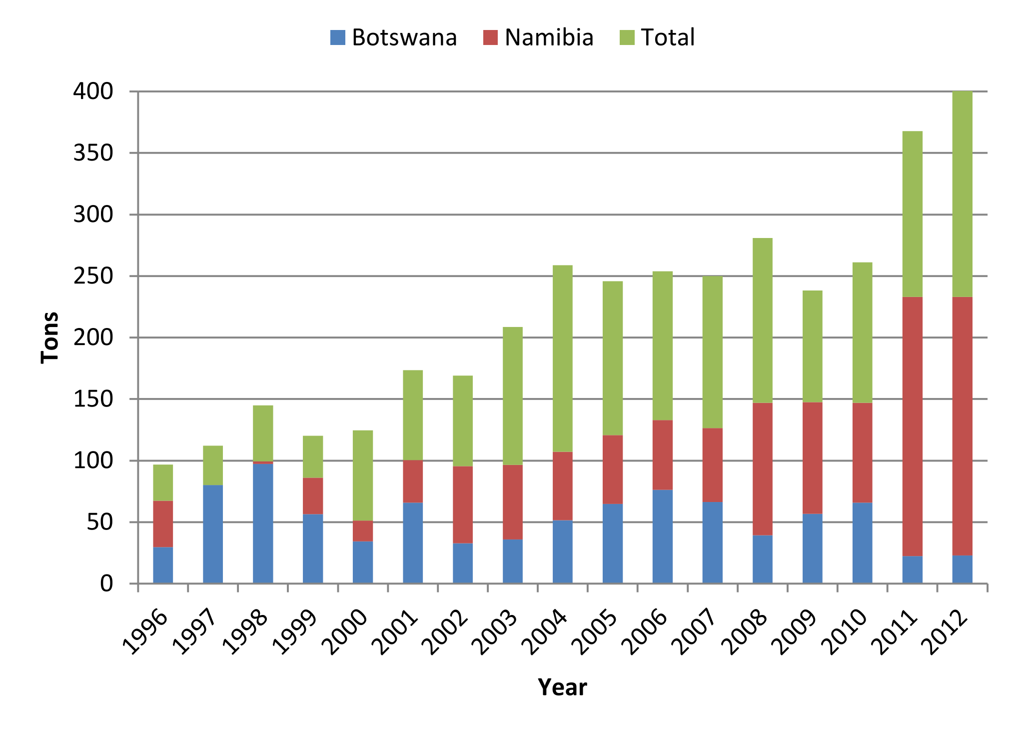
Note: The figure exhibits the import (measured in tons) from Botswana and Namibia under the two quota-schemes (GSP + EFTA/SACU) as a share of total Norwegian import of beef including all the commodity codes of beef (Appendix A). Source: (Statistics Norway, 2013a).

The declining share of import is due to Norway's beef production deficit. Hence, the import from other beef exporting countries has increased. This situation currently makes Norway the world's third largest export market for beef. In 2012, Norway produced approximately 78,000 tons of beef, while Norwegians consumed 95,000 tons. The production deficit of 17,000 tons therefore had to be covered by import. Recently, more dairy cows have been slaughtered and production is therefore estimated to have increased slightly. Import of beef is therefore estimated to be approximately 15,000 tons in 2013. 8,300 tons are expected to be imported under reduced tariff-rate quotas (TRQs), while the rest is expected to be imported either under a duty-free quota- scheme or charged full duty. The European Union (EU) is also experiencing a similar situation (NAA, 2012). It therefore looks like the import of beef to Norway and the EU will not diminish drastically any time soon.

1.2.2 Value of the import

The quantity of beef from Botswana and Namibia is not the only measure that has increased in recent years. The import value from these countries has also increased. The estimated values of the beef trade from Botswana and Namibia under the two quota-schemes are illustrated in figure 6. This figure also includes the value of total import of the commodities specified in table 1. This measure can be reviewed as the amounts paid by Norwegian importers to exporters in Botswana and Namibia. It should, however, be mentioned that these values include transportation and insurance costs (Statistics Norway, 2013b).

Figure 6: The value of beef import from Botswana and Namibia (1996-2012).



Note: The figure exhibits the value of the import from Botswana and Namibia under the two quota-schemes (GSP + EFTA/SACU), and also the value of the total Norwegian import of the specific commodity codes (02.01.3001, 02.01.3009, 02.02.3001 and 02.02.3009). These values are adjusted for inflation.[2] Source: (Statistics Norway, 2013a).

The minimum value the beef trade has had since its beginning in 1996 has been approximately 51 million NOK (in 2000), while the maximum value has been almost 233 million NOK (in 2012). The value of the trade with Namibia has had an increasing rate since the beginning of the last decade, and has had a significant increase during the last two years. Although the import value from Botswana has decreased since 2010, the overall import value from the two countries has increased. This is an interesting trend, since the quantity allowed to be imported under these quota- schemes has been the same since 2008.

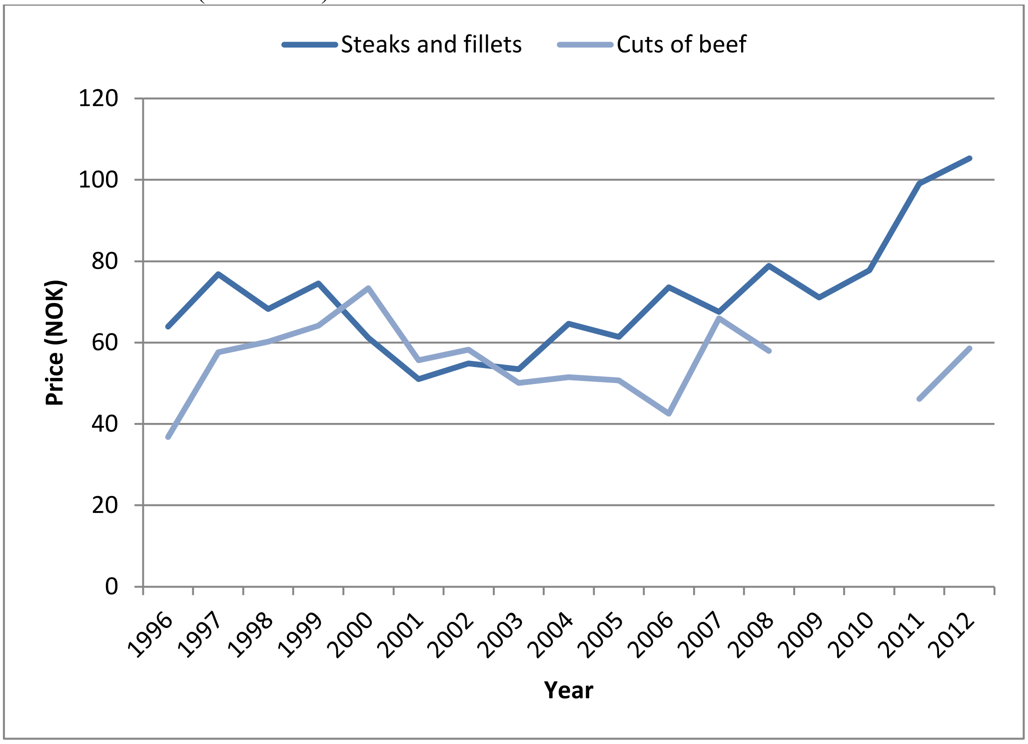
As mentioned, a larger share of the two quotas has been imported from Namibia (figure 1), but since the maximum quantity allowed has been the same, and the fact that the utilization rate has been almost the same (actually a bit lower in 2012), this might imply that importers in Norway have paid a

[2] The numbers are adjusted for inflation by estimating how much 1 NOK in one particular year would be worth in 2012 (Statistics Norway, 2013a).

higher price for the beef during the last two years. In 2009, the import value from Botswana and Namibia was approximately 147 million NOK, while 233 million NOK in 2012. From 2010 to 2011, the value of import from Namibia increased by approximately 86 million. However, the value of the trade with other countries also increased drastically in 2011 and 2012, even though the quantity has been fairly stable since 2001. From 2011 to 2012, the quantity imported increased by approximately 350 tons, while the value increased by 66 million NOK. This indicates that beef prices generally have increased in recent years.

Steaks and fillets have a higher value than cuts of beef, both for fresh/chilled and frozen meat. Figure 7 provides an illustration of the difference between the average price (NOK) per kilo paid for fresh/chilled steaks and fillets compared to cuts of beef. The figure is an aggregate of the prices paid to exporters in Botswana and Namibia, and in recent years, the price difference between steaks and fillets and cuts of beef has been large. In 2011 and 2012, importers paid on average a price of 98 NOK and 105 NOK per kilo for steaks and fillets. The price paid for other cuts of beef however, was 46 and 58.5 NOK per kilo. Figure 8 exhibits an illustration of prices paid for frozen steaks and fillets compared to cuts of beef. This figure is also an aggregate of the average prices paid to exporters in Botswana and Namibia. Since 2008, importers have paid a higher price for frozen steaks and fillets compared to cuts of beef. In 2011 and 2012, importers paid on average a price of 56 NOK and 60 NOK per kilo for steaks and fillets. At the same time, the price paid for other cuts of beef was 47 NOK and 49 NOK per kilo.

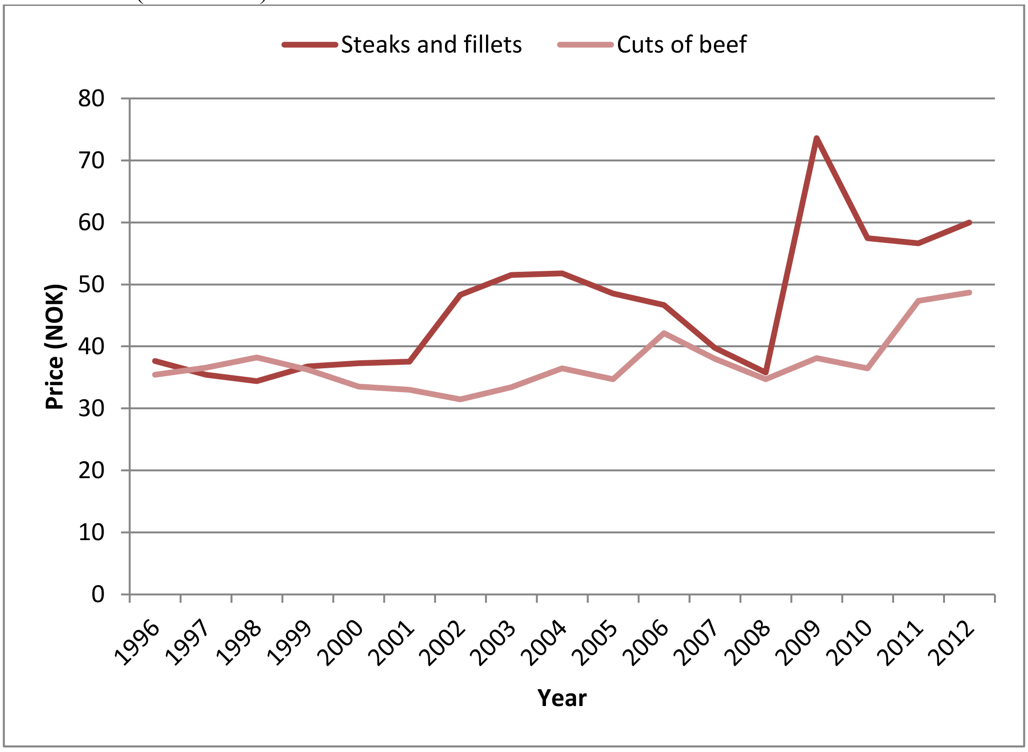
Figure 7: Price paid by Norwegian importers for fresh/chilled steaks and fillets compared to other cuts of beef (1996-2012).



Note: The figure exhibits an aggregate of the prices paid for fresh/chilled beef (steaks and fillets and other cuts of meat) by Norwegian importers to exporters in Botswana and Namibia. The prices are given in NOK and are adjusted for inflation.[3] Source: (Statistics Norway, 2013a).

[3] The numbers are adjusted for inflation by estimating how much 1 NOK in one particular year would be worth in 2012 (Statistics Norway, 2013a).

Figure 8: Price paid by Norwegian importers for frozen steaks and fillets compared to other cuts of beef (1996-2012).



Note: The figure exhibits an aggregate of the prices paid for frozen beef (steaks and fillets and other cuts of meat) by Norwegian importers to exporters in Botswana and Namibia. The prices are given in NOK and are adjusted for inflation.[4] Source: (Statistics Norway, 2013a).

[4] The numbers are adjusted for inflation by estimating how much 1 NOK in one particular year would be worth in 2012 (Statistics Norway, 2013a).

Chapter 2

Unique preferential trade

The Norwegian preferential beef trade is regulated by international trade rules and agreements. Under these terms, Botswana and Namibia are granted the special quotas for duty-free export of beef to Norway. There are historical reasons why Botswana and Namibia are granted this particular treatment, which is unique compared to Norwegian trade with other developing countries.

2.1 The Generalized System of Preferences

2.1.1 Origins of GSP

The World Trade Organization (WTO) is the largest multinational organisation for trade negotiations between countries and currently consists of 159 member states (WTO, 2013a). The basis of the trade-negotiations in the WTO is the General Agreement on Tariffs and Trade (GATT), which was ratified in 1947. The GATT is an agreement for regulating international trade with goods, with a general objective of reducing tariffs and other trade barriers. GATT article 1 states that if one member grants another member a particular trade privilege, this privilege must also be expanded to apply for all other GATT members. This is known as the "Most Favored Nation"-treatment (MFN), and is an important feature of trade negotiations in the WTO (WTO, 2013b).

The Generalized System of Preferences (GSP) was established in 1968 (UNCTAD, 2012a). The WTO defines GSP as *"(...) programmes by developed countries granting preferential tariffs to imports from developing countries"* (WTO, 2013c). Examples of preferential tariffs are tariff reductions or duty-free export of certain goods. Developed countries offering GSP do not expect to be offered the same treatment in return from developing countries. Nor do they offer the same treatment to other developed members (WTO, 2013d). The GSP is thus not in compliance with the principle of MFN-treatment.

In 1979, the GATT-members agreed that GSP should be permanently allowed, and the scheme is currently included in WTO regulations under the name “Enabling Clause” (Norwegian Ministry of Foreign Affairs, 2007). By 2012, 11 WTO members offered GSP-treatment to developing countries, including Norway, the EU and the United States (UNCTAD, 2012a).

2.1.2 Different treatment under GSP

To contribute to economic growth was the main objective of the GSP. Trade through GSP-schemes could lead to enhanced export revenues and industrialization promotion in developing countries, thus spurring economic growth. Initially, all developing countries were to be treated similarly under the scheme. Least developed countries (LDCs) however, have generally been granted more preferences than other developing countries (Norwegian Ministry of Foreign Affairs, 2007). In the WTO, members may decide themselves whether they should be classified as a developing or developed country. However, special criteria must be fulfilled in order to be granted LDC status (Melchior, 2005a). The WTO follows the list set by the UN Economic and Social Council (ECOSOC) of which countries that are LDCs. Currently, 34 WTO-members have LDC status (WTO, 2013e). To be considered an LDC by ECOSOC, and thus by the WTO, a country must fulfill four criteria.[5] Few countries have ever graduated from the LDC group (ECOSOC, 2013).

[5] **LDC criteria** (ECOSOC, 2013):

1) Gross National Income (GNI) per capita of less than $992 a year.

2) Low scores on the Human Asset Index which measures level of education, literacy, nutrition and child mortality.

3) Low scores on the Economic Vulnerability Index which among others regards a country’s exports, demography, geographic vulnerability and instability of agricultural production.

4) Population of less than 75 million.

2.2 The Norwegian GSP

Norway implemented its GSP-scheme in 1971, and has since gradually opened up for more duty-free imports from developing countries. All LDCs obtained duty-free and quota-free market access (DFQF MA) for goods in 2002, including agricultural products (Norwegian Ministry of Foreign Affairs, 2012).[6] Generally, agricultural products imported to Norway face high tariff rates. This is especially prevalent for so called “non-processed goods”, like meat. LDCs such have an advantage compared to other countries, as they may export agricultural products duty-free (Norwegian Ministry of Agriculture and Food, 2008). On the other hand, for non-agricultural products, Norway has removed all tariff lines.[7] LDCs have therefore few advantages compared to other countries when it comes to these products (Norwegian Ministry of Foreign Affairs, 2007). Norway grants GSP-treatment to all developing countries. However, the system offers separate treatment to countries of different level of development. The system was updated in January 2013 and Norway now offers various GSP-treatments to three different country categories. These various GSP-treatments are illustrated in table 3.

[6] In 2008, this treatment was expanded to include 14 low-income countries.

[7] There are exceptions for some product lines, mainly textiles and clothes.

Table 3: Various GSP-treatments offered by Norway.

Category of GSP-treatment	*Definition*	*Tariff reductions*
LDCs	46 LDCs and 13 low income countries with less than 75 million inhabitants.	Duty-free and quota-free market access for all export products.
GSP+	25 lower middle-income countries with less than 75 million inhabitants.	Tariff reductions on clothes and textiles. Significant tariff reductions on certain food products. For import of other agricultural products, the exporters receive a tariff reduction between 10 and 100 per cent of the general tariff. All other goods may be exported duty-free.
Ordinary GSP	48 developing countries. Botswana and Namibia are categorized in this group, but treated differently than others.	Tariff reductions between 10 and 100 per cent on agricultural products. No tariff reductions on certain clothes and textile products. All other goods may be exported duty-free.

Source: (NC, 2013b) and (Norwegian Ministry of Foreign Affairs, 2012).

In accordance with the structure of the Norwegian GSP, poorer countries are granted greater trade preferences. Norway categorizes countries into the different GSP groups based on reviews by the Organization of Economic Co-operation and Development (OECD). The OECD's Development Assistance Committee (OECD DAC) annually reviews which countries are LDCs and upper- and middle-income developing countries. (Norwegian Ministry of Foreign Affairs, 2012). According to the list of 2013, a country regarded as an LDC or other low income country had a GNI of less than $1005 per capita in 2010 (OECD DAC, 2013a). The LDC GNI criterion of OECD is very similar to the ECOSOC criterion, meaning that Norway and WTO do not differ much in their categorization of LDCs.

2.3 Norwegian preferential beef trade

2.3.1 Beef import from LDCs

Between 1934 and 1995, quota regulated import of meat to Norway was based on underlying consumer demand (Nortura, 2013a). Since 1995, WTO regulations have imposed Norway to administer various quotas for meat import to reduced tariffs (Nortura, 2013b). The Norwegian Parliament decided in 1995 that LDCs could export 2,700 tons of beef duty-free to Norway on an annual basis. This was included in the GSP-scheme, but in addition to other WTO-quotas for tariff reduced beef import (Nortura, 2013a). The Norwegian government analyzed the market for bovine meat in Norway, and determined that an import of 2,700 tons of boneless meat would not disturb the domestic Norwegian beef market (Norwegian Ministry of Finance, 2000). Norwegian authorities are eligible to cease the duty-free import of beef if it is regarded to disturb the domestic beef marked. This is known as the so-called "safety mechanism" (Norwegian Law, 2008).

Botswana graduated from LDC status in 1994 and Namibia has never had LDC status (UNCTAD, 2012b). Still, both countries were included in the LDC group who could export 2,700 tons of beef duty-free to Norway. The quota was originally open for beef import from all LDCs. However, since Botswana and Namibia were the only countries who met Norwegian health requirements, they were the only countries in the LDC group approved for exporting beef to Norway (Bævre, et al., 2000). Hence, Norwegian firms imported only from Botswana and Namibia under the GSP quota (Nortura, 2013a). As mentioned, LDCs were granted duty-free and quota-free export of all their products to Norway in 2002, including beef. The GSP quota of 2,700 tons thus became in excess for LDCs. Botswana and Namibia were by then no longer categorized by Norway as LDCs (OECD DAC, 2003), but since they were the only countries who had utilized the beef quota in the past, the Norwegian government decided to continue to allowing them to export 2,700 tons of beef duty-free each year (Norwegian Ministry of Foreign Affairs, 2012).

2.3.2 Special treatment of Botswana and Namibia

The beef quota for Botswana and Namibia is now a separate feature under the GSP-scheme and is allocated by the Norwegian Customs (NC) on a “first-come, first-served” (FCFS) basis (NC, 2013b). Since Botswana and Namibia have been the only two countries who have utilized the possibility for beef export under the GSP, and cannot export more than 2,700 tons combined, there has never been any reason for implementing the “safety-mechanism”.

The special treatment of Botswana and Namibia is a unique feature of the Norwegian GSP-scheme. Botswana and Namibia had a GNI per capita of respectively 7,470 and 4,700 US dollars in 2011 (The World Bank, 2013a; The World Bank, 2013b)[8], and are thus classified as upper-middle income countries by the OECD DAC. According to the OECD DAC’s lists over aid receiving countries, Botswana became an upper-middle income country in 2000 and Namibia in 2011 (OECD DAC, 2013a). In accordance with the Norwegian GSP-scheme, Botswana and Namibia should be granted ordinary GSP benefits. When it comes to beef export, however, they receive beneficial trade treatment on a basis similar to how LDCs are treated (Norwegian Ministry of Foreign Affairs, 2007). Other upper-middle income countries are not eligible for export of beef to Norway on the same basis (NC, 2013b). In 2009, Swaziland became the first low income country allowed to export beef to Norway under a duty-free quota (Mittenzwei & Svennerud, 2010). The country has its own quota for duty-free beef export of 500 tons, which is allocated by the NC on a FCFS basis (NC, 2013b).

2.4 FTA between EFTA and SACU

The Norwegian beef import from Botswana and Namibia is not only regulated through the GSP-scheme. A Free Trade Agreement (FTA) between The European Free Trade Association (EFTA) and the Southern African Customs

[8] Not PPP- adjusted.

Union (SACU) allows for a certain amount of annual export of duty-free beef to Norway as well.

EFTA was established in 1960, and today comprises of four countries: Switzerland, Norway, Iceland and Lichtenstein (EFTA, 2013). The current SACU agreement was signed in 2002, and SACU today comprises of Botswana, Lesotho, Namibia, South Africa and Swaziland (SACU, 2007). EFTA and SACU signed the FTA in 2006 and it was implemented in 2008 (SACU, 2009). The objective of the FTA is to increase trade between the member countries and contribute to development by removing trade barriers (EFTA/SACU, 2006). Subjective to the FTA, three bilateral agricultural agreements were implemented in May 2008. Norway, Switzerland and Iceland each signed a bilateral agricultural agreement with SACU (Botswana Ministry of Trade and Industry, 2010).

2.4.1 The Protocol on Beef

Through the bilateral agricultural agreement between Norway and SACU, Norway offers tariff reductions between 10 and 100 per cent on many agricultural products. As a special feature of the agreement, 500 tons of beef may be exported to Norway duty-free each year. This beef must originate in Botswana or Namibia, as they were the only SACU states at the time qualified for beef export to Norway. The feature is known as “the Protocol on Beef” (Norway/SACU, 2006). Import licenses under the EFTA/SACU quota are allocated to Norwegian firms through an auction process, which is administered by the Norwegian Agricultural Authority (NAA, 2013a). Norway stated in the bilateral agricultural agreement to continue the duty-free beef quota under the GSP in addition to the implementation of the “Protocol on Beef” (Norway/SACU, 2006). Thus, Botswana and Namibia can in total export 3,200 tons of beef duty-free to Norway annually under the two different quota-schemes.

Iceland and Switzerland have also signed bilateral agricultural agreements with SACU. Switzerland gives the SACU members some tariff preferences on bovine meat, but none of them offer duty-free export of beef or a beef quota similar to the Norwegian "Protocol on Beef" (Iceland/SACU, 2006; SACU/Switzerland, 2006).

2.5 SPS requirements and control

As mentioned, Norwegian beef import is restricted by certain health requirements. These are set by the EU and this means that agricultural products, like beef, only can enter the Norwegian market if they are EU approved. Since the EU's sanitary and phytosanitary (SPS) requirements are very strict, this limits the countries Norway can import beef from (Norwegian Ministry of Foreign Affairs, 2012).[9]

The sanitary requirements for beef are:

1) *low levels of residues*
2) *free of foot and mouth disease (FMD)*

Few developing countries manage to fulfill both these standards. Among low-income countries, Swaziland is the only country fulfilling both SPS requirements (Melchior, et al., 2012a). Botswana and Namibia fulfill the residues requirements (Norwegian Law, 2011), and both countries have one zone regarded as free of FMD (OIE, 2013). It is thus allowed to import beef to Europe from these zones. The World Organization for Animal Health (OIE) makes the list of countries and geographical zones free of FMD.[10]

It is a complicated process for developing countries to export beef to Europe. Exporters must first be approved by national authorities and this process is costly for both the domestic government and the exporting firms (Agritrade, 2009). In February 2011, the Botswana government decided to halt all beef exports to the EU because of spread of FMD. This also suspended Botswana

[9] For more detailed information about the EU-list of approved beef exporters: http://ec.europa.eu/food/food/biosafety/establishments/third_country/index_en.htm

[10] For a review of OIE's list of FMD free zones: http://www.oie.int/en/animal-health-in-the-world/official-disease-status/fmd/list-of-fmd-free-members

beef exports to Norway (Agritrade, 2012). The suspension lasted to June 2012, when Botswana veterinary authorities concluded that one of Botswana Meat Commission‘s (BMC) abattoirs was FMD free again (BMC, 2012). Beef from Botswana and Namibia is declared manually by a customs officer when it arrives in Norway. Beef transported directly to Norway is also controlled by the Norwegian Food Safety Authority (NFSA). However, beef that has been approved by European veterinary authorities does not need to be controlled in Norway (NC, 2013c).

2.6 The future of the beef import

The WTO's "Enabling Clause" states that the GSP-scheme is not supposed to discriminate between countries. In other words, a developed country member cannot give different tariff preferences to developing countries of the same poverty level. Discriminatory trade preferences may be trade impediments for some of the countries who are discriminated (Van den Bossche, 2008).

Botswana and Namibia are treated by Norway as LDCs, although they are classified as upper-middle income countries, both by the WTO and the OECD. The current GSP quota of 2,700 tons of beef offered by Norway is therefore inconsistent with WTO rules, as no other upper-middle income country is offered this particular treatment. Other WTO-members have been critical to the way Botswana and Namibia receive special treatment (Norwegian Ministry of Foreign Affairs, 2012). Norway has taken this into consideration and decided to end the treatment of Botswana and Namibia as LDCs from 1 January 2013. In the future, the countries will receive GSP-treatment according to their developmental status. The market access of the GSP quota is planned to be included in the EFTA/SACU FTA (Norwegian Laws, 2013). This FTA is planned to be renegotiated by the end of 2013. In effect, this will not change the structure of the beef import. The GSP quota will still be administered by Norwegian Customs, be allocated on a FCFS basis and there are no plans to cut the amounts. The EFTA/SACU quota already included in the FTA will proceed as before and continue to be allocated through an auction. There are no plans to allocate the GPS quota through auctions (NC, 2013c).

According to Norwegian Customs, the Botswana and Namibian governments both put great value on the export of duty-free beef to Norway. Seemingly, they are afraid of losing their special treatment or to experience deteriorating trade benefits. Both Botswana and Namibia want the quota quantity to be augmented, but Norway does not intend to change the quantity. From Norwegian side, it is planned to achieve a more balanced FTA after the renegotiation. The current FTA is unbalanced in favor of the SACU countries, as they receive a lot of benefits while they do not grant many to Norway in return. As these countries are getting richer, however, and some of them soon will not be considered as developing countries any more, Norway wants an FTA which is based on more equal terms (NC, 2013c).

Chapter 3

Beef trade and development

Trade is regarded as an important engine for economic growth and development by many economists. Both Botswana and Namibia have experienced significant economic growth in recent decades. However, vital development issues still need to be resolved. The Norwegian government wants to contribute to further development in Botswana and Namibia, but it is unclear whether the effects of the beef trade comply with the Norwegian development objectives in the long run.

3.1 Trade and development

The concept of "development" is included in all social sciences and in political philosophy, and is thus defined as a normative economic concept (Tungodden, 2012). Normative economics is defined as «*economics that try to change the world, by suggesting policies for increasing economic welfare*» (The Economist, 2004). The Norwegian government aims to facilitate economic growth and reduce poverty. Economic development and improvement of people's welfare were the underlying objectives behind granting developing countries preferential trade treatment under the GSP (Norwegian Ministry of Foreign Affairs, 2012).

In order to obtain sustainable economic development, international trade is vital. Most developed countries depend on international trade for economic growth. Trade can be positive in itself, because it might generate income and wealth. In addition, trade can have important economic spill-over effects, such as increased competitiveness and transfer of technology. Along with good governance, economic growth can be an important tool for poverty reduction (Hayashikawa, 2009).

Botswana and Namibia are, as mentioned, both classified as upper-middle income countries, and it is thus a question of how the beef trade with Norway can contribute to further economic development for them. Another question that needs to be raised is whether or not this trade is justifiable in light of Norwegian government objectives. To be able to discuss this, it is important to get an understanding of the economic situation in both Botswana and Namibia, review the productivity of the beef sectors and the Norwegian trade objectives.

3.2 Botswana's development

3.2.1 History, economy and politics

Botswana is a landlocked country located in Southern Africa. The country gained independence from Britain in 1966, and was at the time one of the poorest countries on the African continent. Today, Botswana is classified as an upper-middle income country and has experienced fast economic growth the last 50 years. The Botswana economy is primarily based on a profitable mining and diamond industry governed by a democratic government (The World Bank, 2013c). In 2011, Botswana had a GNI per capita of 7,470 US dollars and a GDP of 17,327 million US dollars (The World Bank, 2013a). Mining contributed with 30.2 per cent to GDP in 2011, constituting the largest economic sector. Still, this might be sign of a declining importance of the sector, because the long-term trend has been a contribution of 40 per cent to GDP. Agriculture is a small contributor to the economy, accounting for two per cent. The manufacturing sector, which includes beef export, contributed to 12.6 per cent of GDP in 2011 (Bank of Botswana, 2012).

Botswana has been regarded as a stable and fair democracy since independence in 1966 and is described as the longest running democracy in Africa (Country Watch, 2013). The general elections are considered to be open and fair. Economic surpluses have been well-managed by the authorities to the benefit of the population (The World Bank, 2013c). Botswana scores quite well on corruption measures. According to Transparency International, Botswana holds a score of 65 on the index of perceived corruption in the public sector, where 0 indicates very corrupt and a score of 100 indicates a very clean sector. In comparison, Norway scores 85 on this index. Thus, Botswana was the 30th least corrupt country in 2012 out of 174 countries (Transparency International, 2012a).

Despite economic growth and good governance, Botswana faces huge challenges of poverty and inequality (The World Bank, 2013c). The disparities of income are substantial, and the income distribution is one the world's most unequal. The latest measure of income inequality in Botswana stems from 1994, when the GINI index was measured to be 0.61 (IMF, 2012). Estimates from 2002 also showed a skewed distribution of income, where the 20 richest per cent of the population held about 70 per cent of total income. The poorest 40 per cent of the population only held 11 per cent of total income. Poverty is most prevalent in rural areas, although it is growing in urban areas (UNICEF, 2012). The number of people living below the poverty line has declined in recent decades, but many are still poor. Currently, 21% of the population has incomes below the national poverty line. Furthermore, the Botswana population is the world's second most infected by HIV/AIDS (The World Bank, 2013c). Life expectancy at birth was measured to 53 years in 2011 (The World Bank, 2013a). This affects the people's welfare, and Botswana scored 0.634 on the Human Development Index (HDI) in 2012. This score ranks Botswana as 119 out of 187 countries when it comes to the level of human development (UNDP, 2013a).

Unemployment is another major challenge for Botswana and its 2 million inhabitants. The official unemployment rate was 17.8 per cent in 2009 (Botswana CSO, 2013a). Unemployment is especially high among the young. For people aged 20 to 24, the unemployment rate was 34 per cent (UNICEF, 2012) and many young people work in the informal sector (Botswana CSO, 2008). The mining and diamond sector accounts for about five per cent of formal jobs in Botswana. Compared to economic importance, the mining and the diamond industry thus generates few jobs (US Commercial Service, 2012). Further, the sector is quite vulnerable to external shocks and price fluctuations. The diamond industry is forecast to decline the next decades due to decreasing diamond deposits. For future job creation, the Botswana government underlines the importance of diversifying the economy, and basing future economic growth increasingly on other sectors (The World Bank, 2013c).

3.2.2 Agriculture

The last 50 years, the economic importance of the agricultural sector in Botswana has declined. In 1966, agricultural production contributed to 40 per cent of GDP (Botswana CSO, 2012). As mentioned, this had diminished to two per cent by 2011. Still, the agricultural sector plays a vital role for a huge part of the Botswana population. Among people living in rural areas, a majority of employees have agricultural-related jobs. 30 per cent of the total employed population worked in the agricultural sector in 2005 (Botswana CSO, 2008). Further, the agricultural sector is an increasingly important job generator despite being a small contributor to GDP. A substantial part of the population bases their livelihood on incomes from the agricultural sector and in 2003 this applied for approximately 70 per cent (Marumo & Monkhel, 2009). Reviews of the agricultural sector estimates that 80 per cent of its output stems from livestock holdings. Among livestock herders, cattle are most usual. Other agricultural activities, like crop production and fisheries, only yield limited revenues (Botswana College of Agriculture Consult, 2008). Livestock holdings, especially cattle, are thus very important for the rural economy in Botswana. The Botswana government believes that increased agricultural productivity could contribute to creation of jobs in the future (Bedia, 2007).

3.3 Namibia's development

3.3.1 History, economy and politics

Namibia became an independent country in 1990 (The World Bank, 2013d). Before 1990, South Africa had controlled Namibia for almost 75 years (The Economist, 2011). After 1990, Namibia had good conditions for economic growth. A good physical infrastructure, abundant natural resources and a developed market economy were important factors in their development process (The World Bank, 2013d). Namibia has thus after 1990 experienced political and economic success (The Economist, 2011), and is today classified as an upper-middle income country. The GDP of 2011 was approximately 12.5 billion US dollars, and GNI per capita was 4,700 US dollars (The World Bank, 2013b).

The most important growth sectors in Namibia are mining, tourism, fisheries, livestock and meat production. However, these are quite vulnerable. For instance, ecological shocks like flooding and droughts are quite common in Namibia. External shocks such as cyclical, seasonal or unpredictable foreign demand might also create economic distortions. Namibian employment, income and government revenue are also indirectly affected by these shocks. Furthermore, the Namibian economy and the South African economy have strong relations. South Africa is an important trading partner, a source for foreign investment and the countries share common monetary policies (The World Bank, 2013d).

Namibia has, since independence, developed *«sound economic management, good governance, basic civic freedoms and respect for human rights»* (The World Bank, 2013d). Namibia has a score of 48 on the index of perceived corruption in the public sector. The score implies a higher prevalence of corruption in Namibia compared to Botswana (Transparency International, 2012b). On HDI, Namibia scores 0.608, which is quite similar to Botswana's low score (UNDP, 2013b). However, the population in Namibia has benefited from increased access to basic welfare services. Examples are clean drinking water, schooling and health care (The World Bank, 2013d).

Although Namibia has experienced economic success and good governance, the country is claimed by the UNDP to be *"(...) the world's most unequal nation"* (The Economist, 2011), and their society is by the World Bank characterized as dualistic. Namibia has thus large social and economic differences (The World Bank, 2013d), including *«one of the most unequal income distributions in the world»* (UNDP, 2013c). Namibia had an estimated Gini-coefficient of 0.5971 in 2009, and among individuals in Namibia, almost a quarter lives in poverty. The government is also facing challenges concerning new HIV infections, tuberculosis incidences and malnutrition of children (The World Bank, 2013d). Life expectancy at birth is 62 years (The World Bank, 2013b).

Another challenge for the economy is the high unemployment rate, and the percentage of people outside the labor force. The total population in Namibia is accounted to be approximately 2.1 million people. 63 per cent are adults (age 15 or higher) and among these approximately 31 per cent are outside the labor force. The labor force participation rate for adults is 66 per cent, with a major difference between rural and urban areas. Labor force participation is lower in rural (59.9 per cent), than in urban (71.5 per cent) areas. The unemployment rate among economically active adults in Namibia is calculated to be 27.4 per cent (The Namibia Statistics Agency, 2012).

3.3.2 Agriculture

Agriculture is a vital sector in Namibia, even though the GDP share of agriculture and forestry[11] was estimated to be only 4.4 per cent in 2012. 27.4 per cent of employed Namibians are employed in the agriculture, forestry and fishing sector. This sector has the largest number of employees; 172,530 people in 2012. Many agricultural workers have low incomes compared to workers in other sectors (The Namibia Statistics Agency, 2012). Almost 70 per cent of Namibia's population is directly dependent on income from the agricultural sector (Meatco, 2012). However, few of the small-scale farmers in Namibia deliver cattle for beef export. Mostly big commercial farms deliver cattle to exporting abattoirs, and about 80 per cent of these farms are owned by white farmers (Speed, 2012).

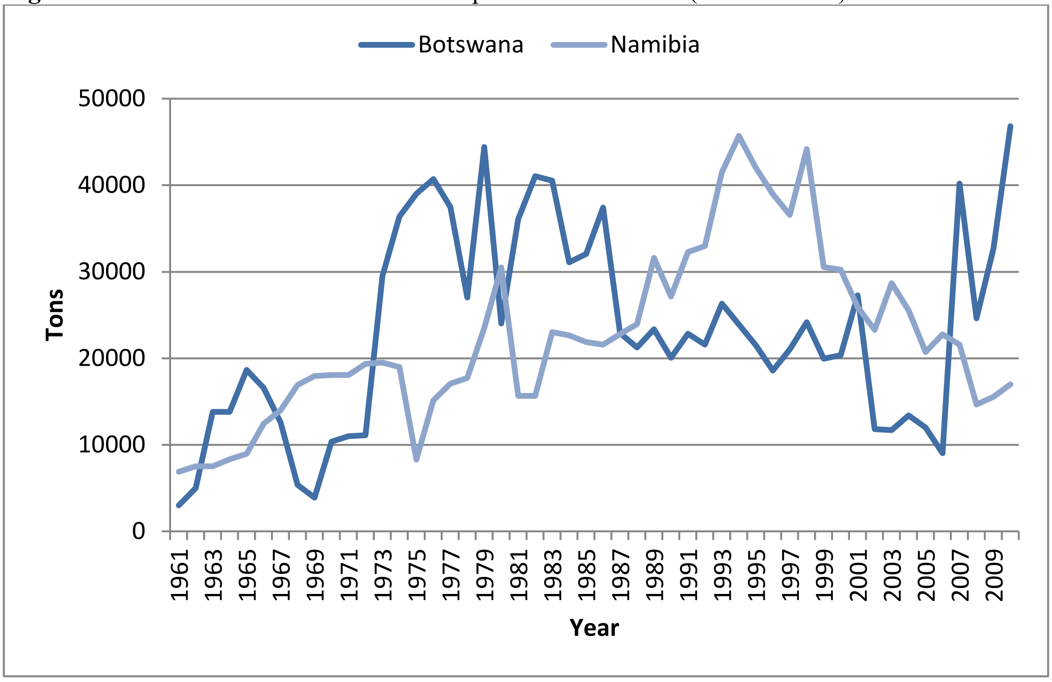
[11] Agriculture and forestry include livestock farming and crop farming and forestry, and fishing is excluded (The Namibia Statistics Agency, 2012).

3.4 Beef export

Both Botswana and Namibia have a long tradition and history of beef export. In addition to being able to export a certain amount duty-free to Norway since 1995, the two countries have also been granted preferential beef export to the EU since 1975 (Kandenge, 2012). In 2000, preferential export to the EU was authorized through the Cotonou agreement, which secured Botswana and Namibia annual quotas for beef export of respectively 19,000 and 13,000 tons. Export under these quotas was granted large tariff reductions, making the EU export lucrative (Goodisman, et al., 2005). However, neither Botswana nor Namibia has ever been able to fulfill their annual EU beef quota (ODI, 2007). Since the Cotonou agreement is not compliant with WTO rules, the EU decided to replace the agreement with bilateral FTAs known as Economic Partnership Agreements (EPAs) (Kandenge, 2012). Both Botswana and Namibia were skeptical about the EPAs. Although the new agreements secured them full duty-free and quota-free market access to the EU for all goods, the agreements also required that Botswana and Namibia liberalized most of their EU import in return. Along with some other Southern African countries, Botswana signed an interim EPA in 2009 (European Commission, 2011). Namibia has currently not signed an interim EPA, but is still covered by one. Hence, Botswana and Namibia currently enjoy duty-free and quota-free export of beef to the EU (European Commission, 2013).

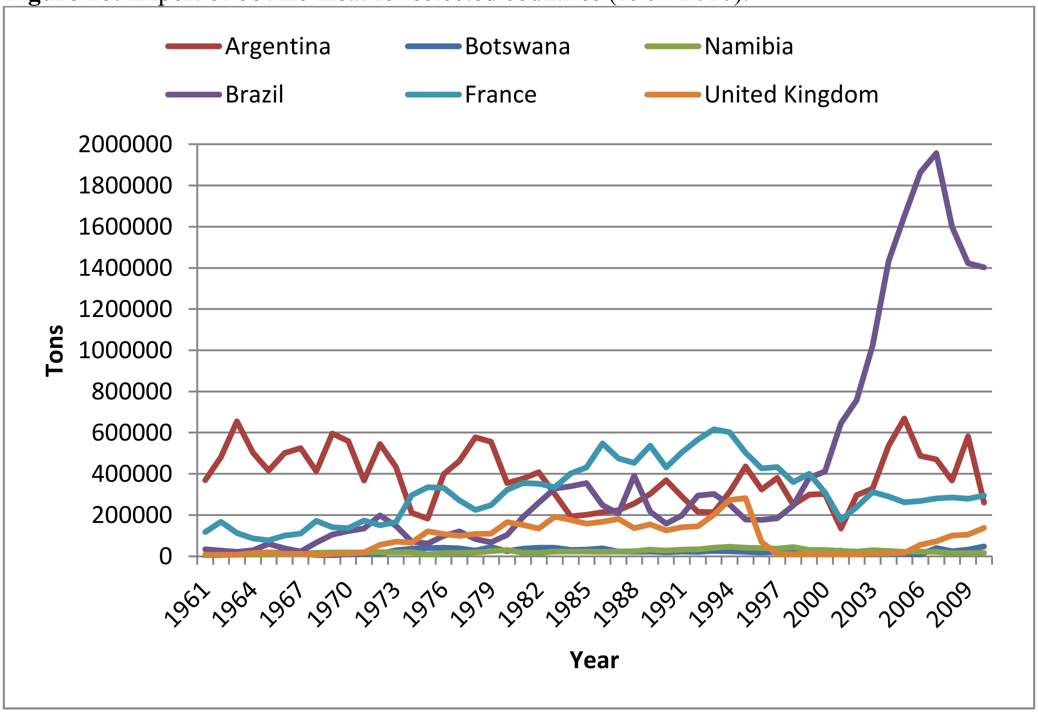
Figure 9 illustrates Botswana and Namibia's total export of bovine meat since 1961. Measured in quantity, both countries have increased their export since 1961. However, this data does not provide any clear evidence that preferential trade agreements have led to a steady and stable export growth. Botswana and Namibia are small beef exporters compared to other countries (figure 10). Major beef producers, like Brazil, Argentina and France export much more beef than Botswana and Namibia, and are thus able to set the world market price that Botswana and Namibia have to follow (figure 11). Adjusted for inflation, the downward price trend has made beef relatively cheaper since 1961, and Botswana and Namibian exporters have followed this trend.

Figure 9: Total Botswana and Namibian export of bovine meat (1961 to 2010).



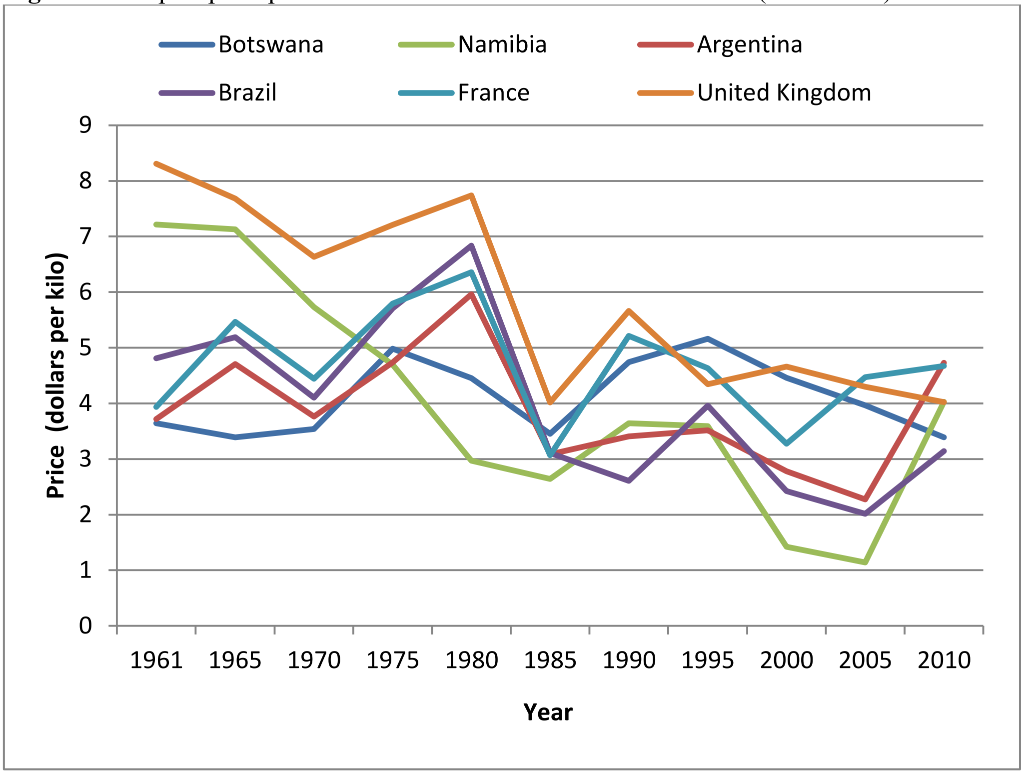
Note: The figure exhibits total export of bovine meat from Botswana and Namibia from 1961 to 2010. The export is measured in tons. Source: (Faostat, 2013).

Figure 10: Export of bovine meat for selected countries (1961-2010).



Note: The figure exhibits export of bovine meat from selected countries from 1961 to 2010. The export is measured in tons. Source: (Faostat, 2013).

Figure 11*:* Export price per kilo of bovine meat for selected countries (1961-2010).



Note: The figure exhibits price per kilo for exports of bovine meat from selected countries from 1961 to 2010. The price is measured in US dollars per kilo and adjusted for inflation.[12] Source: (Faostat, 2013) and (Bureau of Labor Statistics, 2013).

3.5 Beef sector productivity

Based on their total beef export since 1961, neither Botswana nor Namibia seems to have increased their productivity significantly. There might be several reasons for this. Botswana's Department of Environmental Affairs argues that the productivity of the Botswana beef sector has declined in recent decades because of an apparently stagnating livestock sector. The livestock sector has not been able to attract investment and develop effective economies of scale. Further, the sector is heavily subsidised by the government, which might have led to livestock production in some areas where for example tourism would have yielded higher revenues (Department of Environmental Affairs, 2007). BMC, the only beef exporter in Botswana, operates several abattoirs, and about

[12] The value has been adjusted for inflation by multiplying the nominal value in dollars by the purchasing power one dollar in one particular year would have had in 2010.

80 per cent of their beef is produced for export. Out of this, 55 per cent has usually been destined for the EU market. As mentioned, Botswana has never been able to fill its former EU quota of 19,000 tons annually. This is despite the fact that they clearly could have exported more to this market and have had an excess capacity at their abattoirs (Rich & Perry, 2010).

An article by Chiriboga, et al. (2008) reviews the main reasons why the Namibian beef sector has not increased its productivity and international competitiveness. Namibia has a climate and geography ideal for cattle holding and beef production. However, the sector is vulnerable to floods and climate fluctuations. Namibia also imports large quantities of foodstuffs from South Africa. To import foodstuffs from South Africa is expensive, and this has increased the costs of cattle holding and beef production. In recent years, there has been a decline in slaughter animals in Namibia because of increasing export of young livestock. Young livestock requires less fodder, and it is thus more expensive to raise mature cattle. This has led to an underutilization of Namibian abattoirs (Chiriboga, et al., 2008). In addition, the Namibian Meat Board spends millions of Namibian dollars each year subsidizing abattoirs and Namibian cattle farmers (Rich & Perry, 2010).

In addition to having production challenges, Botswana and Namibia are not competitive on the global beef market. Competing South American beef producers, like Brazil, manage to export large quantities of beef to Europe to competing prices, despite high tariffs. Botswana and Namibian exporters cannot globally compete on price (Rich & Perry, 2010). This was also expressed by one Norwegian beef importer, who argued that Botswana and Namibia would not have been able to export beef to Europe if they did not enjoy duty-free export quotas. If current world prices continue to decline, Botswana and Namibia would probably struggle (Norsk Polar, 2013a).

The EU and Norway have traditionally offered prices to Botswana and Namibia considerably higher than the world market. As mentioned, the common SPS rules and standard requirements are very strict, and European consumers are becoming increasingly quality-oriented. To continue a profitable beef export to the EU and Norway, it is argued that Botswana and Namibia must to a larger extent target "luxury" markets in Europe and produce more high-quality beef. Namibia seems to have taken this into consideration, increasingly focusing on meeting standards higher than EU's minimum requirements. Especially one Namibian beef exporter, Meatco, has made efforts to supply high quality niche markets. The brand *Nature's Reserves* was launched in 2008 and offers high quality beef. Sale of higher priced beef has also benefited Meatco's cattle supplying farmers through price increases. Meatco's products are in addition increasingly obtaining value from export to other markets like South-Africa and Norway (Agritrade, 2010). The Norwegian beef importer Norsk Polar argues that it is possible to market *Nature's Reserves* as a high-quality beef brand in Norway. Further, Norsk Polar underlines that this is the only way to make Meatco competitive in the future, as the company cannot compete on price (Norsk Polar, 2013a). An indication of such a strategy can be found in chapter 1, where figure 7 and 8 stated that Norwegian importers have paid more for steaks and fillets in recent years compared to earlier years. This increase could also be driven by recent changes in the world market price (recall figure 11). BMC, however still seems to focus more on quantity rather than quality. In addition, the co-operative has in recent years reduced marketing of its products in Europe. Recent outbreaks of FMD have also been a hindrance to the development of the Botswana's beef sector's competitiveness (Rich, et al., 2012).

3.6 Beef trade and development objectives

Norwegian preferential beef import from Botswana and Namibia has been in place since 1995. It is difficult, or almost impossible, to measure what the particular social and economic effects of this trade have been. Also, it is hard to determine what the consequences might be if the trade would cease to exist. However, what we do know are the Norwegian objectives for this trade and the economic situation in Botswana and Namibia. We also know that agriculture is an important part of their economies and that they place great value on the beef trade with Norway.

Norwegian official development aid was initiated by the Norwegian Parliament in 1952, and has expanded continuously ever since. The government prioritizes development, and in 2012 Norwegian official aid amounted to 27 billion NOK (Norad, 2013). This accounted for 1.05 per cent of Norwegian GDP in 2012 (Statistics Norway, 2013a). A number that is quite large compared to the ODA/GNI target (OECD target), which is 0.7 per cent of a country's income (OECD DAC, 2013b). For a majority of OECD countries, this target is never reached, and in 2010 the accomplished average was calculated to be 0.32 per cent (OECD DAC, 2010).

The main objectives of the Norwegian aid policy are to strengthen the position of the world's poor and to obtain sustainable development (Norad, 2011). Norwegian authorities believe economic growth is crucial in order to fight poverty and obtain sustainable economic development. They argue that "*industrial and economic development will be sustainable if produced goods and services can be sold with a satisfactory profit*" (Norwegian Ministry of Foreign Affairs, 2007, p.9).[13] Hence, if developing countries get access to the Norwegian market, this can contribute to economic growth. This is because it is possible to sell products profitably in Norway (Norwegian Ministry of Foreign Affairs, 2007). A vital part of the Norwegian strategy for helping developing countries to export more is to grant them preferential trade treatment.

Trade can be beneficial for developing countries, and not only because it generates more income. Trade can also contribute to better productivity in economic sectors and generate more employment opportunities (Norwegian Ministry of Foreign Affairs, 2004). Rich, et al. (2012) argue that it is vital to sustain beef production in Botswana and Namibia because of its role as income generator (Rich, et al., 2012).

Despite being upper-middle income countries, Botswana and Namibia face poverty, inequality and unemployment challenges. Their development needs thus seem to match several of the Norwegian objectives for the beef trade. We

[13] The quote is directly translated from Norwegian to English.

also know that the governments in Botswana and Namibia place great value on the beef trade with Norway. As mentioned, in negotiations of the EFTA SACU FTA, the Botswana and Namibian governments have put great emphasis on their quotas of beef export to Norway. This indicates that both countries value the Norwegian preferential trade treatment and regard it as an important contributor to their economies, and continued trade might be justifiable. However, it is unclear whether much of the revenues from the Norwegian trade directly benefit the poorest people. In addition, the question of whether the Norwegian beef import has contributed to enhanced productivity remains. Both Botswana and Namibia have struggled to increase the productivity of their beef sectors, though Meatco seems to have taken a more innovative approach in recent years, improving its competitiveness in high-priced markets.

The Norwegian export has contributed to development of the Namibian beef export sector by the establishment of the company Witvlei Meat. Before Witvlei was established, Meatco was the only certified beef exporter in Namibia. Witvlei was established in 2006, and was able to export beef to Europe in 2007. This was partly made possible through the aid of Norwegian investors in the company, which helped Witvlei to enhance it production capacity and quality by meeting SPS requirements (Fatland, 2013). In addition, Witvlei imported a tracking system from Norway, which enabled Norwegian importers to access information on current available products (Weidlich, 2007). The preferential trade has such contributed to technology transfer to a developing country.

It is important to be aware that the preferential beef trade might not only generate positive development effects. When Botswana and Namibia concentrate on filling lucrative quotas to Norway, this could limit the potential markets that they alternatively could be competitive in and even make them dependent on the Norwegian trade (Melchior, et al., 2012a). One of the Norwegian objectives of the beef trade with Botswana and Namibia is to contribute to sustainable economic growth in both countries. It is important to keep in mind that the beef export to Norway is based on political decisions and regulations, not on an open and free market economy. Political motives and decisions might change, which may alter the market access. If Botswana and Namibia prioritize to focus on exports based on products and markets that would not be profitable without preferential trade treatment, then this could diminish their competitive advantages in the future. This would be especially prominent if the value of Botswana and Namibia's preferences decrease because other countries receive similar treatment (so-called preference-erosion) (Melchior, 2007). A study conducted by Grynberg & Silva (2004) argues that Botswana and Namibia would suffer large income losses if they experienced preference erosion (Grynberg & Silva, 2004). The consequences of potential preference erosion are important to keep in mind when evaluating the developmental effects of the beef trade with Botswana and Namibia. A worst case scenario is that the countries' dependence on an unsustainable beef sector could become a hindrance for sound economic growth in the future.

Chapter 4

Trade mechanisms

Authorities can use different allocation methods when deciding which firms should be eligible to import under a specific quota-scheme. The method that is applied can have severe implications for which of the stakeholders that benefit from the trade. The GSP and EFTA/SACU quotas are allocated through two different quota-administration methods in Norway, as well as allocated through a firm-specific method in Botswana and Namibia.

4.1 Quota rent and allocation

4.1.1 Tariff-rate quota (TRQ)

A quota is defined as a direct government restriction on the quantity of a certain good or product to be imported (Krugman, et al., 2011). In general, a quota is a policy instrument used with the same objective as a tariff, to keep domestic firms more profitable than they would have been with free-trade agreements, and thus keep domestic price above world price (Sunnevåg, 1999). After the Uruguay Round[14], TRQs became more normal and have since developed as an important trade policy instrument (Mönnich, 2003). A TRQ is quite similar to a regular quota and is defined as a *"two-level tariff, charging one tariff on a limited volume of imports and a second, higher tariff on all additional imports"* (Skully 2001, p. 1).

A TRQ has a quantitative restriction like a regular quota. However, imports beyond this restriction are charged with a duty. Norway is one of the world's most frequent users of TRQs (Melchior, 2005b). For instance, the Norwegian government has posed a restriction on the import quantity of beef, and different

[14] *"(..) the Agreement on Agriculture in the Final Act of the Uruguay Round 1994 established 1,371 tariff quotas alone"* (Hranaiova, et. al. 2003, p. 1).

TRQs organize the import (Melchior, et al., 2012b). Regarding the trade with Botswana and Namibia, 3,200 tons under the GSP quota and the EFTA/SACU quota combined, can be imported duty-free annually. The first charged tariff (in-quota tariff) is thus equal to zero. For all additional beef import applies a tariff (over-quota tariff).

4.1.2 Quota rent

A government will typically obtain tariff revenues when a tariff is implemented, but this is not the case with a duty-free quota. However, there exists a profit called quota rent (Van Assche, 2004). Quota rent is defined as; *"the difference between the domestic demand price and the world price times the quota quantity (...)"* (Markussen, 2008). This rent is argued to exist *"because quantitative restrictions drive a wedge between supply and demand prices"* (Hornig, et al., 1990). Several factors can determine the size of the quota rent (Hornig, et al., 1990), but "*the size of the price difference depends primarily on the extent of scarcity created by the quota in the domestic market"* (Sunnevåg 2001, p. 17).

The quota rent creates a situation that is typical for incidents of commodity arbitrage (Takacs, 1987), and firms will often use resources to get a hold of the rents (Hranaiova, et al., 2003). Hence, the government will not receive this profit automatically as with tariff revenues. Theoretically, there are mainly four stakeholders who can receive the quota rent: *1) Foreign exporters, 2) Domestic importers, 3) Domestic government and 4) Foreign government* (Van Assche, 2004). The division of the quota rent depends mainly on which allocation method the government decides to follow. Scholars also argue that the distribution of the quota rent depends on the market situation (Sunnevåg, 1999) and firms' bargaining power (Boughner, et al., 2000). Firm's bargaining power depends again on who receives the import license (Ingco & Nash, 2004). The specific allocation method used by the government also has implications for the volume and distribution of the trade (Skully, 2001).[15] These are implications that government or authorities needs to consider when choosing a specific allocation method.

4.1.3 Allocation methods

Because of import restrictions and existing quota rent, import licences become scarce goods (Sunnevåg, 2001). Market forces cannot structure supply and demand under a quota-scheme, and therefore rationing or allocation is necessary (Mönnich, 2003). The authorities of an importing country need to decide which allocation method to use and thus which firms should be eligible to receive the import license. This administrative allocation can be defined as quota-administration (Ingco & Nash, 2004), and there exists several different methods for allocating (Skully, 2001).[16]

These administrative allocation methods are classified as either: *1) discretionary procedures or 2) non-discretionary procedures.* Discretionary procedures include allocation methods based on historical share and methods where the import is administered by state trading enterprises or producer groups. The non-discretionary procedures involve allocation methods like *1) first-come, first-served (FCFS) basis, 2) auctions and 3) licensing on demand* (Suprenant & Gervais, 2002). There is also another method, defined as a country-specific allocation (Mönnich, 2003).[17] For simplicity, we will only give a theoretical review of quota allocation based on historical share, FCFS, auction and country-specific allocation.

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[15] Questions regarding how quota allocation can have implication for the volume and distribution of trade is not the main topic of this thesis. See Skully (2001) for a discussion.

[16] The WTO has defined seven allocation methods (Hranaiova, et al., 2003). See Ingco & Nash (2004) for a more detailed description of these.

[17] This method is similar to what is known as a *Voluntary Export Restraint (VER)* (Pugel, 2007).

Some governments allow reselling of quota licenses in a secondary-market. It should therefore be mentioned that some scholars argue that the choice of allocation method matter less if licenses are allowed to be sold in a perfect competitive secondary-market. Hence, the firms wanting these licenses most, would through such an operating market get them anyway and would thus secure an efficient allocation (Afualo & Mcmillan, 1996). An efficient secondary-market corrects any inefficiency the initial allocation method may have. This argument builds on the famous 'Coase-theorem', which implies that as *"(...) long as the allocation remains inefficient, the parties will continually find in their interest to buy, sell, and swap as necessary to eliminate the inefficiency"* (Milgrom 2004, p. 21). This argument is also valid for the choice of auction design, discussed later. However, the argument has faced criticism based on observations in real world examples (Milgrom, 2004). Milgrom (2004) argues that *"(...) there exist no mechanism that will reliably untangle an initial misallocation"* (Milgrom 2004, p. 21).

The costs of quota administration are also worth mentioning. The direct administration costs are attributable to the taxpayers, but Mönnich (2003) also argues that firms face several transaction costs connected to the administration. First of all, in being able to receive an import license, the importers or exporters need to fulfill certain requirements. Second, the firms might need to use resources in the application process, such as time consuming paper work or online applications. For importers or exporters, there might also be a hedging cost connected with the possibility of not receiving import license or being able to export. Firms might also face costs when the quota period is near the end and they need to speed up the importing or exporting process. For importers, finding relevant business partners in exporting countries might be costly (Mönnich, 2003).

4.2 Discretionary procedures

A discretionary procedure is defined as an allocation method where the government assigns import rights to a limited number of importing firms (or importers). The method is characterized by the government having literally no costs connected to the allocation process. With other words, there are only small resource expenses for the government, compared with other administration methods. Furthermore, the government only needs to assign licenses to firms based on particular criteria, and therefore no form of competition, applications or negotiations take place (Pugel, 2007). Firms have thus no direct transaction costs connected to this allocation and will gain so-called "windfall profits".[18] The most common discretionary method is allocation based on historical shares. Historical share allocation is typically based on firms' market share in a given period (Skully, 2001). Hence, importers who were in the game before the quota was implemented, usually have a clear advantage (Mönnich, 2003).

An example of quota administration based on historical share can be found in an article by Suprenant & Gervais (2002). These scholars investigated the supply sides' (Canadian chicken importers') preferences towards different allocation methods, where a total of 497 importers participated in a questionnaire. The import licenses for chicken in Canada were allocated through mixed allocation methods. Some of these licenses were allocated to farmers based on their historical import share before quota implementation, while others have been allocated on the basis of domestic market share. A majority of the importers expressed in the surveys that the existing quota administration was most preferable, and the firms were satisfied with the arrangement (Suprenant & Gervais, 2002). An interesting result was that almost 50 per cent of the importers expressed that *"the current system did not facilitate entry by new importing firms into the market for import licenses"* (Suprenant &

[18] Windfall gains" is defined as profits gained by firms with zero effort or cost (Sunnevåg, 1999).

Gervais 2002, p. 69). They also argue that a main advantage of allocation based on historical share for importers is that since these firms have already been given an import license, they have the possibility to coordinate their import activities accordingly to their market needs (Suprenant & Gervais, 2002).

4.3 Non-discretionary procedures

Allocation based on the FCFS basis is a common non-discretionary procedure applied by governments (Hranaiova, et al., 2003). The economic literature of the FCFS basis is found in the 'waiting-in-line' literature, such as Holt & Sherman (1981). According to them, *"(...) if commodities are distributed to consumers on a first-come-first-served basis, a high bid corresponds to arriving early and being first in line"* (Holt & Sherman 1981, p. 1). They compare an individual's or a firm's arriving time with a bid in a 'sealed auction' (closed), and whether the arrival time is a winning bid or not, depends on the actions of competitors. With an early arrival, comparable to a higher bidding behavior, the individuals or firms would increase their chances of obtaining the license or object (Holt & Sherman, 1981). Clearly, a late arrival time has an expense, since as Takacs (1987) puts it; *"(...) whoever is able to bring the goods into the country first (...) would probably receive the windfall gains, or 'quota rents'"* (Takacs 1987, p. 2). Despite the loss of windfall profits, the expenses can be even higher if there is no existing information from authorities on how much of the quota is utilized. A filled quota jeopardizes the profitability of a firm's import, because excess import will be charged with a tariff. If the firm does not want to import under this tariff, it has to find a way to store or dispose the imported goods or sell them with a lower profit in another market (Mönnich, 2003).

According to Suprenant & Gervais (2002), the FCFS basis creates a "race to the border", unless there are some obstacles created by bureaucracy. They further argue that this allocation method is beneficial for importers with low import-related transaction costs. These importers might have lower costs because they are either closer to the border compared with competitors, or due to better marketing channels with trading partners (Suprenant & Gervais, 2002). Firms having a late arrival time, might adjust to next year's "race to the border" by investing in faster transportation modes or in better storing facilities (Mönnich, 2003). Governments, on the other hand, might find the FCFS basis to be a quick and efficient process, with small administration costs.

4.3.1 The GSP quota (FCFS)

The Norwegian allocation of the GSP quota is an example of the FCFS basis. The NC has administered the quota since its implementation in 1995. The quota is accessible for all Norwegian importing firms and importers. The NC considered distributing the quota on historical shares of import, but chose the FCFS basis. This basis was considered to be the most fair, and NC argued that it gave equal opportunities for all participants (NC, 2013c).

The quota opens on 1 January, and the quantity of 2,700 tons must be used within the year. If not entirely used one year, it is not possible to transfer the excess quantity to the next year. There are no restrictions of how much of the quantity one importer can take, and it is thus technically feasible for one importer to capture the whole quota. Several factors complicate this scenario, for instance the planning of seasonal demand, and this situation has therefore never occurred. In addition, there is no secondary-market for the import licenses under this quota-scheme. Usually there are six to seven of the same firms that import under the quota, which is typically full around September each year. Importers can easily contact the NC, and check how much of the quota is left. However, the NC cannot reveal any information about other importers and their share of the quota. For beef to be declared under the quota, it is required that it has arrived Norway (NC, 2013c). So there is a risk of having to import under the over-quota tariff or disposing the beef, but the importers can easily avoid this by checking the status at the NC.

The only direct transaction expense for a firm connected to the import process is the declaration. For importers who know the routines of declaration, the costs are considered to be low. The declaration to the NC only takes a few minutes if all the right documents are presented. If any further control is needed the NC will notify the importer within 15 minutes. According to the NC, neither they nor the Norwegian government earns anything from the import process. The quota rent is either shared between or fully taken by the exporter or the importer (NC, 2013c).

4.3.2 Auctions

Auction is another allocation method, and is defined as a market-based procedure (Sunnevåg, 1999). Hence, the method uses market forces to distribute import or export licenses (Markussen, 2008). Takacs (1987) argues that there are two main arguments for using auction: *1) Government revenue and 2) increased transparency* (Takacs, 1987).

The first argument for auction implies that authorities use it as a tool to draw most of the quota rent into governments' 'state treasury', and thus prevent 'windfall gains' for importing firms (Sunnevåg, 1999). In a competitive environment, firms will bid against each other and the highest bid will equal the quota rent. Similar to tariff revenues, the domestic government will collect the highest bid as revenue (Markussen, 2008). The quota rent collected by the domestic government, can thus become a common good used to what is best for society (taxpayers) and not what is best for importers. For instance, the domestic government has the opportunity to set aside quota rent for specific development purposes, for example restructuring of an uncompetitive domestic sector (Sunnevåg, 1999). But as Takacs (1987) argues, governments are not "secured" a share of the quota rent by choosing auction as allocation. Market power in the domestic and foreign countries and the design of the auction format also has a say. Perfect competition along the whole value chain in these two markets might increase the chances of transferring the whole quota rent to governments under auctions (Takacs, 1987). This would however not be prevalent if only one importer has the potential to bid. Since there is no competition in the bidding process, he can bid minimal for a quota share and thus receive the quota rent. A single exporter (or an export monopoly), on the other hand, can easily pressure the world price upward to a point where there is almost no quota rents left. Importers will then bid minimal, and governments will thus not get a share of the quota rents (Takacs, 1987).

What Takacs (1987) implies with the second argument of increased transparency, is that auctions can reveal information about the level of protection (Takacs, 1987). If domestic importers bid less than anticipated market value for the quota, this might imply that the quota rent is small and trade less profitable. This might again indicate that any constraint on trade should be removed. Furthermore, an auction is also argued to have an information advantage and can thus give valuable information about the expected value of the quota rent (Sunnevåg, 1999).

There are also arguments against using an auction as a distribution format. Some argue that an auction creates a more restrictive and a more expensive trade than intended. The reason is that the process will more or less force the importers to bid, and 'panic bidding' might occur. This is the case when importers bid with an objective of staying in the business or with a desperate need of quota share. Such bidding behavior can overestimate the value of the quota rents. Underestimation might occur if there is market power at the demand side. As mentioned, market power can create a minimal bidding behavior (Takacs, 1987).

Another argument against auctions presented in the literature is that they are often viewed upon as a "bureaucratic nightmare" (Takacs, 1987), and are argued to be less politically preferred (Afualo & Mcmillan, 1996). The format can for instance disturb trading relationships. There is also an argument that says that auctions might disturb market concentration, allowing strong monopolies to foster and squeeze out small firms. Strong firms are able to pay a higher bidding price than small firms, and a single firm can thus capture the whole quota (Takacs, 1987).

Sunnevåg (1999) poses another argument against auction as an allocation method. He argues that importers may have a development objective for trade, and thus want to pay domestic price to the exporter. An auction can prevent this, as some of the revenue accrues the authorities. With the FCFS-method, importers may pay full domestic price to the exporters (Sunnevåg, 1999).

4.3.3 Auction formats

Governments want to maximize the quota rent collected, and this is often the objective when the authorities choose an auction design (Sunnevåg, 1999). Furthermore, Takacs (1987) argues that authorities should choose an auction format that secures most of the auction revenue for the government. The format should also give bidders the possibility to reveal the expected value of the quota rent (Takacs, 1987).

The most known auction designs are *1) the ascending-bid auction (English auction), 2) the descending-bid auction (Dutch auction)*[19]*, 3) the first-price sealed-bid auction and 4) the second-price sealed-bid auction (*"*Vickrey auction")* (Klemperer, 2004). The *'English auction'* is the most well-known auction format, and is often used in art and wine auctions, where bidders can adjust their price up according to the highest bid presented. This format typically auctions off one object, a famous painting etc., and the winner of the auction is the individual or firm with the highest bid. The auction closes when there are no counter bids to the highest bid (Sunnevåg, 1999). The 'English auction' is thus defined as an ascending (open) auction, since the bidders can see or hear each other's bids (Loertscher & Wilkening, 2011). The main advantage of an ascending auction format is the information mechanism. It reveals the competitors' bids and thus the value of the object or import license. Firms are able to adjust their bidding behavior, and the mechanisms will most likely secure that the auctioned object will go to the bidder who cherishes it the most.

The *3) first- price sealed-bid auction and 4) the second-price sealed-bid auction ("Vickrey auction")* have a so-called 'sealed-bid format' and are thus defined as closed auctions. A sealed format is typically used in several different forms of competitive bidding (Sunnevåg, 2006). Compared to the 'English

[19] 'Dutch auction': *"(...) seller announces a bid that is continuously lowered until a buyer say stop and buy the object at this price"* (Sunnevåg 1999, p. 35). This quote is directly translated from Norwegian to English.

auction', this type is considered to be a better auction design when auctioning off multiple objects instead of one. Since import licenses could be defined as more or less identical items, and these items typically have many potential buyers, the authorities often tend to pick this design (Sunnevåg, 1999).

Since there are multiple objects, such as import licenses, the 'sealed-bid format' has typically more than one winner and is also often characterized by using a 'one-shot' design. Hence, the bidding-process is arranged simultaneously and the bidders do not have the possibility to improve their bids or lay in counterbids. The simultaneous bids constitute a demand curve, and the government can then easily find the intersection between supply and demand (Sunnevåg, 2001). However, the closed auctions have an information disadvantage. Information about the object's value will not be revealed, such as in an open auction, and it thus becomes more random who actually receives the object or license. Bidders might feel insecure about the perceived value, and guessing bids might occur (Sunnevåg, 1999).

A 'multiple-shot' design would solve the information problem that a 'single-shot' design has. Firms or individuals will then receive information about competitors' bidding behavior, and can then adjust their bidding accordingly. However, the risk of tacit collusion among bidding competitors is higher. In an ascending auction format, the competing bidders can agree on holding the bid price artificially low. This is possible to achieve in a format like this, since the information mechanism opens up for a punishment risk. Firms will have the incentive to bid a higher price than the agreed price, and capture a larger share of the quota. In this format, such a bidding behavior would be punished by bidding competitors. Another characteristic of the open 'multiple-shot' design is that the difference between the highest bid and lowest accepting bid is smaller compared to a closed 'single-shot' design (Sunnevåg, 1999).

In the literature of auction theory there is also a discussion about seller (or auctioneer) revenues, and one distinguishes between the scholars who favor the ascending format and those who favor sealed bidding. This discussion is important for authorities wanting to maximize auction revenues. Scholars favoring the ascending bid format argument for a more exciting and competitive format and believe that this environment will drive the bids close to the bidders' reservation price. Those scholars who oppose this format believe that bidders will act more cautiously, and thus observe the bidding development and not bid close to their reservation price. They argue that the bidder, who really wants the object, will bid his or her maximum value in a sealed format (Milgrom, 2004).

The sealed auction formats differ in the price the winning bidders have to pay and this is the main difference in the characteristics of the *3) 'first-price sealed-bid auction'* and *4) 'second-price sealed-bid auction"*. In 3), the bidders bid independently and the winners pay a price equal to their bid. This economic phenomenon is known as 'price discrimination', where different buyers pay unequal price for basically the same object. The auctioneer thus acts like a monopolist. A 'second-price sealed-bid auction' is where bidders bid independently but the highest (or winning) bidders pay a price equal to the second highest bid. This pricing format is also known as a uniform-price. This price could either be the lowest accepted bid or the highest rejected bid, also known as the famous "Vickrey-principle". In such, the uniform price functions as a market-clearing price in a competitive market (Sunnevåg, 1999). However, economists and politicians do not seem to agree on what is the best pricing-scheme and what the implications are for auction revenues (Sunnevåg, 2006).[20] Takacs (1987), for instance, believes that sealed bidding with a uniform-price is an important tool in revealing the size of the quota rent. In such a situation, the bidders do not need to worry about the expenses of bidding high, and can thus reveal the true value of the license (Takacs, 1987).

4.3.4 The EFTA/SACU quota (Auction)

The EFTA/SACU quota is administered by the Norwegian Agricultural Authority (NAA). The NAA started to allocate various GSP-import licenses through auctions in 1996 (Sunnevåg, 1999). The authorities believed that

[20] This issue will not be discussed further in this thesis. See Sunnevåg (1999) or Sunnevåg (2006) for a discussion.

auction was the right format, since it is an open process that provides equal treatment and give the same information to each participant (Norwegian Ministry of Finance, 2011) The auction format applied to Norwegian import quotas is an ascending design with a discriminatory pricing scheme (Sunnevåg, 2001). In 2006, the bilateral agreement between Norway and SACU was ratified, and import licenses under the EFTA/SACU quota have been allocated through auctions since 2008 (NAA, 2013b).

Importers or importing firms, who want an import license under the EFTA/SACU quota, must register and fulfill certain requirements set by the NAA. First, the firm must document that it is a registered firm in Norway and prove valid tax and VAT certificates. Second, the NAA attempts to avoid tacit collusion among firms. An importer must sign a declaration saying that the firm will not co-operate or make any preliminary agreements with other firms participating in the auction. If a firm breaks these rules, the NAA may withdraw an import license and ban a firm from participating in the auction for the next three years (NAA, 2013a).

The whole quota for one particular year is auctioned off at the same time, usually in October/November of the preceding year. The auction is held online. When it opens, all firms registered to participate may send in their bid. They can bid on a certain amount (kilos) and on what price (NOK/kilo) they are willing to pay for this import license. After the first bidding round, the bidder may see the other bids, but the identity of the other bidders is not revealed. The auction process continues until the bidding ends. The bidders are allocated a part of the quota based on the price discrimination method. Hence, the importers have to pay their last (highest) bid for the license (NAA, 2013a). The different prices create a demand curve, and the auctioneer can then find the equilibrium between supply and demand (Sunnevåg, 2006). Since the implementation of this auction in 2008, the difference between the highest and lowest accepted bid has been small (Table 4).[21] This is similar to what Sunnevåg (1999) suggests happens in an ascending auction format. Some of the

[21] See Appendix B for auction reports.

bids also seem to be more or less symbolic sums. The bidding prices paid by Norwegian importers in 2008, 2009 and 2011 were quite low. For instance, the minimum accepted bid price in 2008 was 0.01 NOK. The revenues from the auction accrue the NAA and thus the Norwegian government. If the auction revenues actually reflect the true value of the quota rent, neither importers nor exporters would benefit from an auction allocation. Instead, the Norwegian government would obtain the whole quota rent.

Table 4: The difference between the highest and lowest winning bids under the auction of the EFTA/SACU quota (2008-2013).

Year	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*
Highest winning bid	0,01	1,16	16,01	1,00	4,01	9,25
Lowest winning bid	0,01	1,15	16,00	0,05	4,00	9,23
Difference	0	0,01	0,01	0,95	0,01	0,02

Note: The bids are measured in NOK per kilo. Source: (NAA, 2013b).

Under the EFTA/SACU quota, it is possible for one importer to capture the whole quota and act as a monopolist. However, the NAA claims that this situation has never occurred. The auction reports exhibit several participants each year, and minimal bidding behavior should therefore not have occurred theoretically. The NAA issues licences to the bidders after the auction has ended. These are tradable in a 'secondary-market', which means that the first bidder may sell his license to the second bidder. The price is negotiated by the two bidders, but the transaction must be reported to the NAA, who then issues a new license (NAA, 2013a). However, we have not obtained any data on prices in the operating secondary-market.

To illustrate some of the mechanisms of the auction process, a simple hypothetical example is provided. If two firms both bid 0.01 NOK per kilo for the whole quota of 500 tons, they will be allocated 250 tons each if the auction ends after the first round. If one of the bidders decide to bid 0.02 NOK per kilo for the whole quota in the second round, and no other bid is registered, this bidder will win the whole quota. Another scenario is that the first bidder bids 0.02 NOK per kilo for 250 tons, and that two other bidders bid 0.01 per kilo for 250 tons. Then, the first bidder will get 250 tons, and the two others will get 125 tons each (NAA, 2013a).

4.4 Country-specific allocation

Country-specific allocation is often determined by political considerations, and is an allocation where importing countries decide which exporting countries may export under the quota. Importers must then obtain both an import license and a matching export license. Hence, the bargaining power of the exporting firms is increased (Mönnich, 2003).

4.4.1 Botswana and Namibia allocation

The two different quota allocations in Norway, FCFS basis and auction, are not the only features that regulate the beef export. Since the quotas are distributed on a country-specific allocation, this enables the Botswana and Namibian governments to distribute the quotas to specific firms (table 4). First, the GSP quota of 2,700 tons is split equally between the two countries. This was agreed in negotiations between BMC and the Meat Corporation of Namibia (Meatco). The two countries have split the quota equally for the last 10 to 15 years, taking 1,350 tons each (Weidlich, 2010). Second, The EFTA/SACU quota of 500 tons has been split likewise since it was implemented in 2008 (Sleipnes, 2012). Third, the Namibian quota share has in recent years been split equally between two eligible exporters in Namibia, Meatco and Witvlei.

Table 5: Allocation of the Norwegian quotas in Botswana and Namibia.

Exporting firm	*BMC (Botswana)*	*Meatco (Namibia)*	*Witvlei (Namibia)*
Quota share in tons (GSP + EFTA/SACU)	*1600* (1350 + 250)	*800* (675 + 125)	*800* (675 + 125)

The equal quota split between Meatco and Witvlei has a special background, and started with the fact that the beef trade for several years was administered by a firm in London (NC, 2013c). This firm is called Allied Meat Importers (AMI) (Norwegian Ministry of Finance, 2000), and is a subsidiary of BMC (BMC, 2010a). The arrangements of BMC's beef export to Europe have traditionally gone through AMI's offices in the UK, Germany or the

Netherlands. Meatco also supplied their meat to Europe through AMI until late 2007. This trade was characterized by historical agreements between a limited number of importers and exporters and thus excluded several firms (Norwegian Ministry of Foreign Affairs, 2007). The reason why Meatco changed their supplier was because AMI did not manage to concentrate on brand promotion of Namibian beef as a premium product (ODI, 2007). Eventually, BMC also ended their relationship with AMI in 2012. BMC complained that AMI sold their products cheap, in low-value markets, and did a poor marketing job (The Patriot, 2013).

Witvlei Meat (Witvlei), another Namibian beef producer and exporter, issued a complaint to the Norwegian Competition Authority (NCA) in 2010. The firm argued that a price co-operation between AMI, BMC and Meatco existed. They stated that AMI was able to control the beef trade and reduce competition (NCA, 2011). Witvlei further argued that AMI captured the GSP quota for 2010, shortly after midnight on 1 January, limiting Witvlei's access to the Norwegian market (NCA, 2010). The NCA investigated the case, but found no reason to proceed and closed the investigation. The Namibian Competition Commission (NCC) also examined the case, but concluded that Namibian Competition Law had not been violated (NCA, 2011). Meatco argued that Witvlei had not been excluded from the Norwegian market, as they had exported 400 tons of beef to Norway under the GSP quota (Weidlich, 2010).

Despite the fact that none of the competition authorities agreed with Witvlei's complaint, the Namibian government decided in 2010 to split the Namibian part of the Norwegian quota equally between Witvlei and Meatco. Both the GSP quota and the EFTA/SACU quota are equally split between these two exporters. The government wanted to prevent a "race to the border" of the GSP-quota, and preferred that all eligible producers should be able to export (Ndjoze, 2011). The government also underlined that Norwegian authorities preferred a stable beef import throughout the year. Meatco argued against splitting the quota equally, and proposed that the quota rather should be allocated to meat producers based on the annual number of cattle slaughtered. To illustrate, Meatco slaughtered 117,000 cattle and Witvlei 13,000 in 2009 (Poolman, 2010). If the quota had been shared using this criterion, Witvlei would only have obtained 10 per cent of the quota.

The Meat Board of Namibia[22] has been given the task of allocating the Norwegian beef quota to the two eligible exporters in Namibia. Regularly, Meatco and Witvlei are allocated 800 tons each on an annual basis (The Meat Board of Namibia, 2011b). However, since BMC has struggled with FMD, some of their quota shares were transferred to Namibia in 2011 and 2012. In 2012, a total of 2,828 tons were allocated equally between Meatco and Witvlei (The Meat Board of Namibia, 2013a). The quota share is allocated to the other firm, if one exporter is unable to fill its quota share one year (Poolman, 2010). New entrants can apply to the Meat Board for a share of the quota, if they are able to meet the SPS-standards for exporting beef to Norway. Similar to an export certificate, firms seeking to export beef to Norway must document a Norwegian "approval of establishment" certificate (Ndjoze, 2011).

[22] *"The Meat Board of Namibia, founded in 1935, facilitates the export of livestock, meat and processed meat products to importing countries. All major stakeholders of the Namibian meat industry are represented on the Board"* (The Meat Board of Namibia, 2011a).

Chapter 5

Exporters and importers

There are three firms in Botswana and Namibia eligible to export beef to Norway. One is located in Botswana, and the two others in Namibia. These firms differ when it comes to size, ownership structure, export markets and financial situation. The value of the Norwegian beef export also varies among the exporters. Several Norwegian firms import beef from Botswana and Namibia, and there are generally three types of importing firms. The stakeholders have different views on the various quota allocation methods.

5.1 Exporting firms

5.1.1 Botswana Meat Commission (BMC)

Botswana Meat Commission (BMC), established in 1965, is the only beef exporter in Botswana. It is organized as a semi-state owned company (BMC, 2010b). Their beef products are sold to both foreign and domestic retailers (Bedia, 2007). The objectives of the firm are to expand the domestic meat production and market Botswana beef internationally (BMC, 2010b). Even though BMC is a semi-state company, it functions as a co-operative organization, which is owned by farmers (Bedia, 2007). The firm's surplus ends up as a bonus for the farmers at the end of each year (Sunnevåg, 1999). The headquarters of BMC is located in the city of Lobatse in South-Eastern Botswana. The co-operative owns three abattoirs in Botswana and some freezing facilities in South Africa. BMC also has subsidiaries in the UK, Germany, the Netherlands and South-Africa and is a partner of an insurance company on Cayman Islands (BMC, 2010b).

As mentioned earlier, Botswana has struggled with low productivity in the beef sector. Scholars argue that BMC has had economic problems since 1998/99 (Stevens & Kennan, 2005). BMC has had budget deficits on operating costs since 2009. The deficit of 2011 amounted to 166 million NOK[23] and significant losses were also predicted for 2012. The profitability of BMC has suffered, and has led to government intervention. In connection with BMC's financial problems in 2012, the government provided BMC loans of respectively 78 and 154 million NOK (BMC, 2013).[24]

The causes of BMC's financial problems were both external and internal. The financial crisis of 2008-2009 led to more competitive global beef prices and lower demand for beef (BMC, 2010c). The financial trouble was also due to international exchange rate fluctuations. Internally, outbreaks of foot and mouth disease (FMD) amplified the downturn in the sector. Botswana was banned from export to Europe for a certain period in 2011 and 2012. After the ban was lifted, the European market again became lucrative for Botswana's beef sector (BMC, 2013).

Incomes from export activities are vital for BMC and the EU and South Africa are the most important export markets. Norway is also viewed to be an important and lucrative market for beef export. In 2008, BMC's beef export to Norway was worth a total of 36.6 million NOK (Statistics Norway, 2013a).[25] The 2008 annual turnover amounted to 516.8 million NOK, which means that the Norwegian export accounted for seven per cent of total revenue (BMC, 2009).[26]

[23] This number has been estimated in NOK by using the annual average exchange rate between Pula and NOK in 2012 (Oanda, 2013).

[24] This number has been estimated in NOK by using the annual average exchange rate between Pula and NOK in 2012 (Oanda, 2013).

[25] This number has been estimated in NOK by using the annual average exchange rate between Pula and NOK in 2012 (Oanda, 2013).

[26] This number has been estimated in NOK by using the annual average exchange rate between Pula and NOK in 2012 (Oanda, 2013).

5.1.2 Meat Corporation of Namibia (Meatco)

The Meat Corporation of Namibia (Meatco) is a meat producer and a certified beef exporter. In the early 1980s, the beef production industry in Namibia was near total collapse. The beef slaughter and processing industry suffered heavily from overcapacity and fragmentation. Meatco was established as a response to this situation with the objective of creating a successful export business for beef in Namibia (Meatco, 2012).

Meatco is classified as a state-owned company.[27] However, Meatco claims that the government has no financial interests in the corporation. "The Meat Corporation of Namibia Act 2001"[28] regulates Meatco, and the corporation is therefore obliged to *"(...) serve, promote and co-ordinate the interests of livestock producers in Namibia (...)"* (Meatco 2012, p. 42). Meatco is thus organized as a co-operative, with livestock producers as members (Meatco, 2013a). The main role of the government is thus to secure fair treatment of farmers. Recently, the corporation was divided into two components, where one is owned by the co-operative. The second is split between the co-operative and the government, where 70 per cent is owned by the co-operative and 30 per cent is owned by the government. In recent years there has been an on-going dispute about the ownership structure of Meatco (Poolman, 2012).

The headquarters of Meatco is located in Windhoek, where it has its marketing and meat processing facilities. Meatco has various abattoirs located across Namibia and approximately 1,200 employees. On an annual basis, the corporation slaughter almost 120,000 cattle and 27,000 tons of beef is produced (Meatco, 2013b). Further, Meatco has several subsidiaries located internationally. These subsidiaries are found in the United Kingdom, the Netherlands, Germany, South Africa and Guernsey (Meatco, 2012). Meatco had

[27] Classified through the "State-owned Enterprises Governance Act 2006" (Act 2).

[28] Act 1 of 2001.

a loss of 30.6 million NOK in 2011, but generated a profit of 17.5 million in 2012 (Meatco, 2013a).[29]

Meatco is the largest player in the Namibian beef export market and accounts for approximately 80 per cent of exports. The main export markets are South Africa, the United Kingdom and Norway. The corporation also has a foothold in other markets, like Germany, Switzerland, Italy, China and Dubai (Meatco, 2013b). Meatco argues that they serve premium-quality beef, and that they concentrate on niche markets (also defined as "premium markets") locally and internationally (Meatco, 2013a).

In 2011, about 46 per cent of Meatco's products were exported to South Africa. However, this volume only contributed to approximately 33 per cent of total sales revenues. Norway is a small but important export market for Meatco. During 2011, approximately five per cent of beef production was exported to Norway. However, these five per cent contributed to approximately 15 per cent of Meatco's sales revenues (Meatco, 2013a). Meatco claims to have lost a great share of revenue when their access to the Norwegian duty-free export market became more limited. This was due to the decision to split the GSP quota and EFTA/SACU quota on a 50:50 basis with Witvlei (Meatco, 2012). Meatco's revenues were reduced with 24.9 million NOK in 2011/2012, due to the quota split (Hoaës, 2012).[30]

5.1.3 Witvlei Meat

Witvlei is a small private shareholder company with 100 employees and capacity to slaughter 27,000 cattle per year[31] (Witvlei Meat, 2010). The firm was established in 2006 by two local Namibian businessmen. They also got

[29] This number has been estimated in NOK by using the annual average exchange rate between Namibian dollars and NOK in 2012 (Oanda, 2013).

[30] This number has been estimated in NOK by using the annual average exchange rate between Namibian dollars and NOK in 2012 (Oanda, 2013).

[31] We do not have information about the annual tonnage of beef produced.

financial help from two Norwegian counterparts; Fatland AS and Brødrene Michelsen AS (Gaomas, 2006). These two companies and the Norwegian Consul in Namibia, Klaus Endresen, each bought a 10 per cent share of Witvlei (Fatland, 2013).

In 2009, the partnership structure changed in Witvlei. The firm was not satisfied with their current partnership, and the contract with Fatland and Brødrene Michelsen was terminated. According to the initial contract, the Norwegian businesses had committed themselves to sell the beef in Norway for the highest obtainable market price. Witvlei argued that the firms had not followed their commitments, and had sold beef below Norwegian market price. In 2010, they sued Fatland and Brødrene Michelsen (Smith, 2010). Fatland and Brødrene Michelsen, on the other hand, have argued that the operated prices were agreed with Witvlei. Import prices were also claimed to be similar to the prices offered by the other importers, which were organized through AMI (Fatland, 2013). Nortura SA (Nortura), another Norwegian meat importer, became a shareholder in Witvlei in 2010. The Norwegian firm bought 30 per cent of the company shares. For Nortura, an acquisition was the only possibility to enter a beef trade that had been characterised by exclusive agreements and information bias. Nortura felt that the exporters were not aware of the level of the Norwegian purchasing power (Nortura, 2013c). After Nortura's entrance, Fatland's and Brødrene Michelsen's shares were diluted to 6.7 per cent each. Today, foreign stakeholders hold 70 per cent of the shares in Witvlei. Norwegian importers hold 43.4 per cent, while South African investors own 27.3 per cent. Namibian investors hold rest of the shares, with businessman Sydney Martin as the largest shareholder (Poolman, 2011).

Up to Nortura's entrance, Witvlei had financial trouble (Horntvedt, 2012). Nortura reduced the production volume, focusing on quality rather than quantity. Nortura also started to pay a higher import price to Witvlei. The Norwegian firm argues that these actions improved the profitability of the company (Nortura, 2013c). It is obvious that these increased import prices have been important, since Witvlei first of all was established with the Norwegian market as their main export target (Melchior, et al., 2012a). The firm also seems satisfied with the entrance of Nortura. It is further argued that the increased import prices have enabled Witvlei to double the prices paid to the cattle farmers (Sunde, 2012).

5.2 Importing firms

There are different types of Norwegian firms who import beef from Botswana and Namibia. The first years after the GSP quota was implemented, meat traders and importers captured most of the quotas. These firms concentrate on food import and do not buy meat from Norwegian suppliers. They import beef simply to resell it in the Norwegian market (Melchior, et al., 2012a). Another type of firms is so-called meat processing firms. Fatland AS and Nortura are categorized as such firms. They import beef, but their intention is to buy most of their meat from Norwegian suppliers. Some of the beef import is also organized through Norwegian wholesalers and supermarket chains (Norgesgruppen, Rema Industrier etc.) (Melchior, et al., 2012a; Nortura, 2013c). For instance, Norsk Polar is wholly-owned by Norgesgruppen (Norsk Polar, 2013b).

Nortura is an important player in the Norwegian agricultural sector, and is a co-operative owned by 18,500 farmers (Nortura, 2013d). Hence, Nortura oblige to work for the Norwegian farmer's interest. Nortura has several important roles in the Norwegian agricultural sector. First, Nortura is assigned to be a market regulator for meat in Norway. Nortura also has an important role as both a producer and importer. The co-operative used to be sceptical to the preferential beef trade (Nortura, 2013c), but launched a new strategy regarding import in 2008, and stated that they wanted to engage in the Norwegian beef trade with Botswana and Namibia. A part of this strategy was to pay a higher import price for the beef to the exporters (Melchior, et al., 2012a), and *"add value to the African meat"* (Nortura, 2013d). By a higher import price, Nortura imply prices that reflect the Norwegian purchasing power. Nortura also wanted to obtain a substantial market share of this beef trade. A goal for them is to obtain 70 per cent of the beef import, which is similar to their domestic market share (Melchior, et al., 2012a; Nortura, 2013c), and thus to strengthen their role as a meat supplier in Norway. Today, Nortura imports from all three exporters in Botswana and Namibia (Nortura, 2013c), has strong connection with the exporters, and is thus one of the main players in this beef trade.

5.3 Stakeholder's interests

As discussed in chapter 4, the beef trade between Botswana and Namibia and Norway is regulated by quota allocations in all three countries. This might affect the bargaining power of the exporters and importers, and also limit the stakeholder's choice of trading partners.

The exporters in Botswana and Namibia seem to prefer that the quotas are allocated on a first-come, first-served (FCFS) basis in Norway, since Meatco and BMC have expressed that this arrangement is most beneficial for them. These two exporters dislike auction as an allocation method. They argue that the amounts spent on bids by Norwegian importers are an unnecessary cost, where the exporters in the end have to pick up the bill. Hence, the exporters would then be paid a lower import price for their beef. These firms also believe that an auction puts a constraint on which importer to trade with. The exporters can only trade with the importers who have received a quota share through bidding, and BMC argues that this arrangement increases the bargaining power of the demand side (Mguni, 2010).

Norwegian importers have expressed mixed views regarding the two allocation methods. One importer argues that it is easier to adapt the beef import to seasonal demands in the Norwegian market and make it more predictable when auction is used as an allocation method. Adapting the import to demand peaks in Norway, could increase the value of the import and make it easier to brand the beef products. With a FCFS allocation, the trade is argued to be more controlled by the exporters and their needs. However, one importer admits that the exporters probably would receive less of the quota rent with auction allocation (Fatland, 2013). Some of the Norwegian importers also seem unsatisfied with the quota split in Namibia. Their main argument is that the importers get tied to the division and that it puts a restriction on how much beef they can purchase from each exporter. This situation has been more complicated after Nortura's entrance. Witvlei prefer to export to Nortura, and this has decreased the bargaining power of the other importers (Sleipnes, 2012). Some also question Nortura's intentions with the trade, and argue that they have focused more on quantity rather than quality and brand building (Norsk Polar, 2013a). The bargaining power of the exporters can further be a reason for why none of the importers have captured the whole quantity of 3,200 tons.

Chapter 6

Distribution of the quota rent

6.1 Main stakeholders

As mentioned, there are theoretically four main stakeholders who can obtain a share of the quota rent from the beef trade; *1) Foreign exporters, 2) Domestic importers, 3) Domestic government and 4) Foreign government.* In this particular trade, Botswana and Namibian *cattle farmers* are also important stakeholders. For simplicity, we have excluded Norwegian consumers as stakeholders. To answer the question of which of the stakeholders that benefit from the beef trade, we have tried to estimate the profitability of the trade at different levels of the value chain, from cattle farmers to Norwegian importers. First, we have considered the profitability for the foreign exporters and compared the prices obtained by Botswana and Namibian cattle farmers. Second, we have reviewed the potential profit gained by importers. Third, we have commented on the role of the domestic and foreign governments. We have finally summarized our findings in two main tables that review the quota rent distribution of the Norwegian beef trade with Botswana and Namibia.

6.1.1 Exporters and cattle farmers in Botswana and Namibia

One method to find out how much the exporters earn from the trade is to compare prices paid by Norwegian importers with EU import prices. A similar research was conducted by Sunnevåg (1999). The EU is an interesting export market to compare with Norway for several reasons. Both Botswana and Namibia regard the EU as the second most lucrative export market for beef after Norway. Since both countries currently are able to export beef duty-free and quota-free to the EU, the EU price indicates the alternative price that Botswana and Namibia could obtain for the beef that they export to Norway. It is plausible that Botswana and Namibia would export their Norwegian quota share to the EU if they were not able to export duty-free to Norway. Further, we consider the EU to be a comparable example because we can assume that production costs for exporting to the EU and Norway are similar. Exporters face the same health and standard requirements for both markets. The transportation and insurance costs might also be considered similar, since most of the beef exported to Norway is transported through the EU (Noridane, 2013).

In order to compare Norwegian and EU prices, we have first exploited the data on import value presented in chapter 1 to estimate the price paid by Norwegian importers to the exporters from 2008 to 2012. We have not obtained separate price data for the two different quota-schemes, and have therefore assumed that the prices paid to the exporters are the same under both quota-schemes.[32] Second, we have estimated the prices paid by EU importers to exporters in Botswana and Namibia. Third, we have compared prices for fresh/chilled (table 6) and frozen beef (table 7) separately. These prices include transport and insurance costs. According to one of the Norwegian meat suppliers, the transportation cost is estimated to be 2-3 NOK per kilo (Noridane, 2013). We do not have exact information about the insurance cost.

Table 6 compares price paid to Botswana and Namibian exporters by Norwegian and EU importers for one kilo of fresh/chilled boneless bovine meat. Norwegian import data separates the two different products; steaks and fillets and cuts of beef. The EU import data does not distinguish between these two products. In order to be able to compare the Norwegian and EU import price, we therefore reviewed the aggregated import of steaks and fillets and cuts of beef. The comparison indicates that Norwegian importers offer a much higher price than EU importers. Hence, the lucrative Norwegian beef prices seem to benefit the exporters. However, it is important to mention that the Norwegian prices might be higher due to the import composition. A large share of the Norwegian import of fresh/chilled beef consists of steaks and fillets (figure 11). As illustrated in chapter 1, the prices are higher for steaks and fillets than for other cuts of beef (figure 7 and 8). We do not know the composition of the EU import, and this makes our comparison less accurate.

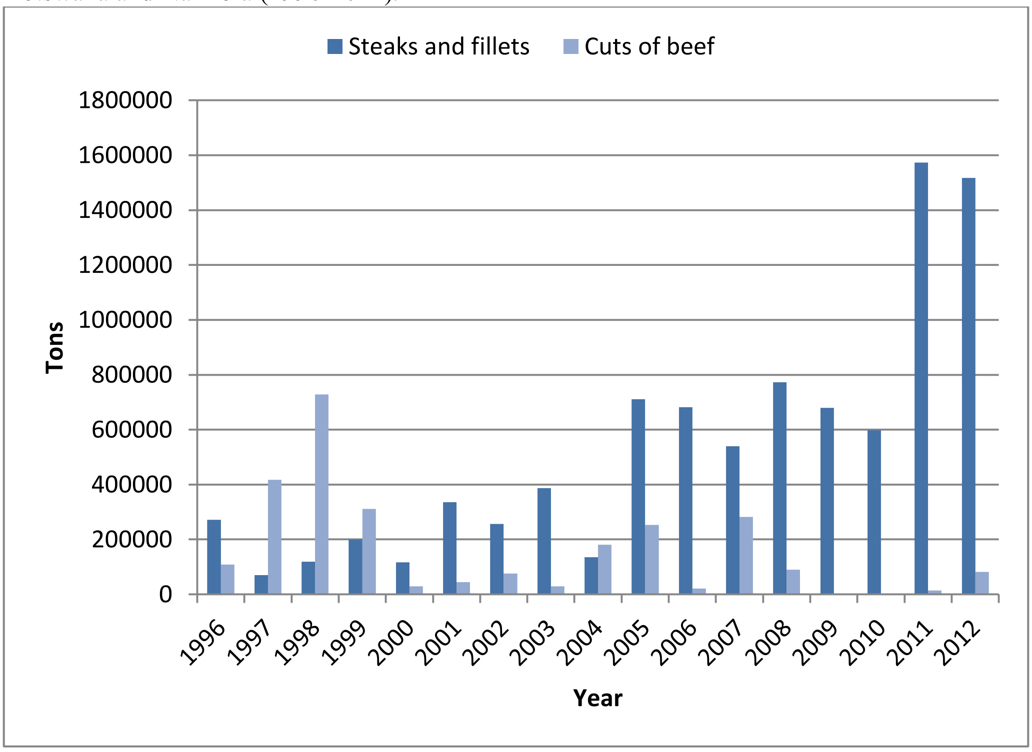
[32] Specific data for import price under the two different quotas are not publicly displayed.

Table 6: Prices paid by Norwegian and EU importers for fresh/chilled beef (boneless) (2008-2012).

Fresh or chilled (boneless)	*2008*	*2009*	*2010*	*2011*	*2012*
Botswana					
Price paid by Norwegian importers	86,11	64,39	83,14	76,63	85,59
Price paid by EU importers	37,70	39,94	35,77	40,18	36,12
Namibia					
Price paid by Norwegian importers	71,09	68,81	72,60	99,95	104,96
Price paid by EU importers	31,54	35,41	39,91	41,87	50,67

Note: Commodity codes reviewed in this table are 02.01.3001 and 02.01.3009**.** Price is measured in NOK per kilo and is not adjusted for inflation. The EU price is estimated in NOK by using Norges Bank's annual average exchange rate. Source: (Statistics Norway, 2013a), (EU Export Helpdesk, 2013) and (Norges Bank, 2013).

Figure 12: Composition of Norwegian import of boneless fresh/chilled bovine meat from Botswana and Namibia (1996-2012).



Note: The table exhibits Norwegian import quantity of the two commodity codes 02.01.3001 (steaks and fillets) and 02.01.3009 (cuts of beef) from Botswana and Namibia. Source: (Statistics Norway, 2013a).

We obtained similar findings when we compared the prices for frozen boneless bovine meat (table 6). Also for frozen beef, the Norwegian importers offer a higher price than the EU importers. However, the same caveat is applicable here, since we do not have detailed data on the EU import composition. The Norwegian import composition of frozen beef is different from the composition of fresh and chilled (figure 12). Under frozen beef, Norway imports mostly cuts of beef. This could also to some extent explain the large differences between prices for fresh/chilled and frozen beef.

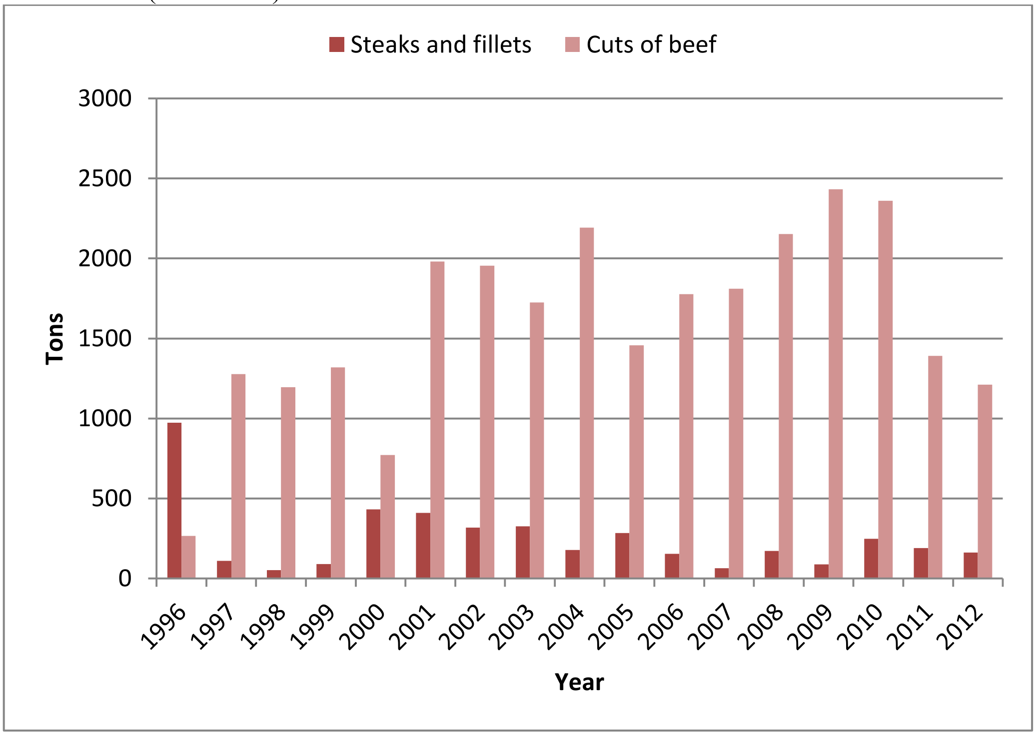
For both fresh/chilled and frozen beef, Norway has offered higher prices than the EU between 2008 and 2012. The results indicate that some of the quota rent from the beef trade with Norway accrues the Botswana and Namibian exporters. This is similar to the results obtained by Sunnevåg (1999). However, it should be mentioned that he only reviewed the prices for cuts of beef.

Table 7: Price paid by Norwegian and EU importers for frozen beef (boneless) (2008-2012).

Frozen (boneless)	*2008*	*2009*	*2010*	*2011*	*2012*
Botswana					
Price paid by Norwegian importers	31,18	38,45	34,71	38,36	42,19
Price paid by EU importers	22,00	23,40	20,84	20,44	22,47
Namibia					
Price paid by Norwegian importers	33,65	36,65	41,02	49,94	51,33
Price paid by EU importers	14,80	22,20	22,29	24,53	28,70

Note: Commodity codes reviewed in this table are 02.02.3001 and 02.02.3009. Price is measured in NOK per kilo. The EU price is estimated in NOK by using Norges Bank's annual average exchange rate. Source: (Statistics Norway, 2013a), (EU Export Helpdesk, 2013) and (Norges Bank, 2013).

Figure 13: Composition of Norwegian import of boneless frozen bovine meat from Botswana and Namibia (1996-2012).



Note: The table exhibits Norwegian import quantity of the two commodity codes 02.02.3001 (steaks and fillets) and 02.02.3009 (cuts of beef) from Botswana and Namibia. Source: (Statistics Norway, 2013a).

In order to review the potential surplus BMC can obtain when exporting beef to Norway, we have included the price paid to Botswana cattle farmers (table 8).

Table 8: Price paid to Botswana farmers by BMC (2008-2012).

Year	*2008*	*2009*	*2010*	*2011*	*2012*
Price offered to farmer	2,74	4,78	6,69	5,01	4,30

Note: The table exhibits the price paid to Botswana cattle farmers per kilo of cold dressed mass (CDM)[33] of bovine meat. The prices are measured in NOK by using the estimated annual exchange rate from Pula to NOK and are not adjusted for inflation. Sources: (Botswana CSO, 2013b) and (Oanda, 2013).

These data show that there is a large price difference between the prices paid to farmers and the prices BMC can obtain in the Norwegian export market. For instance, BMC received a profit of 81 NOK per kilo for fresh/chilled beef in

[33] CDM is the carcass mass after refrigeration, which is considered to be two to three per cent less than the carcass mass right after slaughter (Department of Agriculture Environmental Affairs and Rural Development, 2013).

2012. This price difference excludes the processing cost BMC faces. To further underline the potential profit of the Norwegian trade, we can compare import prices with Botswana domestic prices for beef. In 2012, the average price for one kilo of rump steak[34] for consumers in towns and cities in Botswana was 31.75 NOK[35] (Botswana CSO, 2013c). Since BMC could sell beef to much higher prices to Norway, it is evident this export is very lucrative for BMC compared to selling in the domestic market.

We have also included the price paid to Namibian cattle farmers (table 9). These are annual average prices, and do not separate between prices paid by different firms in Namibia. Compared to BMC, the Namibian firms pay a higher price to cattle farmers. In 2012, Namibian firms paid on average 18.17 NOK per kilo to the cattle farmer, while BMC paid 4.30 NOK per kilo.

Table 9: Average prices offered to Namibian farmers (2008-2012).

Year	*2008*	*2009*	*2010*	*2011*	*2012*
Price offered to farmer	14,12	14,67	16,78	18,09	18,17

Note: In this table we have used producer prices offered by the Namibian Meat Board as price offered to Namibian farmers. The prices are measured in NOK per kilo by using the estimated annual exchange rate from NAD to NOK and are not adjusted for inflation. Source: (The Meat Board of Namibia, 2013b), (The Meat Board of Namibia, 2012), (The Meat Board of Namibia, 2011c), (The Meat Board of Namibia, 2010), (The Meat Board of Namibia, 2009) and (Oanda, 2013).

Even if the Namibian firms pay higher prices to their farmers than BMC, the Namibian firms still profit from the Norwegian beef export. For example, in 2012, Namibian exporters earned on average 86 NOK per kilo of exports of fresh/chilled beef. As for BMC, we do not know the exact processing costs for the Namibian firms.

[34] Sirloin and tenderloin.

[35] We derived this price from estimating the average price for 2012 based on monthly prices from January to October. The price was then estimated in NOK by using the average annual exchange rate between Pula and NOK (Oanda, 2013).

6.1.2 Norwegian importers

To review the potential profits of this trade for Norwegian importers, we have compared the import prices with a wholesale price. The wholesale price may indicate which price the importers can obtain for the imported beef from Norwegian retailers. However, there are as mentioned different types of importers and we do not have exact information about processing cost before the beef is sold to a retailer. We have estimated the average wholesale price for fresh steaks and fillets in Norway to 183 NOK per kilo. This price is calculated as an average of different wholesale prices provided from a source that wish to be anonymous. We have made the assumptions that this average wholesale price is applicable for all Norwegian wholesalers and similar for Norwegian beef and imported beef. The average Norwegian wholesale price is high compared with the import price for fresh/chilled beef (table 6), and the importers thus seem to gain from this trade.

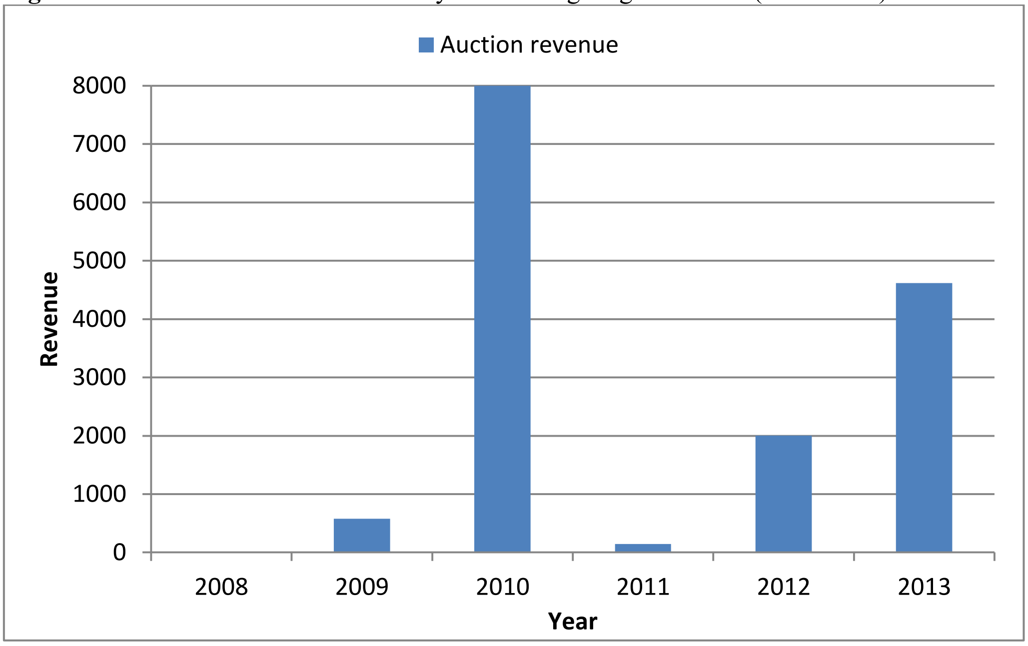
6.1.3 The governments of Botswana and Namibia

We have no evidence indicating that the Botswana and Namibian governments directly profit from the beef trade. Both BMC and Meatco are partly owned by their respective governments. Since Meatco claims that the Namibian government has no financial interests in the company and BMC's potential surplus is to accrue the famers of the co-operative, it seems unlikely that the two governments directly profit from the beef export to Norway. In addition, the quota allocation methods in Botswana and Namibia do not generate any profits for the governments.

6.1.4 The Norwegian government

Finally, the Norwegian government obtains some income through the auction of the EFTA/SACU quota. Figure 13 illustrates the annual income for the Norwegian government from this auction. Since the implementation of the quota in 2008, the price paid for licenses has varied significantly. As mentioned earlier, the bids seem to be more or less symbolic sums. The total revenue in 2008 was exceptionally low, approximately 5000 NOK. The income record was set in 2009, when the quota for 2010 was auctioned. The total revenue from the 2010 quota was 8 million NOK.

Figure 14: Auction revenues obtained by the Norwegian government (2008-2013).



Note: The figure illustrates the annual revenue from the auction of the EFTA/SACU quota. Auction revenues are given in 1000 NOK. The rest bids are not included in the figure. The annual revenue is calculated by multiplying the different winning bids with the tons allocated. Source: (NAA, 2013b).[36]

6.2 A summary of our findings

The numbers from these illustrative examples are summarized in tables 10 and 11. Table 10 is an illustration of the quota rent distribution in the Norwegian beef trade with Botswana for fresh/chilled steaks and fillets, while table 11 is a similar illustration for Namibia. It is important to mention that we do not have detailed information about the costs connected to this particular trade, except transportation costs. The transportation cost of 3 NOK per kilo is seemingly paid by Norwegian importers. The summary tables indicate that at least four stakeholders receive income from the quota-regulated beef trade. These stakeholders are: *1) Exporters in Botswana and Namibia, 2) Cattle farmers 3) Norwegian importers and 4) the Norwegian government.* First, the foreign

[36] For more detailed auction reports, see Appendix B.

exporters profit significantly from this beef trade. Seemingly, exporters receive higher prices in Norway than in other lucrative markets (recall table 6). In addition, there is a significant profit margin compared to the price the exporters pay their cattle suppliers. BMC pays a lower price to their cattle farmers than Namibian firms, but exporters in Namibia are paid a higher import price for their steaks and fillets. Hence, their surplus in tables 10 and 11 are quite similar. In 2012, BMC had a profit of approximately 80 NOK per kilo, while exporters in Namibia had a profit of approximately 87 NOK per kilo. As mentioned, one of the Namibian exporters is partially owned by Norwegian importers.

Botswana and Namibian cattle farmers are important stakeholders in the Norwegian beef export. Our data do not examine the effects this trade have had on cattle farmers' income. Meatco and Witvlei argue that their cattle farmers have profited from the high prices offered by Norwegian importers. However, there are seemingly mostly large commercial farmers that participate in this trade. In addition, the revenues from the trade with Norway are vital for all three export companies. If the preferential treatment ceases to exist, this could have severe income consequences for the cattle farmers.

The Norwegian importers appear to obtain most profit from the trade, as the average calculated Norwegian wholesale price greatly exceeds the prices paid to exporters. In recent years, the import surplus from the trade with Namibia has decreased drastically. Import surplus under the EFTA/SACU quota has, from 2008 to 2012, decreased by 35 per cent. There is not much difference between import earnings under the GSP quota and the EFTA/SACU quota. As mentioned earlier, most of the quota bids have been symbolic sums. For instance, in 2008, the Norwegian government received 0.01 NOK per kilo. The highest earnings obtained were in 2010, when importers had to pay an average of 16 NOK per kilo to receive an import license. However, compared to the profits earned by importers and exporters, these sums are rather small. Hence, the auction revenues do not seem to reflect the true value of the quota rent and might indicate that the importers' bidding behavior is not very competitive. The findings that both exporters and importers profit most from the trade are similar to that of Melchior (2005b), who was of the impression that *"(...) at least exporters (...) and importers get some"* (Melchior 2005b, p.18).

Table 10: Summary table of quota rent distribution of the Norwegian beef trade with Botswana (2008-2012).

	2008		*2009*		*2010*		*2011*		*2012*	
	GSP	EFTA/SACU	GSP	EFTA/SACU	GSP	EFTA/SACU	GSP	EFTA/SACU	GSP	EFTA/SACU
Farmer	2,74	2,74	4,78	4,78	6,69	6,69	5,01	5,01	4,3	4,3
Exporter	86,11	86,11	64,39	64,39	83,14	83,14	76,63	76,63	85,59	85,59
Bot. government										
Surplus exporter	*83,37*	*83,37*	*59,61*	*59,61*	*76,45*	*76,45*	*71,62*	*71,62*	*81,29*	*81,29*
Transport	3	3	3	3	3	3	3	3	3	3
Importer	183	183	183	183	183	183	183	183	183	183
No. Government		0,01		1,15		16,00		0,29		4,00
Surplus importer	*93,89*	*93,88*	*115,61*	*114,46*	*96,86*	*80,86*	*103,37*	*103,08*	*94,41*	*90,41*

Note: This table summarizes our previous findings for the Norwegian beef trade with Botswana, and includes prices paid to the exporter (BMC) for fresh/chilled steaks and fillets. Prices are given in NOK per kilo, and are not adjusted for inflation. See tables 7 and 8 and figure 13 for a note on how the prices paid to exporters, the prices paid to farmers in Botswana and Norwegian auction revenues are calculated. In finding Norwegian auction revenues per kilo, we have divided the annual auction revenue on the amount imported under the EFTA/SACU quota.[37] Source: (Statistics Norway, 2013a), (Botswana CSO, 2013b), (Oanda, 2013) and (NAA, 2013b).

[37] For more detailed auction reports, see Appendix B.

Table 11: Summary table of quota rent distribution of the Norwegian beef trade with Namibia (2008-2012).

	2008		*2009*		*2010*		*2011*		*2012*	
	GSP	EFTA/SACU	GSP	EFTA/SACU	GSP	EFTA/SACU	GSP	EFTA/SACU	GSP	EFTA/SACU
Farmer	14,12	14,12	14,67	14,67	16,78	16,78	18,09	18,09	18,17	18,17
Exporter	71,09	71,09	68,81	68,81	72,60	72,60	99,95	99,95	104,96	104,96
Nam. government										
Surplus exporter	*56,97*	*56,97*	*54,14*	*54,14*	*55,82*	*55,82*	*81,86*	*81,86*	*86,79*	*86,79*
Transport	3	3	3	3	3	3	3	3	3	3
Importer	183	183	183	183	183	183	183	183	183	183
No. Government		0,01		1,15		16,00		0,29		4,00
Surplus importer	*108,91*	*108,90*	*111,19*	*110,04*	*107,40*	*91,40*	*80,05*	*79,76*	*75,04*	*71,04*

Note: This table summarizes our previous findings for the Norwegian beef trade with Namibia, and includes prices paid to exporters for fresh/chilled steaks and fillets. Prices are given in NOK per kilo, and are not adjusted for inflation. See tables 7 and 9 and figure 13 for a note on how the prices paid to exporters, the prices paid to farmers in Namibia, and Norwegian auction revenues are calculated. In finding Norwegian auction revenues per kilo, we have divided the annual auction revenue on the amount imported under the EFTA/SACU quota.[38] Source: (Statistics Norway, 2013a), (The Meat Board of Namibia, 2013b), (The Meat Board of Namibia, 2012), (The Meat Board of Namibia, 2011c), (The Meat Board of Namibia, 2010), (The Meat Board of Namibia, 2009) and (Oanda, 2013)

[38] For more detailed auction reports, see Appendix B.

Concluding remarks

First of all, there are four main stakeholders in the Norwegian beef trade with Botswana and Namibia: *1) Exporters in Botswana and Namibia, 2) Cattle farmers, 3) Norwegian importers and 4) the Norwegian government.* Our findings indicate that most of the quota rent seems to be divided between the importers and exporters. Compared to Norwegian wholesale prices, importers have a large profit margin on the imported beef. Exporters in Botswana and Namibia also receive substantial incomes from the trade. Especially, Namibian exporters have received a high import price in recent years. A large share of their exported beef products have been of high value, such as steaks and fillets. BMC, on the other hand, has obtained a high import price, but has struggled with foot and mouth disease since 2011. Consequently, the quantity exported to Norway has been reduced. We have no data which examine impact of the Norwegian trade on incomes of the cattle farmers. However, it can be argued that they seem to benefit from the trade. The Norwegian government also obtains some auction revenues. In absolute terms, these have been more or less symbolic sums.

Theoretically, the choice of allocation method impacts the distribution of the quota rent. In our data, we have assumed that exporters receive the same import price, regardless of first-come, first-served (FCFS) or auction allocation. Exporting firms in Botswana and Namibia have expressed dissatisfaction with auctions, as it presumably reduces their bargaining power by limiting possible trading partners. The auction also reduces the profits of Norwegian importers. Theoretically, under FCFS, importers should capture the whole quota rent and therefore governments often prefer auction as a quota allocation tool, since it is intended to squeeze out importers' profit and instead benefit the 'state treasury'. In a perfectly competitive market the bids in an auction would reflect the size of the quota rent. In the Norwegian beef trade, there are many bidders competing for a quota licence, but the revenues gained from this auction do not seem to reflect the true value of the quota rent. Since the auction bids have remained very low so far, the impact on the importers' profit has been minimal.

Importers should theoretically thus receive most of the profit. However, the exporters also gain large profits from this trade and the allocation method applied in Botswana and Namibia seems to matter for the distribution of the quota rent. Botswana and Namibia share the export quantity on an equal basis, and the Namibian share is split 50:50 between Meatco and Witvlei. This allocation has presumably reduced the bargaining power of Norwegian importers, since it has limited their choice of export partner. Further, another main reason why exporters gain from the trade is because Norwegian importers have paid higher prices in recent years.

Exporters in Botswana and Namibia seem to prefer allocation through the FCFS method. This allocation method increases their bargaining power, and makes it possible for them to earn higher revenues. For Norwegian importers who wish to pay the highest possible price to the exporters, FCFS is the preferred method as well. If one does not assume that the exporters receive similar price, regardless of FCFS or auction, the auction can be a hindrance to this type of strategy, since the domestic government collects the auction revenues. Firms and governments face fewer costs under the FCFS allocation compared to an auction. However, under this quota-scheme, importers with low import-related costs and close relations with exporting firms might have an advantage. Norwegian importers have also expressed concerns about a “race to the border”, and argued that it is challenging to structure the import to meet Norwegian seasonal beef demand. The exporters can obtain higher earnings if they manage to understand this demand. Under an auction, it is easier for the importers to structure the beef import to seasonal demand. The method is also regarded as fair, securing equal rights to all participants, even though the auction revenues do not reflect the size of the quota rent.

The beef trade seems to be justifiable in the light of the Norwegian political objectives, as it has enhanced the export revenues for the Botswana and Namibian exporters. The trade has also helped Witvlei to export to Europe. Without revenues from this trade, the financial situation for all firms would be difficult and could jeopardize jobs and incomes for the cattle farmers. However, if the goal is to contribute to economic development through highest possible export revenues for these two countries, then a FCFS method might be more preferable than auction.

Despite plans to take the beef trade out of the GSP-system and include all 3,200 tons in the FTA between EFTA and SACU, the administration of the beef import will continue in the same way in the coming years. A concern, however, is that the Botswana and Namibian beef exports are not competitive on a global scale. The preferential beef trade with Norway has, to a large extent, made the exporting firms heavily dependent on trade regimes governed by development policies and not on free markets. Meatco is a firm who seems to be concerned about its future competitiveness, and have focused more on branding and high quality products. The beef sector in Namibia is still however strongly subsidized by the Namibian government. Hence, preference erosion is a major concern for all three exporters, which raises questions about how sustainable the export revenues from the Norwegian beef trade really are.

Appendix

A. Commodities allowed imported under the EFTA/SACU quota.

Commodity code	*Description*
02.01	Meat of bovine animals, fresh or chilled
02.01.1000	Carcasses and half-carcasses
	Other cuts with bone-in
02.01.2001	"Compensated quarters", i. e. forequarters and hindquarters of the same animal presented at the same time
02.01.2002	Other forequarters
02.01.2003	Other hindquarters
02.01.2004	So-called "Pistola-cuts"
02.01.2008	Other
	Boneless
02.01.3001	Beef steaks and fillets
02.01.3009	Other
02.02	Meat of bovine animals, frozen
02.02.1000	Carcasses and half-carcasses
	Other cuts with bone-in
02.02.2001	"Compensated quarters", i. e. forequarters and hindquarters of the same animal presented at the same time
02.02.2002	Other forequarters
02.02.2003	Other hindquarters
02.02.2004	So-called "Pistola-cuts"
02.02.2008	Other
	Boneless
02.02.3001	Beef steaks and fillets
02.02.3009	Other

Source: (EFTA/SACU, 2006) and (NC, 2013a).

B. Auction reports from the NAA.[39]

2008 BW/NA - quota

Total quantity	500 000
Minimum price	0,01

Firm	*Allocated quantity*	*Bid per unit*
Nor-Frost AS	50000	0,01
Food Restructuring AS	200000	0,01
Holst Foods AS	200000	0,01
Skandia Foods AS	45000	0,01

Total quantity allocated	495000

Source: (NAA, 2013b).

[39] Auction reports (from 2008 to 2013) show participants, bids, minimum winning bid, bid winners and quantity allocated to the winners. More detailed information can be retrieved from auksjon2.slf.dep.no.

2009 BW/NA – quota

Total quantity	500 000
Minimum price	1,15

Firm	*Allocated quantity*	*Bid per unit*
Quality Food AS	40000	1,16
Holst Food AS	80000	1,15
Food Restructuring AS	80000	1,15
Skandia Foods	80000	1,15
Fatland Jæren AS	80000	1,15
Ultimat AS	20000	1,15
Johannessens import og investering	20000	1,15
Rieber og Søn ASA	80000	1,15
Frysekompaniet Holding AS	20000	1,15
Norsk Kjøtthandel AS	0	1,06
Kulinar Invest AS	0	0,16
Norsk Polar AS	0	0,04
Keep Holding AS	0	0,02
Frysekompaniet Holding AS	0	0,01
EAJ Holding AS	0	0,01
Nordicfood AS	0	0,01
Kulinar AS	0	0,01
T L Måkestad AS	0	0,01
MAK Food AS	0	0,01
Sinober AS	0	0,01
Hetland Import AS	0	0,01

Total quantity allocated	500000

Source: (NAA, 2013b).

2010 BW/NA – quota

Total quantity	500 000
Minimum price	16

Firm	*Allocated quantity*	*Bid per unit*
Nortura SA	80000	16,01
Kontiki Foods AS	80000	16,01
Johannessens import og investering	10000	16,01
A la Carte Produkter AS	572	16
Holst Food AS	143229	16
Food Restructuring AS	143229	16
Fatland Jæren AS	42968	16
Quality Food AS	0	10,54
Brødrene Michelsen AS	0	5
Norsk Kjøtthandel AS	0	4,5
Rieber og Søn ASA	0	0,01
Ultimat AS	0	0,01
Norsk Polar AS	0	0,01
Kulinar Invest AS	0	0,01
Total quantity allocated	499998	

Source: (NAA, 2013b).

2011 SACU – quota

Total quantity	500 000
Minimum price	0,05

Firm	*Allocated quantity*	*Bid per unit*
Nortura SA	125000	1
Rema Trading AS	15000	0,06
Norsk Kjøtthandel AS	40000	0,06
Nor-Frost AS	5000	0,06
Ultimat AS	20000	0,06
JTS Gourmet AS	368	0,05
Kontiki Foods AS	92072	0,05
Norsk Polar AS	18414	0,05
Food Restructuring AS	92072	0,05
Holst Food AS	92072	0,05

Total quantity allocated	499998

Source: (NAA, 2013b).

2012 SACU – quota

Total quantity	500 000
Minimum price	4

Firm	*Allocated quantity*	*Bid per unit*
Rema Trading AS	50000	4,01
Kontiki Foods AS	150000	4,01
Holst Food AS	104166	4
BM-Food Hanssen Nygaard AS	104166	4
Nor-Frost AS	8333	4
Norsk Polar AS	41666	4
Ultimat AS	41666	4
Stabburet AS	0	3,8
Quality Food AS	0	3,23
Nortura SA	0	3
Norsk Kjøtthandel AS	0	0,75
Rieber og Søn ASA	0	0,51
Coop Norge Handel AS	0	0,5

Total quantity allocated	499997

Source: (NAA, 2013b).

2013 SACU – quota

Total quantity	500 000
Minimum price	9,23

Firm	*Allocated quantity*	*Bid per unit*
Noridane Foods AS	175000	9,25
Rema Trading AS	50000	9,24
Norsk Polar AS	95930	9,23
Holst Food AS	108720	9,23
BM-Food Hanssen Nygaard AS	70348	9,23
Nor-Frost AS	0	9,21
NK Import AS	0	8
Ultimat AS	0	4,3
Brødrene Michelsen AS	0	2
Kontiki Foods AS	0	2
C&E Gastro-Import AS	0	0,01

Total quantity allocated	499998

Source: (NAA, 2013b).

C. Norwegian import quantity under the GSP quota and EFTA/SACU quota.

Fresh or chilled (boneless)	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*
Botswana																	
2013001	111,4	70,363	118,772	140,113	98	304,84	119,737	156,002	73,231	345,621	269,409	200,776	35,557	168,11	207,103	157,552	168,871
2013009	108,9	417,66	728,052	153,578	29,199	28,433	0	14,317	104,716	130,614	0	124,377	0	0	0	0	0
Namibia																	
2013001	159,9	0	0	59,741	18,2	30,31	136,643	231,291	62,294	365,35	412,143	339,412	736,894	511,309	390,964	1415,98	1348,385
2013009	0	0	0	158,123	0	15,469	76,033	15,137	75,85	122,164	21,56	158,037	89,378	0	0	14,055	81,177
Frozen (boneless)																	
Botswana																	
2023001	335,5	109,3	51,825	53,461	250,073	321,508	46,155	112,212	64,867	45,666	44,374	21,42	40,951	68,261	0	54,006	0
2023009	145	1278	1140,61	915,26	482,27	1102,99	770,331	647,079	1081,71	1066,375	1352,307	1192,919	1036,45	1056,211	1366,166	212,348	198,53
Namibia																	
2023001	637,9	0	0	36,484	180,71	88,955	272,608	212,705	112,221	237,781	108,584	42,56	131,761	19,145	247,695	136,464	162,518
2023009	121,5	0	55,72	404,264	289,211	878,834	1185,04	1078,47	1111,09	390,806	424,253	618,344	1115,58	1376,289	995,557	1178,1	1012,604

Note: The table exhibits Norwegian import quantity under the GSP quota and EFTA/SACU quota, from Botswana and Namibia (1996-2012). Numbers are listed in tons. Source: (Statistics Norway, 2013a).

D. Norwegian import value under the GSP quota and EFTA/SACU quota.

Fresh or chilled (boneless)	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*
Botswana																	
2013001	5,585	4,034	6,187	8,143	5,190	12,674	5,311	7,147	3,983	18,032	16,711	11,111	3,062	10,824	17,218	12,074	14,453
2013009	2,903	17,965	33,492	8,532	1,714	1,419	0,000	0,626	4,559	5,619	0,000	6,917	0,000	0,000	0,000	0,000	0,000
Namibia																	
2013001	6,978	0,000	0,000	3,496	0,499	1,449	6,515	10,698	3,565	20,247	28,075	21,770	53,899	35,185	28,385	142,291	145,293
2013009	0,000	0,000	0,000	7,098	0,000	0,599	3,724	0,645	3,460	5,633	0,819	9,858	4,842	0,000	0,000	0,642	4,753
Frozen (boneless)																	
Botswana																	
2023001	9,167	2,892	1,361	1,525	7,930	10,225	1,759	5,162	2,337	2,273	2,068	0,881	1,397	4,765	0,000	2,485	0,000
2023009	3,771	34,881	33,323	25,956	12,555	30,125	20,453	18,110	33,524	31,013	49,193	40,908	32,196	38,476	47,426	7,732	8,377
Namibia																	
2023001	17,398	0,000	0,000	1,060	4,928	2,509	11,193	9,267	5,565	9,796	4,308	1,411	4,378	1,364	13,950	8,199	9,752
2023009	3,075	0,000	1,558	11,428	8,142	23,961	31,212	31,619	35,383	13,329	17,616	21,097	37,596	49,784	37,044	57,447	50,570

Note: The table exhibits Norwegian import value under the GSP quota and EFTA/SACU quota, from Botswana and Namibia (1996-2012). Numbers are listed NOK (million), and not adjusted for inflation. Source: (Statistics Norway, 2013a).

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