

BOTSWANA- SOUTH AFRICA ECONOMIC RELATIONS: A HISTORY, 1966-2014

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**THIS THESIS HAS BEEN SUBMITTED IN ACCORDANCE WITH THE REQUIREMENTS FOR THE
DEGREE OF DOCTOR OF PHILOSOPHY IN THE FACULTY OF THE HUMANITIES, FOR THE CENTRE
FOR AFRICA STUDIES AT THE UNIVERSITY OF THE FREE STATE, BLOEMFONTEIN**

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FEBRUARY 2019

Declaration

I declare that the thesis hereby submitted by me for the Doctor of Philosophy degree at the University of the Free State is my own independent work and has not previously been submitted by me at another University or institution for any degree, diploma or other qualification. I further cede copyright of the dissertation in favour of the University of the Free State

Signed: _____

Unaludo Sechele

DEDICATION

For mum and dad, with love

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ABSTRACT

This thesis examines economic relations between Botswana and South Africa from 1966 to 2014 from Botswana's perspective. It begins by describing different historical junctures in the economic history of the two countries, including but not limited to, the renegotiation of the Southern African Customs Union in 1969, which was required after the independence of the British High Commission territories, Botswana, Lesotho and Swaziland. It suggests that though the renegotiated agreement was far from ideal, it was better than the original 1910 agreement. The thesis examines Botswana's transition from a pastoral economy to one based on minerals, particularly diamonds from 1966 and 1972. It argues that Botswana's tremendous economic growth in this period was buttressed by the partnership between the Botswana government and De Beers, a large South African mining company. Working together, their partnership formed Debswana, one of the biggest diamond companies in the world. This period was touted as Botswana's economic miracle, but Botswana's economic dependence on South Africa was never far from the surface, something the apartheid regime took advantage of in the 1980s. Expectations after 1994 of a fundamentally changed economic relationship between the two states were soon disabused. Overall, the thesis questions the extent to which Botswana escaped from the shadow cast by its vastly bigger neighbour, South Africa.

Key words: Botswana, economic relations, diamonds, South Africa, economy, Rand, Pula

OPSOMMING

Hierdie verhandeling ondersoek ekonomiese betrekkinge tussen Botswana en Suid-Afrika tussen 1966 en 2014 vanuit die perspektief van Botswana. Verskillende historiese draaipunte binne die ekonomiese geskiedenis van hierdie twee state word ondersoek, insluitende die hersiening van die Suider-Afrikaanse Doeane-unie in 1969 na afloop van die onafhanklikheidswording van die Britse protektorate Botswana, Lesotho en Swaziland. Daar word bevind dat, alhoewel die hersiende skikking veel te wense oorgelaat het, dit 'n verbetering op die oorspronklike ooreenkoms van 1910 was. Die verhandeling ondersoek verder Botswana se oorgang van 'n pastorale na 'n minerale-gebaseerde ekonomie, met spesifieke verwysing na die belangrikheid van diamante tussen 1966 en 1972. Die tesis voer aan dat die sterk ekonomiese groei wat Botswana gedurende hierdie periode beleef het, deur die vennootskap tussen die regering van Botswana en die Suid-Afrikaanse mynmaatskappy De Beers, gerugsteun is. Deur hierdie vennootskap is Debswana, een van die grootste diamantmaatskappye ter wêreld, tot stand gebring. Hierdie era word as Botswana se ekonomiese wonderwerk beskou, maar die land se ekonomiese afhanklikheid van Suid-Afrika het nooit werklik gewyk nie – 'n feit wat deur die apartheid regering uitgebuit is. Verwagtinge na 1994 van fundamentele verandering in die ekonomiese verhouding van die twee state het ook tot niks gekom nie. In die geheel bevraagteken die verhandeling dus die mate waartoe Botswana uit die skadu van sy veel groter buurland kon tree.

Sleutelwoorde: Botswana, ekonomiese betrekkinge, diamante, Suid-Afrika, ekonomie, Rand, Pula

ACKNOWLEDGEMENTS

I would like to express my deepest appreciation to Prof Ian Phimister, firstly for believing in me, for his insightful guidance and supervision as I wrote this thesis. I am very grateful to my supervisors, Dr Matthew Graham and Dr Sarah Frank, whom I walked this challenging journey with. They were expert shepherds when it got very tough and when I gave them reason to throw in the towel, they always believed I could make it. The positive criticism, insightful and detailed feedback on the chapters made me get through this. It was surely a bittersweet journey but together we walked to end. I am also thankful to the University of the Free State for funding my PhD studies.

A very special gratitude to my parents, Obed Sechele and Patricia Sechele, whose support and confidence in me motivated me to persevere to end. A special thanks to my aunt Elizabeth, Ntombaba Baka-Chikadzi '*Vraga*' Sechele, *Oh Lord Bless her!* In her late 80s, she still goes out of her way to cheer me up, the aunt who became a grandmother. She is truly a blessing to me, and I know she awaits my graduation day. A special mention to two of my closest friends who endured the stressful days and sleepless nights, who understood my journey, from a personal level Thusanang 'Tsalu' Duha, for being a shoulder to lean on and your inspiration. And you Melatia 'Child' Nengomasha, words cannot begin to describe how grateful I am little sister, you are truly an amazing soul because you held my hand and walked this journey with me. I am forever indebted to your support, courage and faith throughout this journey. I am grateful to my siblings for their support but more especially Batsho who got motivated enough to also pursue his Masters and Tapiwa, you now understand the ins and outs of writing a PhD thesis, you endured my whining but believed in me despite all.

My cohort, the October 6 squad, what a journey we have walked, Lotti Nkomo, Joyline Kufandirori, Victor Gwande, Miyanda Simabwachi, George Bishi, Sibanengi Ncube, Joseph Kachim, Bryson Nkhoma and Eleanor Bron, I thank you for making the journey bearable. Joyline

we spent the late nights together at the office and you Lotti, together we endured the loneliness, language barrier and sometimes racism in Bologna in the pursuit of these PhDs.

I also want to thank most sincerely the administrative staff in the ISG. Mrs Ilse Le Roux, who became a mother to me since 2013 when I arrived in Bloemfontein to pursue my Masters degree through to PhD was no exception, you were always just one email away. You always looked out for my well-being besides taking care of the administration. Ms Tari Gwena, I whined about every little thing but you never got tired of me, I thank you.

To my special ladies, Geraldine Sibanda, Faith Mkwanzani, Oabile '*Abby*' Lele, Kay '*Malesire*' Hobona, Onalethata '*Ouu*' Sechele and Kefilwe Fifi '*Mhlekazi*' Dubani, I could not have asked for better friends than you. Even when I was not available to be the friend in need, you were always friends indeed. I appreciate you very much and all the input you made into producing this PhD.

I am also thankful to; Dr Noel Ndumeya, Dr Bongani Gumbo, Dr Tinashe Nyamunda, Dr Clement Masakure, Dr Kudakwashe Chitofiri, Dr Kundai Manamere and Dr Wesley Mwatwara. You were all inspirational in the writing process, thank you for your guidance, encouragement and sometimes reassuring words.

Finally last but by no means least, my special person, Nthuwangu. You read my work, criticised it and gave me positive feedback whenever you could, and for that I am thankful. You endured the long distance relationship, long travels only to come to a much stressed and emotionally unavailable Una. I thank you for your patience and deciding to hold on even when PhD was taking me away from you. Finally we are here!

I would like to thank all officers from The National Archives in London, they made my research at Kew National Archives smooth sailing, because of that I managed to capture as much data as I could in a very short space of time. I am also grateful for the support received from the Botswana National Archives in Gaborone especially from Iwani Simon and Adolphina Rhyn, Pretoria Repository, and University of the Free State Contemporary Archives for the service they rendered

me and going out of their way to help locate all the necessary files for my research. I would also like to thank Chedza Mahatlhe for her outmost assistance at the Botswana Statistics in Gaborone.

For all those that I did not mention by name, it is not because your assistance was in any way insignificant, I am indebted to all the assistance, encouragement and advice you gave me throughout my PhD journey. And to God be the glory!

GLOSSARY

ANC	African National Congress
ASABO	Association of South Africans in Botswana
BDP	Botswana Democratic Party
BDF	Botswana Defence Force
BEDIA	Botswana Export Development and Investment Authority
BLS	Botswana, Lesotho and Swaziland
BMC	Botswana Meat Commission
BNARS	Botswana National Archives Records Service
BNF	Botswana National Front
BNLS	Botswana, Namibia, Lesotho, Swaziland
BoB	Bank of Botswana
BOCCIM	Botswana Confederation of Commerce, Industry and Manpower
BPC	Botswana Power Corporation
CAAA	Comprehensive Anti-Apartheid Act
CBPP	Contagious Bovine Pleuropneumonia
CCM	Chamber of Commerce Movement
CDC	Commonwealth Development Cooperation
CGT	Capital Gains Tax
CONSAS	Constellation of Southern African States
DAT	Double Tax Avoidance
DEBSWANA	DeBeers Botswana Diamond Mining Company
DRC	Democratic Republic of Congo
EEC	European Economic Community

EU	European Union
FDI	Foreign Direct Investment
FLS	Frontline States
GDP	Gross Domestic Product
IFSC	International Financial Service Centre
IMF	International Monetary Fund
INT	Intergovernmental Negotiating Team
MFDPP	Ministry of Finance and Development Planning
MNCs	Multinational Corporations
MNT	Mobile Telephone Networks
MULPOC	Multilateral Programming and Cooperation Centre
MW	Megawatts
NamPower	Namibia Power Corporation
NASA	National Archives of South Africa
NDP	National Development Plan
Nortex	Northern Textiles
NP	National Party
OAU	Organisation of African Unity
P	Pula
PAC	Pan Africanist Congress
PPA	Power Purchase Agreement
PV	Photovoltaic
R	Rand
RDF	Revenue Distribution Formula

RDP	Reconstruction and Development Programme
RMA	Rand Monetary Area
RSF	Revenue Sharing Formula
RST	Roan Selection Company
SACOB	South African Chamber of Business
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADCC	Southern African Development Co-ordination Conference
SADF	South African Defence Force
SAP	South African Police
SAPP	Southern African Power Poll
SARB	South African Reserve Bank
SATCC	Southern African Transport and Communication Networks
SCFA	Sub-Council of Foreign Affairs
UFS CA	University of the Free State Contemporary Archives
UDF	United Democratic Front
UK	United Kingdom
UNECA	United Nations Economic Commission for Africa
UNHCR	United Nations High Commissioner of Refugees
US	United States
USA	United States of America
USD	United States Dollar
VAT	Value Added Tax
WEF	World Economic Forum

WHT

Withholding Tax

WTO

World Trade Organisation

ZESCO

Zambia Electricity Supply

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MAP OF SOUTHERN AFRICA SHOWING THE LOCATION OF BOTSWANA AND SOUTH AFRICA



Source: <https://www.adventuretoafrika.com/countries/map-of-southern-africa/>

(All the mistakes in the map are from the source)

CHAPTER ONE

INTRODUCTION

This study examines the nature of economic relations between Botswana and South Africa from Botswana's independence in 1966 through to the electricity crisis of 2008/14. By economic relations, what is meant is the regular occurrence of commercial activities and transaction, as well as all forms of capital and labour.¹ Despite the fact that French and British colonies were gaining independence in the early 1960s, South Africa remained rigidly attached to its apartheid regime.² This intransigence by white minority-ruled South Africa immediately placed it at odds with black-majority ruled Botswana. In this context, the study explores how and with what success and failure the Botswana leaders navigated the tricky political and economic landscape over time. It was a relationship shaped by the discovery of mineral wealth, by South African destabilisation, by the end of apartheid rule and eventually by the worldwide economic crisis of 2008. To this end, this thesis analyses Botswana's economic ties with South Africa including mining, and the extraction and marketing of diamonds, as well as Gaborone's involvement in the Southern African Customs Union (SACU)³ and Rand Monetary Area (RMA).⁴ Particular attention

¹ See H.V Houtum, *The Development of Cross-Border Economic Relations* (Amsterdam: ThelaThesis Publishers, 1998), 9.

² 'Apartheid' was a political slogan which brought radical Afrikaner nationalism to power in South Africa in May 1948, under the leadership of D.F Malan. See, S. Dubow, *Apartheid, 1948- 1994* (Oxford: University of Oxford Press, 2014), 1.

³ SACU consists of five countries, Botswana, Lesotho, Swaziland, Namibia and South Africa. Established in 1910, SACU was administered by South Africa through the 1910 and 1969 agreements. The custom union collected duties on local production and customs duties on members' imports from outside SACU and the resulting revenue was allocated to member countries in quarterly utilising a revenue-sharing formula. Negotiations to reform the 1969 agreement started in 1994 and a new agreement was signed in 2002. <http://www.sacu.int/show.php?id=471>, accessed 19 August 2016.

⁴ The South African Reserve Bank (SARB) was established in 1921, after which, the then South African currency, pound (until 1961) became the medium of exchange and legal tender in South Africa (SA), Bechuanaland (now Botswana), Basutoland (now Lesotho), and Swaziland. The currency union was formally established on December 5, 1974, with the signing of the Rand Monetary Area (RMA) agreement from which Botswana withdrew in 1975. See, M. Seleteng, 'The Common Monetary Area In Southern Africa: Key Issues And Policy Implications', *Africa Growth Agenda* (2013), 23. http://reference.sabinet.co.za/webx/access/electronic_journals/afgrow/afgrow_jul_sep_2013_a5.pdf, accessed- 20 August 2016.

is paid to the electricity crisis and how it overlapped with the effects of the 2008 global economic recession on economic relations between the two countries.

Background

Separated by a particularly artificial colonial boundary, South Africa and Botswana were and are tied together socio-culturally, politically, and economically. Citizens of the two countries living along the border share much the same culture and traditions.⁵ Prior to independence, Botswana was a British High Commission Territory together with Lesotho and Swaziland (now Eswatini), collectively referred to as the BLS states. The High Commissioner for Southern Africa, rather than the resident commissioner in Botswana, controlled and made decisions for the BLS states.⁶ Botswana's administrative capital was actually located outside the country in Mafikeng in the Cape Colony.⁷

Although the focus of this dissertation is on the relationship that obtained from 1966, it is important to underscore the fact that Botswana and South Africa were closely tied together from the late nineteenth century onwards. So close were they, that in 1910 an attempt was made to incorporate the three British High Commission Territories into the new Union of South Africa. However, this plan was thwarted by Britain because of strong objections from successive Chiefs Khama III, Sebele I, and Bathoen I.⁸ Nonetheless, the issue of incorporation was not put to rest for good and again in 1949 the South African Prime Minister, D.F. Malan, returned to the issue.⁹ He argued that his country should incorporate Bechuanaland because, "South Africa had the right, by virtue of its position as a white man's country and its experience during the course of

⁵ J. P. Ngandwe, 'Challenges Facing the Harmonisation of the SABC Legal Profession: South Africa and Botswana Under the Spotlight', *Comparative and International Law Journal of Southern Africa*, 40, 3 (2013), 366.

⁶ K. J. Panton, *Historical Dictionary of the British Empire* (London: Rowman & Littlefield, 2015), 228.

⁷ R. Dale, 'The implication of Botswana- South Africa Relations for American Foreign Policy', *Africa Today*, 16, 1 (1969), 8 and J. Hanlon, *Apartheid's Second Front: South Africa's War Against its Neighbours* (New York: Penguin Books, 1986), 21.

⁸ A. Keppel-Jones, 'South Africa and the High Commission Territories', *International Journal*, 6, 2 (1951), 87-89. See also, J. A. Muller, *The Inevitable Pipeline into Exile: Botswana's Role in the Namibian Liberation Struggle* (Basel: Baeler Afrika Bibliographien, 2012), 22 and C. J. Makgala and B. Seabo, "Very Brave or Very Foolish? 'Gallant Little' Botswana's Defiance of Apartheid's Golden Age', 1966-1980", *The Round Table*, 106, 3 (2017), 304.

⁹ Keppel-Jones, 'South Africa and the High Commission Territories', 87-89.

the years in connection with the native problem and the coloured problem, to aspire to leadership in this matter and to act as adviser to the peoples of the Northern Territories.”¹⁰ Malan tried to convince his British counterparts to relinquish control of the High Commission Territories, but London constantly declined to do so. By the late 1950s, as condemnation of apartheid policies mounted around the world, any transfer of authority was politically impossible.¹¹

H. F. Verwoerd, the South African Prime Minister between 1958 and 1966, was the first South African leader to realise that the incorporation of Botswana into South Africa was not going to happen and accepted that Britain was preparing the territory for its independence. South Africa eventually abandoned incorporation in 1961.¹² In the early 1960s, the British began readying the High Commission Territories for independence and all were free by the end of the decade. Botswana attained its independence on 30 September 1966.¹³

From the colonial era through to the discovery of diamonds in Botswana, its economy was highly dependent on South Africa, the former sending unskilled migrant labour and exporting beef to the latter.¹⁴ From precolonial times, the Batswana had held their wealth in cattle, and on the eve of independence, the cattle industry was the country’s only significant source of foreign exchange.¹⁵ This changed dramatically with the discovery of mineral wealth in 1969. Botswana’s subsequent rapid economic growth earned it the nickname of an ‘African miracle’.¹⁶ Since their discovery in 1969, the extraction of diamonds from Orapa, Letlhakane and Jwaneng made

¹⁰ R. S. Jaster, *The Defence of White Power: South African Foreign Policy Under Pressure* (New York: Palgrave Macmillan, 1989), 10.

¹¹ Panton, *Historical Dictionary of the British Empire*, 228 and D. E. Torrance, ‘Britain, South Africa and the High Commission Territories: An Old Controversy’, *Historical Journal*, 41, 3 (1998), 754.

¹² P. Du Toit, *State-Building in Southern Africa: A Comparative Study of Botswana, South Africa and Zimbabwe* (Pretoria, Human Science Resource Council Publishers, 1995), 80-81.

¹³ Panton, *Historical Dictionary of the British Empire*, 228 and R. Ajulu and D. Cammack, ‘Lesotho, Botswana, Swaziland: Captive States’, in P. Johnson and D. Martin (eds), *Frontline Southern Africa* (Melbourne: Ryan Publishing, 1989), 213.

¹⁴ P. Spray, ‘Botswana: Cautious But Outspoken’, in J. Hanlon, *Beggar Your Neighbour: Apartheid Power in Southern Africa* (Bloomington: Indiana University Press, 1986), 226.

¹⁵ Ajulu and Cammack, ‘Lesotho, Botswana, Swaziland’, 213.

¹⁶ P. Fawcus and A. Tilbury, *Botswana: Road to Independence* (Gaborone: Pula Press and The Botswana Society, 2000) and A. I. Samatar, *An African Miracle: State and Class Leadership and Colonial Legacy in Botswana* (Portsmouth: Heinemann, 1999).

Botswana one of the biggest diamond producers in the world.¹⁷ The leading South African diamond company, DeBeers, under the Anglo-American Corporation, was at the forefront of the mining, extracting and marketing of Botswana's diamonds.¹⁸ The cattle industry came a poor second to diamonds in generating foreign exchange. Nonetheless, the first President of Botswana, Sir Seretse Khama, admitted that despite its rapid economic growth, Botswana was still very much dependent on South Africa economically.¹⁹

Seretse Khama and Ketumile Masire were among the founding fathers of the Botswana political parties. Khama was the President of the Botswana Democratic Party (BDP) and Masire as the General Secretary of the BDP. They came from very different backgrounds; Khama was from the North of Botswana and a Paramount chief while Masire on the other hand was from the southern Botswana and a commoner. But despite their different ethnicity and status, they formed a strong partnership which never encountered any feuds and splits. When the BDP won elections Masire became Khama's Vice President. They established an open and multiparty democratic system. This was to an extent that liberal politics functionally necessitated relative freedom of speech and association.²⁰ This kind of leadership contributed immensely to the economic development of Botswana as it shall be shown later in the thesis.

In an interview with a South African journalist in 1970, Seretse Khama looked back to the days when the BDP pledged to work for rapid economic and social development once in power.²¹ At the time, it seemed that the country faced intractable problems. In 1966 newly-independent Botswana not only lacked trained personnel but seemingly there was no basis for industrial development, as the basic infrastructure and services such as power water, and roads were an inadequate. In order to accelerate the development process, Ketumile Masire as Vice President

¹⁷ Ajulu and Cammack, 'Lesotho, Botswana, Swaziland', 212-213.

¹⁸ Hanlon, *Apartheid's Second Front*, 20.

¹⁹ Ajulu and Cammack, 'Lesotho, Botswana, Swaziland', 212-213.

²⁰ N. de Jager and I, Taylor, 'Democratic Contestation in Botswana', in C. Metelits and S. Matti (eds), *Democratic Contestation on the Margins: Regimes in Small African Countries* (London: Lexington Books, 2015), 29 and C. McIntyre, *Botswana Safari Guide: Okavango Delta, Chobe, Northern Kalahari* (Buckinghamshire: Bradt Travel Guide Ltd, 2014), 13.

²¹ Botswana National Archives [Hereafter to be referred to as BNA], BNB 6767, Interview with Sir Seretse Khama by a South African Journalist, April 1970.

and Minister of Finance, created an enabling institutional framework through the first National Development Plan.

Among of the first laws passed to promote economic growth were those related to land tenure, water and fauna conservation and mineral exploitation. These laws included The State Land Act (1966), the Water Act (1968), the Mines and Mineral Act. These laws were intertwined, for instance the State Land Act promulgated in 1966 was meant to manage the state land, which included urban land, game parks and forest reserves. Moreover, the Mines and Mineral Act also required that all mining operations consider environmental issues and conduct operations that would preserve the natural environment. Any person who held mining rights with reference to the land held under the licence or permits could use any underground water and construct any works required for or in connection with such water. Furthermore, any person who held the rights of access to land also included access to surface water resources.²² In this regard, these laws governed how natural resources were exploited; the importance of minerals resources did not undermine the need for land, water and animals and their contribution to the economy.

Botswana also joined the International Monetary Fund (IMF), the World Bank and other developmental agencies. As discussed in detail in Chapter Two, Khama's ambition was to make the mining industry the main resource driving other forms of development.²³ Yet dependency on South Africa continued into the twenty first century. In as late as 2004, the third President of Botswana, Festus Mogae revealed that "Botswana's exports to South Africa were worth R2 billion in 2004, but its imports of goods and services from South Africa to Botswana totalled R17 billion."²⁴ Over and beyond this massive trade imbalance, Botswana continued to depend on South Africa for nearly all of its electricity, fuel and transport. Indeed, about 80 percent of

²² *Property Rights and Resource Governance*, <https://www.land-links.org/country-profile/botswana/#minerals-> accessed 08 April 2019,

²³ Ibid.

²⁴ K. Good, *Diamonds, Dispossession and Democracy in Botswana* (Johannesburg: Jacana Media, 2008), 16.

Botswana's imports passed through or originated from South Africa while all its overseas exports went through South Africa since it was landlocked and depended on South African ports.²⁵

To drive the point home, Botswana is not only geographically much smaller than South Africa but compared to its giant neighbour, its population is tiny. The disparities in demographic and economic growth for Botswana and South Africa from 1966 to 2014 are tabulated below (see Table 1.1).

Table 1.1: Population and Gross Domestic Product (GDP)-% of Botswana and South Africa from 1966 to 2014

		1966	1976	1986	1996	2006	2014
South Africa	<i>Population</i>	20 300 00	25 300 000	32 100 000	40 000 000	47 900 000	54 100 000
	<i>GDP (Current US \$)</i>	11.995 Billion	35.474 Billion	79.503 Billion	147.608 Billion	217.639 Billion	349.873 Billion
	<i>GDP growth rate %</i>	2.19	0.064	-2.51	2	4.15	-0.079
Botswana	<i>Population</i>	613 000	854 000	1 220 000	1 610 000	1 900 000	2 200 000
	<i>GDP (Current US \$)</i>	51 500 000	372 000 000	1.393 Billion	4.848 Billion	10.127 Billion	15.88 Billion
	<i>GDP growth rate %</i>	3.36	6.52	4.74	3.5	6.55	1.19

Source: www.data.worldbank.org

Research Problem

Throughout the period covered by this thesis, politicians including successive Botswana presidents have acknowledged the high degree of interstate economic relations with South Africa, but what precisely this entailed is unclear. Such literature as there is concerning Botswana-South Africa economic relations invariably lacks a detailed historical background. Moreover, it

²⁵ Ajulu and Cammack, 'Lesotho, Botswana, Swaziland', 214.

tends to focus disproportionately on some areas, notably diamond mining and marketing, to the exclusion of others. Then too, some periods have been comprehensively covered and others neglected. Where studies have looked at this subject, they have mostly done so from South Africa's perspective. No detailed analysis of Botswana-South Africa economic relations exists for the period covered by this thesis. In attempting to understand how two economies of such unequal size were interlinked and the extent to which Botswana's economic relationship with South Africa was one of continued economic dependence, this thesis reviews major turning points in the economic relationship between Botswana and South Africa. Major turning points include the 1969 Southern African Customs Union (SACU) renegotiation; the discovery of diamonds; Botswana's exit from the Rand Monetary Area; destabilisation promoted by Pretoria apartheid-era; the advent of majority rule in South Africa; the global economic recession of 2008 and the inadequate regional supply of electricity. Each of these turning points invites reflection on the nature of Botswana's economic growth in a context of South African dominance, whether during the apartheid era or after majority rule in 1994.²⁶

A thread running throughout this thesis includes, the challenges and changes experienced by Botswana in its economic relationship with South Africa. How did Botswana's independence affect economic ties with Pretoria? In what ways was Gaborone affected by apartheid South Africa's destabilisation campaign? Did the end of apartheid mark a new beginning for the economic relationship between the two countries? How did the global economic recession of 2008 as well as electricity shortage impact on Botswana-South Africa economic relations?

Justification of the Study

There are significant grounds for engaging a study of this nature. Firstly, such studies that have examined this relationship, notably that by James Barber and John Barratt, have a strong South African focus, only mentioning Botswana in passing, as a small part of Pretoria's broader foreign

²⁶ Economic dependence is a term that is widely used to portray the relationship of inequality between the underdeveloped countries and the advanced, prosperous countries on which the former depends for technical and industrial know-how. See, O. Sonaike and B. Olowoporoku, 'Economic Dependence: The Problem of Definition', *Journal for Asian and African Studies*, 14, 1-2 (1979), 32 and Fawcus, *Botswana: Road to Independence*.

economic policy in the whole region.²⁷ Secondly, works such as Abdi Ismail Samatar', *An African Miracle: State and Class Leadership and Colonial Legacy in Botswana* focus solely on Botswana's internal economic development, ignoring its relationship with South Africa.²⁸ Yet, in order to better appreciate the complexity of the economic relations between the two countries, it is necessary to examine and analyse these ties in historical perspective. More than this, almost all of the literature concentrates on the regional hegemon, South Africa. The perspectives of smaller countries in the region tends to be ignored or glossed over. Botswana is a case in point, and it is this lacuna in the literature that this study seeks to fill.

Literature Review

There are two broad schools of thought that dominate studies of the economic relationship between Botswana and South Africa after 1966. The first argues that Botswana was and is entirely dependent on South Africa.²⁹ The other argues that Botswana's rapid development post-independence and stable policy framework enabled Gaborone to pursue independent economic policies.³⁰ These two positions are explored in detail below.

1. Labour Migration from Botswana to South Africa

The question of labour migration is important when discussing relations between Botswana and South Africa. It initially shaped economic ties between the two countries.³¹ Scholars such as Soren Scholvin and John Oucho traced the evolution of labour migration to South Africa from its neighbouring countries, noting that unskilled migrant labour to the South African mines started

²⁷ J. Barber and J. Barratt, *South Africa's Foreign Policy: The Search for Status and Security 1945-1988* (Cambridge: Cambridge University Press, 1990).

²⁸ Samatar, *An African Miracle: State and Class Leadership*.

²⁹ See J. C. Leith, *Why Botswana Prospered* (London: Mc Gill-Queens University Press, 2015); J. Hanlon, *Apartheid's Second Front: South Africa's War against Its Neighbours* (New York: Penguin Books, 1986) and Spray, 'Botswana: Cautious but Outspoken',

³⁰ See, J. Hjort, 'Pre-colonial culture, post-colonial economic success? The Tswana and the African economic miracle', *The Economic History Review*, 63, 3 (2010), 688 -709; J. Parsons, *Botswana: Liberal Democracy and the Labour Reserve in Southern Africa* (Colorado: Westview Press, 1984) and M. Niemann, 'Diamond are a State's Best Friend: Botswana's Foreign Policy in Southern Africa', *Africa Today*, 40, 1 (1993), 27-47.

³¹ See, Parsons, *Botswana: Liberal Democracy and the Labour Reserve in Southern Africa*. See also, M. Leepile, 'The Impact of Migrant Labour on the Economy of Kweneng 1940-1980', *Botswana Notes and Records*, 13 (1981), 33.

in the nineteenth century until its decline in the twenty-first century. Unskilled labour migrants from non-mining countries such as Botswana, Lesotho and Swaziland worked in the mineral rich countries such as South Africa, Zimbabwe and Zambia during the colonial period.³² Similarly, Barbara Brown argued that the growth of the South African economy resulted in massive rural-urban migration. However male migration to South Africa on this scale and over a long period led to alteration of family patterns, disrupting socio-economic relations in Botswana and elsewhere. Women were left behind to perform duties that in the past had been done by men.³³ Wazha Morapedi, on the other hand, focused on the positive contribution of labour migration. He said, although it had its disadvantages to the socio-economic wellbeing of families, it also had the good that it brought to those households and eventually Botswana, such as the money that was sent home that contributed to the economy.³⁴ Morapedi also pointed out that the absence of young-able bodied men did not disrupt agricultural production as these men sent home their earnings so as to advance farming and pastoralism. He argued that if anything unreliable rainfall should be blamed to the failure of agriculture and drought that befell Botswana, leading to a decline in cattle production.³⁵ Taking into consideration the arguments raised by these authors, this thesis traces the history of labour migration from Botswana to South Africa, and analyses how that shaped and contributed the economic relationship between these two countries after Botswana's independence.

2. 1969 SACU Renegotiation

SACU was established in 1910 as a trade agreement between Botswana, Lesotho, Swaziland South Africa. It regulated much of Botswana's trade with South Africa and other members.

³² J. O. Oucho, 'Cross-border Migration and Regional Initiative in Managing Migration in Southern Africa', in P. Kok, D. Gelderblom, J. O. Oucho and J. van-Zyl (eds), *Migration in South and Southern Africa: Dynamics and Determinants* (Cape Town: HSRC Press, 2006), 51. See also, S. Scholvin, *The Geopolitics of Regional Power: Geography, Economics and Politics in Southern Africa* (New York: Ashgate Publishing, 2014), 106.

³³ B.B Brown, 'The Impact of Male Labour Migration on Women in Botswana', *African Affairs*, 82, 328 (1983), 369-370.

³⁴ W. G. Morapedi, 'Skills Acquisition and Investments by Botswana Migrants from South Botswana to South Africa, 1970-2010', *Historia*, 63, 1 (2018), 131.

³⁵ Morapedi, 'Migrant Labour and the Peasantry in the Bechuanaland Protectorate', *Journal of Southern African Studies*, 25, 2 (1999), 198.

Scholars such as Richard Gibb, Bethuel Setai and Erich Leister have written extensively about Botswana and South Africa economic relations within the SACU. Gibb has argued that the relations of the SACU members were dominated by South Africa in a union characterised by more 'acrimony than harmony'.³⁶ South Africa was by far the dominant member, even after the customs union was renegotiated in 1969 so as to mitigate imbalances amongst member states.³⁷ Gibb's argument was supported by Setai who observed that the BLS states were disadvantaged by the agreement. For instance Article (6) stipulated that a member of SACU could not set up an industry if such an industry already existed in one of the member countries. Clearly, this favoured South Africa which had far more industries than other SACU members. This blocked the other members from any form of industrial development. Article (6) even caused the abandonment of some industries. South Africa invariably used the clause to its advantage.³⁸ Gibb and Clark Leith further pointed to compelling evidence that Botswana specifically suffered for being a member of the SACU. Although SACU designed a revenue-sharing formula in 1976, so as to compensate the BLS states for being part of the Union, they separately calculated that Botswana's loss of revenue of some to R45 million in 1987, was equivalent to 3.25% of its GDP. By 1988 the amount had jumped to R167 million.³⁹ Joseph Hanlon too, could not understand why Botswana remained in SACU.⁴⁰ However, Guy Mhone on the other hand argued that Botswana did not leave SACU for all that the customs union revenues were small, because they nonetheless made a great difference to the country's foreign exchange earnings because these revenues were the important source of revenue after mineral tax receipts.⁴¹

³⁶ R. Gibb, 'The New Southern African Customs Union Agreement: Dependence with Democracy', *Journal of Southern African Studies*, 32, 3 (2006), 584. See also, E. Leister, 'Post-Apartheid South Africa's Economic Ties with Neighbouring Countries', *Development Southern Africa*, 9, 2 (1992), 174.

³⁷ Gibb, 'The New Southern African Customs Union Agreement', 584.

³⁸ B. Setai, 'Integration and Policy Constraints to Industry and Trade in Botswana, Lesotho, and Swaziland', *African Journal of Political Economy*, 2, 1 (1988), 103-104.

³⁹ Gibb, 'Regional integration in post-apartheid southern Africa: The case of renegotiating the Southern African Customs Union', *Journal of Southern African Studies*, 23, 1 (1997), 77-78. See also, J. C. Leith, 'The Static Welfare Economic of a Small Developing Country's Membership in a Customs Union', *World Development*, 20, 7 (1992) 1021-1028.

⁴⁰ Hanlon, *Apartheid's Second Front*, 23.

⁴¹ G. Mhone, 'Botswana Economy Still an Enclave', *Africa Development*, 21, 2/3 (1996), 97.

3. The Beef Industry

Cattle production was long considered the backbone of Botswana's economy. When Roy Behnke reviewed the contribution of pastoralism to the economies of different countries in the Horn of Africa and Southern Africa, he stressed that the Batswana were amongst the pastoralists who most actively sought commercial marketing opportunities. Consequently, Botswana's beef industry accounted for a large part of the economic growth of the country prior to discovery of minerals.⁴² Yet for all its commercial success, there has been an environmental price to pay. Scholars such as Kutlwano Mulale and Michael Darkoh looked at the environmental challenges that accompany beef production. They analysed the effects that came with the integration of Botswana's cattle sector into the world economy. They argued that it contributed to environmental degradation, not least where the alarming increase in livestock production led to desertification.⁴³ Moreover, Darkoh and Joseph Mbaiwa added that, even though globalisation had positive effects for the development of beef exports it also caused socio-economic and environmental problems such as; 'overgrazing due to overstocking; skewness in livestock holdings; increased income disparities between the rich and the poor.'⁴⁴ These scholars further highlighted that the beef industry disturbed the ecosystem, where the uncontrolled expansion of cattle posts into areas set aside for wildlife, led to conflicts over land use. It also contributed to competition for water and grazing areas.⁴⁵ Moreover, migration routes for wild animals were disrupted by veterinary cordon fences. These were constructed to prevent the spread of *contagious Bovine Pleuropneumonia* (CBPP) into export-oriented commercial beef ranches. They also had an impact on the tourism industry.⁴⁶ More than this, Darkoh and Mbaiwa looked at the influence of globalisation on the livestock industry, noting the fact that the expansion of cattle industry was greatly influenced by the external beef markets in Europe, a situation that directed

⁴² R. H. Behnke, 'The Economic Contribution of Pastoralism: Case Studies from the Horn of Africa and Southern Africa', *Nomadic Peoples*, 12, 1 (2008), 46-47.

⁴³ K. Mulale, 'The Challenges to Sustainable beef Production in Botswana: Implications on Rangeland Management', 17th Symposium of the Farming System Association, 2000; M. B. K. Darkoh, 'Desertification in Botswana', *Rekjavik Agricultural Research Institute Report*, No.2000 (1999), 65.

⁴⁴ M. B. K. Darkoh and J. E. Mbaiwa, 'Globalisation and the Livestock Industry in Botswana', *Singapore Journal of Tropical Geography*, 23, 2 (2002), 160-161.

⁴⁵ Darkoh, 'Desertification in Botswana', 65.

⁴⁶ Mulale, 'The Challenges to Sustainable beef Production in Botswana: Implications on Rangeland Management'.

national livestock policy formulation and project implementation.⁴⁷ This thesis seeks to assess the extent to which overseas markets for beef move Botswana away from the shadows of South Africa after independence.

4. The discovery of minerals 1969

Mineral discoveries played a huge role in the economic growth of Botswana. Scholars such as Guy Mhone, Daron Acemoglu, Simon Johnson and James Robinson, have all written on the discovery of minerals and the post-discovery path which led to Botswana being viewed as an African economic miracle. They dispute the idea that nothing changed, by emphasizing the economic boom that came with the mining and extraction of minerals.⁴⁸ Mhone and Acemoglu *et al*, have argued that with the discovery of diamonds, the economy of Botswana ceased being an “international beggar” as its economy began to grow rapidly.⁴⁹ By contrast other scholars such as Morten Jerven, Joseph Hanlon and Richard Dale believe that even with minerals, Botswana remained heavily dependent on South Africa economically.⁵⁰ Despite the discovery of mineral wealth, Dale insisted, Botswana, was a newly independent country with limited capital resources and depended on South Africa to profit from its mineral wealth. This was refuted by Mpho Molomo and Balefi Tsie who noted that apart from diamonds, Botswana had vast salt, copper, nickel and coal deposits that had the capacity of supplying the whole Southern African region. For this reason alone, they surmised, South Africa had to treat Botswana as an important trading partner.⁵¹

⁴⁷ Darkoh and Mbaiwa, ‘Globalisation and the Livestock Industry in Botswana’, 151.

⁴⁸ Mhone, ‘Botswana Economy Still an Enclave’, 95. See also, Acemoglu, Johnson and Robinson, ‘An African Success Story: Botswana’, (2002), <https://economics.mit.edu/files/284>, accessed 19 August 2016.

⁴⁹ Hanlon, *Apartheid’s second front*, 20.

⁵⁰ *Ibid*; Dale, ‘The Implications of Botswana-South Africa Relations for American Foreign Policy’, 8-12 and M. Jerven, ‘African Growth Recurring: An Economic History Perspective on African Growth Episodes, 1690-2010’, *Economic History of Developing Regions*, 25, 2 (2010).

⁵¹ M. G. Molomo and B. Tsie, ‘Botswana’s Security and Development Needs in the 1990s’, in M. Sejanamane (ed), *From Destabilisation to Regional Cooperation in Southern Africa* (Roma: Institute of Southern African Studies, 1994), 143; Mhone, ‘Botswana Economy Still an Enclave’, 95; R. W Tomlinson, ‘Botswana- From Dust to Diamonds’, *Geography*, 60, 4 (1975), 272; Dale, ‘The Implications of Botswana-South Africa Relations for American Foreign Policy’, 9; Jerven, ‘African Growth Recurring’, 141 and Acemoglu, Johnson and Robinson, ‘An African Success Story: Botswana’, (2002), <https://economics.mit.edu/files/284>, accessed 19 August 2016.

5. Exit the Rand Monetary Area and the Establishment of the Bank of Botswana, 1974-1976

Economists such as Francis d'A Collings and Jian-Ye Wang, have used the Rand Monetary Area to analyse Botswana's economic relations with South Africa. Collings argued that only when the Bank of Botswana was established in 1976, could Gaborone shape and manage its own financial policies. This, he argued, reduced the level and extent of Botswana's financial dependency on South Africa.⁵² While useful for understanding the background of Botswana's economic development, Collings' study covers only a short period of time. This thesis expands on Collings findings, taking the argument into the contemporary era in order to assess how the economy developed over the four decades or so of Botswana's independence.

Charles Harvey's article 'Botswana's Monetary Independence- Real or Imagined', also examined the creation and operations of the Bank of Botswana. He used the Bank of Botswana's annual reports and the statistical bulletin to argue that the establishment of a central bank was essential for economic independence.⁵³ Because South Africa continued to make crucial decisions for the customs union without consulting its partners, it was clear to Botswana that it had to take control of its financial system in order to better resist South Africa's actions.⁵⁴ When, the BLS states protested against Pretoria's unilateral decisions about the rand exchange rate in 1972, this was an important factor influencing Botswana's decision to leave the Rand Monetary Area in 1974.⁵⁵

6. Destabilisation: Apartheid's Impact on Botswana

When P.W. Botha became Prime Minister of South Africa in 1978, he developed a plan to make South Africa dominant in the region through the Constellation of Southern African States (CONSAS). That fell by the wayside especially when Zimbabwe became independent in 1980.

⁵² F. A. Collings, 'The Rand and the Monetary Systems of Botswana, Lesotho and Swaziland', *Journal of Modern African Studies*, 16, 1 (1978), 110-112. See also, J. Wang I. Masha, K. Shinoro and L. Harris, 'The Common Monetary Area in Southern Africa: Shocks, Adjustment, and Policy Challenges', *IMF Working Paper*, (2000).

⁵³ C. Harvey, 'Botswana's Monetary Independence- Real or Imagined?', *Bulletin*, 11, 4 (1980), 40-44.

⁵⁴ Molomo and Tsie, 'Botswana's Security and Development Needs in the 1990s', 133.

⁵⁵ Barber and Barratt, *South Africa's Foreign Policy*, 128-129.

From this point, Pretoria embarked on a campaign of economic sabotage, assassinations, kidnappings and bombings. This era in Southern Africa's history was one of South African destabilisation.⁵⁶ Scholars such as John Dzimba have analysed the causes and consequences of the destabilisation campaign, describing it as a crucial element in Botha's overall policy of 'Total Strategy'. Although Dzimba's focus was on Zimbabwe, he mentions the effects of destabilisation on Mozambique and Angola, mentioning Botswana only in passing. This implies that the effects suffered by Botswana were not significant enough to be documented.⁵⁷ One of the aims of this thesis is to bring Botswana into the picture by scrutinizing the extent to which it was affected by destabilisation.

Although South Africa was utterly ruthless in its quest for regional dominance, it was also willing to offer non-aggression pacts to its neighbouring black states. It used its economic muscle to persuade Mozambique and Swaziland to sign such pacts, but Botswana resisted, despite being very largely dependent on trade with South Africa, as well as on Pretoria's rail infrastructure. With Botswana openly against apartheid and practicing an open door policy for refugees, it was highly vulnerable to South African attacks. This is precisely what happened in 1985. South Africa combined economic, military and political means to hold its neighbours hostage and protect itself from the international pressure.⁵⁸

7. Post-apartheid Relations-1994 onwards

For Khabelo Matlosa even after the end of apartheid, South Africa continued to be the centre of the Southern African region both economically and politically, with its neighbours still dependent

⁵⁶ K. Matlosa, 'South Africa's Regional Economic Strategy 1970-1990', in M. Sejanamane (ed), *From Destabilisation to Regional Cooperation in Southern Africa* (Roma: Institute of Southern African Studies, 1994), 11-12. See also, 'External Aggression and destabilisation: The Road to the SADF', www.historicalpapers.ac.za/inventories/inv-pdf/ag1977-A3-9-5-001-jpeg.pdf, accessed 13 September 2016.

⁵⁷ J. Dzimba, *Destabilisation of Zimbabwe, 1980-89* (London: Macmillan Press Ltd, 1998), 1-2.

⁵⁸ R. Dale, 'Not always so placid a place: Botswana under attack' *African Affairs*, 86, 342 (1987), 82; J. de St. Jorre, 'Destabilisation and Dialogue: South Africa's Emergence as a Regional Superpower', *Africa Notes*, 26 (1984), 6; H. H. Patel, 'South Africa's Destabilisation Policy', *Round Table*, 76, 303 (1987), 305; Hanlon, *Apartheid's Second Front*; Spray, 'Botswana: Cautious but Outspoken', 220 and Ajulu and Cammack, 'Lesotho, Botswana, Swaziland', 213-214.

on it.⁵⁹ Matlosa's argument can be taken as typifying those scholars who disputed the dawn of a new era in South Africa's relations with its neighbours once apartheid had ended. Mpho Molomo and Balefi Tsie argued that even after the end of apartheid, Botswana and other Southern African countries continued to depend on South Africa.⁶⁰ By contrast, Hanlon was more positive. He insisted that the relationship was mutual and reciprocal, as Botswana needed South Africa while the latter needed Botswana which was a major destination of its manufactured goods. While Hanlon believed that post-apartheid South Africa would not continue as the dominant power in the region.⁶¹ Molomo and Tsie thought otherwise, South Africa was going to continue dominating Botswana's economy, since it ran Botswana's mining sector through DeBeers and Gaborone would still be at the mercy of South African railways and harbours.⁶²

Though these views have considerable merit, they fall short of being able to account for the trajectory of events over the twenty years since the advent of majority rule in South Africa. To what extent did Botswana diversify its economy despite being landlocked, and did South Africa block its way to explore other economic avenues? While Hanlon, Molomo and Tsie's assumptions of what would become of South Africa and its relations with Botswana have enjoyed mixed results, Judi Hudson more realistically pointed to the economic consequences for the region of post-apartheid South Africa.⁶³ In just four years of majority rule, South Africa had become the largest investor not just in the Southern African region but in the whole African continent, in sectors such as retail, property, mining, construction, transport and manufacturing. South Africa's rapid economic growth after 1994, arguably led to more dependence by smaller states such as Botswana.⁶⁴ For Hudson, South African investors took away any opportunity smaller

⁵⁹ K. Matlosa, 'South Africa and Regional Security in Southern Africa', in A. Adebajo, A. Adedeji and C. Landsberg (eds), *South Africa in Africa: The Post-Apartheid Era* (Scottsville: University of Kwazulu-Natal Press, 2007), 106, 111.

⁶⁰ Molomo and Tsie, 'Botswana's Security and Development Needs in the 1990s', 140. See also, A. Saurombe, 'The Role of South Africa in Regional Integration: The Making or Braking of the Organisation', *Journal of International Commercial Law and Technology*, 5, 3 (2010), 127.

⁶¹ Hanlon, 'Post-Apartheid South Africa and its Neighbours', *Third World Quarterly*, 9, 2 (1987) 438-440.

⁶² Molomo and Tsie, 'Botswana's Security and Development Needs in the 1990s', 140.

⁶³ J. Hudson, 'South Africa's economic expansion into Africa: Neo-colonialism or Development', in A. Adebajo, A. Adedeji and C. Landsberg (eds), *South Africa in Africa: The Post-Apartheid Era* (Scottsville: University of Kwazulu-Natal Press, 2007), 128-130.

⁶⁴ *Ibid.*

countries had to diversify their economies on their own terms. Therefore, this thesis will examine the renegotiation of the SACU after the end of apartheid in South Africa, and the changes that followed.

8. Global Economic Recession and Electricity Crises -2008-2014

There is no extensive study of the impact of the global economic recession on economic relations between Botswana and South Africa. Scholars such as Motseotsile Marumoagae, Mogale Ntsosa, Keith Jefferis and Morten Jerven looked at the effects of the recession on individual countries, or reviewed the effects on Botswana and South Africa from a global perspective. Marumoagae examined the effect of the global recession on the South African labour market, whilst Ntsosa assessed the effects of the recession on Botswana's economy.⁶⁵ They conclude that both countries were severely affected by the recession.

Between 2008 and 2014, Botswana and South Africa faced a tremendous shortage of electricity that had the potential to strain severely their relationship. Generally, those scholars who have written about electricity in Botswana and South Africa, did so without considering the long-standing economic relationship between the two countries. Only Sakiru Adebola Solarin investigated the connection between electricity consumption and real GDP in Botswana, in the course of which he noted that Botswana imported electricity from South Africa. The tremendous electricity shortage in Southern Africa, adversely affected Botswana's economic growth plans.⁶⁶ Ackson Kanduza analysed the development of electricity in Botswana from the 1950s. Discussing the challenges that Botswana faced when developing power supplies, Kanduza highlighted how the British colonial administration made little effort to develop electricity in Botswana as they saw no need. For Kanduza, South Africa's supply of electricity to Botswana was always contentious. As far back as the 1960s Pretoria had threatened to limit the supply of electricity to

⁶⁵ M. C. Marumoagae, 'The Effects of the Global Economic Recession on the South African Labour Market', *Mediterranean Journal of Social Science*, 5, 23 (2014), 380-390; M. Ntsosa, 'The Impact of 2007 Global Financial Crisis on Botswana Economy', *Asian-African Journal of Economics and Econometrics*, 11, 1 (2011), 45-63 and K. Jefferis, 'The Impact of the Global Financial and Economic Crisis on Botswana', *Economic Review*, 4th Quarterly (2008), 1-9.

⁶⁶ S. A. Solarin, 'Electricity Consumption and Economic Growth: Trivariate Investigation in Botswana with Capital Formation', *International Journal of Energy Economic and Policy*, 1, 2 (2011), 32- 44.

Botswana because of South Africa's own growing domestic demands.⁶⁷ While Hlalefang Khobai, Gift Mugano and Pierre Le Roux's study of electricity supply in South Africa came to the fairly obvious conclusion that an improved electricity supply was vital for economic growth.⁶⁸ They confined their study to South Africa. The regional implications of inadequate energy supplies were ignored

Methodology

Primary data collection was done through archival research in the United Kingdom (U.K), Botswana and South Africa. A wide range of archival files newspapers, minutes, correspondence and parliamentary debates were consulted. These were supplemented by secondary sources. Archives visited include the Botswana National Archives and Records Services (BNA) in Gaborone, The National Archives (TNA) at Kew in London, the University of the Free State Contemporary Archives in Bloemfontein, and the National Archives of South Africa (Pretoria Repository).

The National Archives (TNA) - London: Files relevant to this study were located in the Foreign and Commonwealth Office (FCO) series. *FCO 105 series- 1982-1984*; these files contained mainly correspondence letters on Botswana- South Africa economic relations such as discussions on trade routes, Botswana political relations with South Africa, BLS relations with South Africa, Botswana external relations and the SACU negotiations. *FCO 45 series- 1967-1978*; these files holds information on economic relations between South Africa and the BLS states, aid from South Africa to BLS, economy of Botswana, foreign investment in Botswana, mining in Botswana- this included the act ratifying an agreement between Botswana, DeBeers mining company and the diamond corporation Botswana. There files on meat industry in Botswana, and copper and nickel mining in Botswana. *FCO 53 series- 1962-1968*; contained files on the multi-lateral relation between South Africa and the BLS. *OD 66 series- 1976-1978*; included files on sanctions against South Africa, economic warfare: mandatory sanctions implementation by Botswana, Botswana

⁶⁷ A. M. Kanduzi, "Let There Be Light': The Struggle for Developing Electricity Supply in Botswana, 1950—1970', *Botswana Notes and Records*, 41 (2009), 39-46.

⁶⁸ H. Khobai, G. Mugano and P. Le Roux, 'Exploring the Nexus of Electricity Supply and Economic Growth in South Africa', *International Journal of Energy Economics and Policy*, 7, 4 (2017), 240-251.

sale of Mafikeng imperial reserve, oil crisis; implications for BLS and Malawi, Sanctions against South Africa: effects on the BLS, Customs Agreement between BLS and South Africa. South Africa's assistance of the BLS. These files included mostly correspondence letters, speeches and newspaper cuttings.

Botswana National Archives Records Services (BNA): Files consulted were housed in the Republic of Botswana Section, Foreign Affairs, and Office of the President collections. Archival work at BNA started with the *Botswana National Bibliography (BNB) Series*, as it contained books and papers that looked at the external relations, policy and attitude of Botswana towards South Africa. It mainly focused on the communication links between Botswana, Lesotho, Swaziland (BLS) and South Africa. Other examples of files that were included in the *BNB series* include the BOCCIM (Botswana Confederation of Commerce Industry and Manpower) newsletter which covered the government's economic measures on investment, including restrictions placed on trading licences in order to increase local participation in commerce and industry. Also consulted were files analysed government efforts to achieve goals of employment creation and rural development. National policy files were closely read and analysed government's economic performance since independence.

Office of the President (OP) collections were particularly important for this study. Comprising files from different ministries and departments, these files hold letters from government officials and companies such De Beers, minutes of meetings in various ministries especially the Ministry of Finance and Development Planning (MFDP) as well as Ministry of Foreign Affairs and press releases from the Bank of Botswana. Files in this collection included Bank of Botswana and monetary arrangements, detailing the reasons why Botswana decided to exit the Rand Monetary Area; the establishment of the Bank of Botswana; the appointment of the Bank governors over the years; and correspondence between the government of Botswana and South Africa on its exit from the monetary area and the establishment of Botswana's national currency (Pula). This file also included Bank of Botswana financial reports.

Other files in the OP collection focused on De Beers, Debswana, mining in Orapa, diamond marketing and sorting. These files contained the signed agreement between the Republic of Botswana and De Beers; and letters of agreement between the two parties concerning the marketing of diamonds. This series also contained minutes of meetings held between Harry Oppenheimer, chairman of De Beers, Botswana Vice President Sir Ketumile Quett Masire and other members of De Beers and Botswana cabinet ministers. Customs agreements and files from customs department were also part of the OP file series. These files contained minutes of meetings and correspondence between the Government of Botswana, Lesotho, Swaziland and South Africa. It included discussion of the 1969 SACU agreement and industrial development in the four countries.

Another folder contained minutes of meetings between the Minister of External Affairs for Botswana and the Minister of Foreign Affairs for South Africa, following the June 1985 attack on Gaborone by South African troops. There was also a statement released by the President of Botswana following the South African attack. This file also contains Press releases on Botswana's position on sanctions against South Africa.

Newspapers: Newspapers examined included the *Botswana Daily News* a government newspaper, so used with awareness of possible bias in favour of the government's agenda. Independent newspapers were also utilised such *Mmegi*, *The Botswana Guardian*, *The Botswana Gazette*, *The Mid-week Sun*, and *Sunday Standard*. These too were read with caution.

Hansard/ Parliamentary Debates: Parliamentary debates were essential as they contain information about the debates that the government of the day engaged in, especially where they concerned intergovernmental economic policies and agreements between Botswana and South Africa. Of particular value were lengthy debates about the introduction of the Pula currency following Botswana's exit from the Rand Monetary Area; establishment of Anglo-American offices in Gaborone in 1988 and the formation of De Beers Prospecting Botswana (Pty) Ltd; *The Precious stone industry (Protection) Bill of 1965*; and the President's State of the Nation address in 2008 where he highlighted the problems that Botswana was facing, because of the Global

Economic recession and the electricity problem and the government's plans to deal with them. Hansards consulted included debates by the Minister of Minerals, Energy and Water Resources (MMEWR) when dealing with the shortage of electricity. Minister of Finance and Development plans were also covered in these Parliamentary debates.

The National Statistics Office (Statistics Botswana) was also visited. However it was not easy accessing these offices but after making contact with one of the officers, I managed finally to examine their holdings. They later sent me the published *Selected Statistical indicators of Botswana 1966-2016*.

National Archives of South Africa (NASA): the National Archives of South Africa (NASA) in Pretoria, were also consulted. During the visit to the archives, however, I was only able to access a limited number of files on Botswana- South Africa relations. The reason given was that files available for consultation ended in the 1970. There was a backlog which the archivists were still working on. Discovering letters in the files dated 1980s to 1992 was great as the archivist had earlier alluded that such information was yet to be processed. This was significant discovery as it supplemented the information that was mostly covered by newspaper articles. This collection had files on the Admission of Namibia in to the Customs Union. It had included agreement on the establishment of representative offices in the two countries, this information is crucial as it informed on the creation of diplomatic relations between Botswana and South Africa. Nonetheless, I managed to consult the BTS collection, dated 1962, which had information on the customs relations between South Africa and Lesotho, Swaziland and Botswana. These files included the proposed customs union agreement between the Republic (South Africa) and the High Commission Territories. It also contained minutes of meetings on external trade relations and trade relations committee notes on the future economic relationship with the High Commission territories. The MSB collection enclosed files that dealt with destabilisation attacks, it included letters between Ministers of Foreign Affairs for Botswana, Buphuthatswana and South Africa. It also included minutes for the meetings held between these ministers. This helped in establishing the background of the relations between Botswana and South Africa. The SPM

collection was also consulted and it focused on the relations between Botswana and South Africa, Lesotho and Swaziland.

University Of The Free State Contemporary Archives (UFS CA): These archives hold files containing information on Botswana and South Africa relations, although most of information was in form of newspaper cuttings. These were South African newspapers such as, *The Star's Africa News Service*, *The Evening Post*, *The Rand Daily Mail*, *South African Digest*, *The City Press*, *Sunday Times* and *The Argus Africa News Service*. These newspapers reported frequently about Botswana's economic growth, its economic rise after the discovery for minerals, the extraction of diamonds and the engagement of De Beers in mining. At the same time, they pinpointed Botswana's dependence on South Africa. Potential bias was expected of these newspapers as they reported on issues concerning the relation of Botswana and South Africa, and indeed, usually from apartheid South Africa's point of view. The archives also has files with information on the effects of sanctions on economic relations between Botswana and South Africa.

Limitations of research methodology

Prominent amongst the challenges encountered were difficulties in accessing some of the archival material. For instance, data collection at the BNA coincided with a change in the cataloguing system, with the result that some files requested were not found since there were still to be renumbered. Therefore they could not be accessed, particularly those files on labour migration.

Although the original intention was to carry out oral interviews, this proved not to be possible because of delay in being granted ethical clearance for the study. By the time this came through, informants who had agreed to be interviewed then decided not to take part in the study. Others who were contacted never responded. Without interviews to supplement archival documents, greater emphasis was placed on Newspapers, National Development Plans, Parliamentary debates, and annual reports from the Bank of Botswana. These helped to triangulate information obtained from other sources.

Structure

This thesis is divided into five chapters. As the Introduction, Chapter One explains the methods used for data collection and the places where evidence was collected, even as it justifies the need to carry out this study. It contains a historiographical review of the subject literature, highlighting arguments put forward by other authors and where this study might differ from them. Chapter Two explores economic relations between Botswana and South Africa in the years leading up to Botswana's independence in 1966. It assesses how labour migration shaped the economic relations between Botswana and South Africa. It examines how Botswana transitioned from the beef industry as its main source of income to diamonds and other minerals. The discovery of minerals transformed the country's economic prospects. The chapter also analyses Botswana's last decade inside the Rand Monetary Area, and the reasons for its departure. It also discusses how independent Botswana related to other members of the SACU and examines the renegotiated agreement after 1969.

Chapter Three analyses the ways in which South Africa's destabilisation campaign affected economic relations between Botswana and South Africa. This chapter takes into consideration other major events in the region which influenced relations between Botswana and South Africa. This includes particularly the formation of the Southern African Development Coordination Conference (SADCC) in 1980. Chapter Four looks at the relations on the years leading to the end of apartheid, however it focuses mostly on the nature of economic relations after the end of apartheid in South Africa. Botswana and South Africa economic relations had been challenged especially by Pretoria's destabilisation operations in the 1980s, but majority rule in 1994 seemingly heralded a new era. Chapter Four also pays attention to the 2002 SACU agreement, noting change and continuity from the 1969 agreement. The chapter traces the course of economic relations over the five years after the 2002 renegotiation up until the global crisis of 2008. The repeated devaluations of the Pula, are placed in the context of economic relations between Botswana and South Africa. With the end of apartheid investors were caught between relocating to South Africa and remaining in Botswana. The chapter assesses how the two countries competed for foreign investment and with what consequences.

Chapter Five assesses the impact of the Global Economic Recession on Botswana. It examines the extent to which a change of government in both countries affected their ability to deal with the challenges posed by the global recession. Much the same period witnessed a major crisis in shared electricity supply. As Botswana imported most of its electricity from South Africa, this posed as a huge economic challenge as South Africa threatened to cut most of the electricity supply exported to Botswana. As the Conclusion to the study, Chapter Six evaluates the ways in which the thesis has engaged with the subject's literature, and in particular its overall contribution to the region's scholarship.

CHAPTER TWO

FROM RAGS TO RICHES: BOTSWANA'S ECONOMIC (IN)DEPENDENCE, 1966-1976

Introduction

Botswana became independent in 1966 after 81 years of British rule, during which time little was done to develop the country.¹ At independence, Botswana had nineteen kilometres of tarred road, nine secondary schools with limited facilities, and seventeen doctors with less than three hospital beds for every one thousand people.² The country had significant geographical disadvantages ranging from vast areas of desert and semi-desert, to water-logged tropical swamps, all of which were poor for farming. The previous chapter discussed how the two countries' economies were linked, noting Botswana's depended heavily on South Africa for the access to sea; as a source of employment for its citizens; and for the import of consumer goods and services. While South Africa remained important to Botswana's post-independence growth, ultimately South Africa did not determine Botswana's prosperity.

This chapter analyses the ways in which Botswana sought to achieve economic independence from South Africa during the first ten years after independence. Botswana's economy increasingly relied on its beef industry and more importantly the discovery of minerals which transformed Botswana's economic future. The chapter demonstrates how Botswana's exit from the Rand Monetary Area (RMA) spurred further economic gains. Taking advantage of its improved economic position, in 1969 Botswana helped reshape the Southern African Customs

¹ N. Smith, 'Too Much Territory and Too Few People: Will Poor Botswana Get South African Aid', *Evening Post Newspaper*, 25 April 1967. See also, S. A. Beaulier, 'Explaining Botswana's Success: The Critical Role of Post-Colonial Policy', *Cato Journal*, 23, 2 (2003), 231-237; M. Mogalakwe, 'How Britain Underdeveloped Bechuanaland Protectorate: A Brief Critique of the Political Economy of Botswana', *African Development*, 31, 1 (2006), 66-88 and Fawcus and Tilbury, *Botswana: A Road to Independence*.

² P. Du Toit, 'Bridge or Bridgehead? Comparing the Party Systems of Botswana, Namibia, Zimbabwe, Zambia and Malawi', in H. Giliomee and C. Simskins (eds), *The Awkward Embrace One-Party Domination and Democracy* (Amsterdam: Harwood Academic Publishers, 2005), 200; J. Clover, 'Botswana: Future Prospects and the Need for Broad-based Development' *African Security Analysis Programme Situation Report*, 1 September 2003, <https://oldsite.issafrica.org/uploads/BOTSWANASEP03.PDF>, accessed, 18 November 2018 and Du Toit, *State-Building in Southern Africa*, 87.

Union (SACU). Revising the 1910 agreement put Botswana in a much stronger position but there were certain articles that needed to be revisited.

While South Africa dominated Botswana's economy in its early years of independence, the situation changed dramatically through a combination of good governance and excellent economic planning. Good governance according to Farai Zizhou, a trade policy consultant, ensured that new developments projects were covered by long recurrent costs. The Botswana Government used National Development Plans (NDPs) to contain expenditure. Once a plan had been approved by the parliament, additional public projects not included in the NDP were illegal.³ Other key macroeconomic principles included "maintaining expenditure at levels compatible with projected long-term revenue inflows and; building up foreign exchange reserves through running annual budget surpluses in good years to moderate the impact of future lean years."⁴

Still, the dominant view from Apartheid South Africa was that the newly independent Botswana was underdeveloped and unable to develop. In 1967, Neil Smith of the *Evening Post* reported that many South Africans believed that an independent Botswana could never last. Indeed, he asserted that until the rise of pro-independence leaders such as Seretse Khama, Motsamai Mpho and Phillip Matante, many Batswana believed that Britain had written their country off as "an economic white elephant."⁵ Smith's scathing account of Botswana labelled its 550 000 citizens as among the most underdeveloped in the world. His article ends by asserting that even the railway line through Botswana was the result of historical accident rather than deliberate policy; without it Botswana would have been moved further away from civilisation.⁶ Smith's condescending views on Botswana, and the tendency to compare its development with that of South Africa reflect the dominant views of the time; views which informed political negotiations between the two countries. The railway line linked Bechuanaland to other British territories on the strategic

³ F. Zizhou, 'Linkages between Trade and Industrial Policies in Botswana', *Southern African Development Research Network*, December 2009, 6.

⁴ *Ibid.*

⁵ Smith, 'Too Much Territory and Too Few People', *Evening Post Newspaper*.

⁶ *Ibid.*

Cape to Cairo line envisioned by Prime Minister of the Cape Colony, Cecil John Rhodes.⁷ The railway improved Botswana's economy, it offered cheap and convenient source of transport for people who travelled to either South Africa or Rhodesia (now Zimbabwe) for work, and transported goods, and cattle to the abattoir. With independence, Botswana was able to look beyond the economic planning of its colonial ruler, much of which was dependant on the British railway. Smith's article reveals a South African vision of its northern neighbour that influenced trade relations and economic policy throughout the 1960s. South Africa became a Republic in 1961, and was one of the richest countries in Africa because it held an abundance of minerals such as gold. Many people from the Southern African region viewed South Africa as a "land of great promises", given its excellent mining and industrial enterprise.⁸

As noted above, at independence Botswana was economically weak with a GDP current of P39.3 million.⁹ Cattle ranching, a mainstay of the agriculture sector, had been negatively affected by re-current drought and diseases, and the country relied on neighbouring countries especially South Africa for goods, services and markets.¹⁰ Faced with their responsibilities, the new government sought to exploit the newly discovered minerals, sustain and develop the beef industry and attract investors to the country. Botswana had three potential sources of income: cattle ranching, the salt pan at Makgadikgadi, and mineral wealth, with the latter promising to fundamentally change Botswana's economic future. Luckily, the transition between British rule and independent Botswana went peacefully, making the country attractive to investors.

⁷ By the end of the 19th century Cecil John Rhodes had not only achieved considerable wealth, but had become prime minister of the Cape Colony. He understood the economic advantages of rail travel, but also realised that it was a powerful colonising tool that allowed him to further his ambitions and acquire and control new territories for the British Empire. He facilitated this through the British South Africa Company which propagated his interests in Bechuanaland and Southern Rhodesia. Within 12 years of the railhead reaching Kimberly, the line was extended to Vryburg, then from Vryburg to Mafeking, by the Bechuanaland Railway Company Ltd. In 1897 the first train steamed from the Cape Colony through Bechuanaland into Bulawayo Station. In May 1904 the railway reached Victoria Falls. See, T. Hart, 'Cultural Historical Assessment of the Hex Passrailway, Worcester to De Doorns', http://www.sahra.org.za/sahris/sites/default/files/heritagereports/9-2-110-0075-19980601-ACO_0.pdf, accessed-13 October 2017.

⁸ J. Carlson, 'The Dilemma of Foreign Investment in South Africa', *The American Journal of International Law*, 65, 4 (1971), 294.

⁹ Statistics Botswana, *Selected Statistical Indicators 1966-2016: Enabling Stakeholders Formulate Policies, Plan and Make Decision* (Gaborone: Statistics Botswana, 2016), 15.

¹⁰ S. J. Ettinger, 'The Economics of Customs Union between Botswana, Lesotho, Swaziland and South Africa', (PhD, University of Michigan, 1974), 39-40.

Moreover, although low population density could be a disadvantage in attracting investors, they could be attracted by the abundance of land which was an attractive asset.¹¹

Since Botswana relied on external markets for the sale of its mineral wealth the discovery of minerals did not immediately resolve its economic issues. Ironically, the source of Botswana's financial independence would also force it, in the short term, to strengthen economic ties with South Africa. Good relations with its closest neighbour's racist apartheid regime were hardly smooth, but nonetheless both nations had something to gain. Botswana needed investment funds and technical know-how to exploit its mineral wealth. South Africa saw financial and public relations benefits, by demonstrating good relations with its majority-led neighbours, as international pressure increased against apartheid. In 1967, Botswana's Minister of State, Moutlakgala Nwako, told the Press Correspondent in Gaborone that his government invited South African investment, and expressed that closer relations through economic cooperation, and technical aid would help overcome the two nations' political differences.¹² In publicly praising South African Foreign Affairs Minister Hilgard Muller's willingness to work with Botswana, Nwako showed that Botswana was open for business with other countries.¹³ Naturally, Muller had his own agenda. When welcoming Botswana and Lesotho as the newest members of the United Nations (UN), Muller reassured the international community that South Africa's willingness to cooperate with majority-led countries, would be on equal terms as friendly neighbours, and not as the regional powerhouse.¹⁴ During the Cold War period and after the wave of African independences, many newly independent countries were using the UN as a way to exercise their own views and desires. Despite Muller's welcoming words, politicians and economists in Botswana understood clearly that he was representing South African interests. Yet, in the early days of independence, without alternative investors, Botswana was forced to work with its Southern neighbour to coordinate a number of economic issues including mineral extraction, labour migration, and the customs union.

¹¹ *Ibid.*

¹² 'Botswana- SA Relation Cordial', *South African Digest*, 03 March 1967.

¹³ *Ibid.*

¹⁴ 'S.A Welcomes Lesotho, Botswana to UN', *South African Digest*, 04 November 1966.

Labour Migration

There is a long history of international labour migration in Africa. Young-able bodied males left their home countries to seek employment in neighbouring states. In the 1890s, in West African countries, young migrant workers from Burkina Faso, Mali, Niger and Chad left their homes to work in Cote d'Ivoire's cocoa and coffee plantations, Ghana's cocoa farms and mines; Gambia's groundnuts fields; Gabon and Equatorial Guinea timber industries and Cameroon's palm plantations. In East Africa, young migrant labourers from Rwanda and Burundi worked in Uganda, Kenya and Tanzania. These East African migrants worked in sisal, tea, cotton and sugar plantations.¹⁵ Southern Africa saw a similar pattern with labour migration beginning in the 1840-1850s. Migrants from Botswana, Lesotho, Swaziland and Mozambique went to seek employment on farms and on mission station at the Cape Colony. Labour migration increased substantially in the 1870s to late 1880s with the discovery of diamonds and gold in South Africa.¹⁶ Arguably this was the key factor that tied together all the numerous colonies and countries of a sub-continent into a regional labour market in the 20th century.¹⁷

The Native Recruitment Corporation (NRC) and Witwatersrand Native Labour Association (WENELA) controlled the formal recruitment of mine labourers from Botswana.¹⁸ Having said that, in Botswana labour migration greatly increased after the introduction of hut tax, and subsequent tax increases imposed by the colonial government.¹⁹ Moreover this hut tax had to be paid in cash not in kind.²⁰ This forced men to migrate to South African goldmines so as to earn income. Walter Elkan stated that, "the existence of relatively poor countries on the South Africa's

¹⁵ Morapedi, 'Skills Acquisition and Investments by Batswana Migrants from South Botswana to South Africa', 131.

¹⁶ *Ibid.* See also, Makgala and Seabo, "Very Brave or Very Foolish'? 'Gallant Little' Botswana's Defiance of Apartheid's Golden Age', 1966-1980', 306.

¹⁷ J. Crush, V. Williams and S. Peberdy, 'Migration in Southern Africa', *Policy Analysis and Research Programme of the Global Commission on International Migration*, September 2005.

¹⁸ Morapedi, 'Skills Acquisition and Investments by Batswana Migrants from South Botswana to South Africa', 131; R. Mansell Prothero, 'Foreign Migrant Labour for South Africa', *The International Migration Review*, 8, 3 (1974), 389-390 and J. Taylor, 'Consequences of Recent Reduction Mine Labour Recruitment in Botswana', *Geography*, 71, 1 (1986), 37.

¹⁹ M. Leepile, 'The Impact of Migrant Labour on the Economy of Kweneng 1940-1980', *Botswana Notes and Records*, 13 (1981), 33. See also, Parsons, *Botswana: Liberal Democracy and the Labour Reserve in Southern Africa*.

²⁰ Du Toit, *State-Building in Southern Africa*, 87. See also, E. K. Campbell, 'The Role of Remittances in Botswana: Does Internal Migration Really Reward Sending Families?', *Population, Space and Place*, 16 (2010), 156.

periphery provided her with a highly elastic supply of labour at lower wages than would have had to be paid if she had not been able to draw in labour from outside her own political boundaries.”²¹ South Africa exploited labour migrants from neighbouring countries who desperately needed cash to pay tax.

It is important to note that although there were challenges that labour migration brought, it also had its positive side in terms of socio-economic wellbeing. Migrants sent home remittances and other goods; moreover, during the colonial period labour migration was the most single source of income (cash) in Botswana.²² The extended tradition of Botswana labour migration to South Africa for a long period characterised economic relations between the two countries.

Although migrants were usually paid minimum wage, the results of their remittances contributed significantly to the economic standing of Botswana.²³ They made a significant contribution to Botswana as the country of origin for some labour migrants. For instance, wage remittances rose from P9 million in 1975, to P14 million by 1976 and by 1977 it was P15 million. As late as, 1978 the remittances were still totalled at P15 million according to the central bank, even as the number of migrant workers began to decline.²⁴ According to Jay Salkin of the Economic Affairs Section of the Ministry of Finance and Development Planning in Botswana, the reason why there was an increase remittance despite the decrease of numbers in men who worked at the mines was because of increased wages. South Africa had limited the number of miners required hence the drop in numbers. South African job opportunities were important for the economy of Botswana, as remittances amounted to 10 percent of all external earning. About 50% of males aged 20- 29 were employed in South Africa. If job opportunities continued to decline in South

²¹ W. Elkan 'Labor Migration from Botswana, Lesotho and Swaziland', *Economic Development and Cultural Change*, 28, 3 (1980), 584.

²² Morapedi, 'Skills Acquisition and Investments by Botswana Migrants from South Botswana to South Africa', 134-135.

²³ *Ibid*, 141.

²⁴ The National Archives [hereafter to be referred to as, TNA], FCO 45/2257, 'Botswana' current Economic Links with South Africa', 14 December 1978.

Africa, it was feared that an important source of household income would dwindle and Botswana's employment problem would be worsened.²⁵

The flow of migrant labourers from Botswana to South Africa increased gradually in the 1920s to the 1970s.²⁶ By 1971 there were approximately half a million foreign labourers in South Africa from Mozambique, Swaziland, Malawi, Lesotho and Botswana.²⁷ South African estimates of the number of migrant workers were much lower; citing 43 159 in February 1977 and 38 50 in May 1978. The South African statistics did not include farm workers who nevertheless made up a substantial portion of the migrant workforce. Statistics on the mine migrant labour were consistent between Botswana and South African sources: between 1975-77, 25 000 Botswana worked in the South African mines.²⁸ In 1977, about 60 000 Botswana were on migrant labour according to Bank of Botswana (BoB). However, the total mine workers decreased the same year due to reduced recruitment; moving from 24 676 in 1977 to 20 418 in June 1978. Migrants from Northern and Central Botswana are the ones that were mostly affected by the cut back on recruitment as shown by the 1978 first two-quarter statistics.²⁹

For all that remittances did alleviate poverty in the countryside. Labour migration was part of a vicious cycle where lack of development at home limited wage employment in Botswana, forcing more Botswana to look for work abroad, which further impeded the country's development.³⁰ Even with the discovery of diamonds in Botswana, many unskilled young Botswana were not employed by the local mines hence, causing them to seek work in South Africa.³¹ Young men felt obligated to move abroad for work in order to support their families. As Gaotlhaetse Matlhabaphiri, Assistant Minister of Agriculture, argued that even if one could find work in Botswana, the wages were lower. He advised employers and the government to consider how to retain the labour force at home, and how to remunerate it adequately so as to avoid labour

²⁵ *Ibid.* See also, Brown, 'The Impact of Male Labour Migration on Women in Botswana', 369-370.

²⁶ Morapedi, 'Skills Acquisition and Investments by Botswana Migrants from South Botswana to South Africa', 131.

²⁷ Prothero, 'Foreign Migrant Labour for South Africa', 389-390.

²⁸ TNA, FCO 45/2257, 'Botswana' current Economic Links with South Africa', 14 December 1978.

²⁹ *Ibid.*

³⁰ Morapedi, 'Skills Acquisition and Investments by Botswana Migrants from South Botswana to South Africa', 137.

³¹ *Ibid.*, 134.

shortages like those which plagued the Tuli block farms in 1979. A shortage of workers during the harvest period led to citrus crops and ground crops rotting before they could be harvested. Despite the need for local workers, the government seemed unable to stem the tide of migrant labour nor to create jobs at home. Matlhabaphiri considered employment to encompass both formal sector wage employment and self-employment. Dependence on migrant labour could only be reduced if both formal and informal employment opportunities were improved.³² Botswana had to provide jobs for its citizens, otherwise it could not limit their movement to the South African mines.³³

One positive outcome of migrant labour was the flow of remittances. Fathers sent money to educate their children, who were eventually employed by the Botswana government and who would help build the economy.³⁴ Furthermore, many small businesses including general dealers, liquor restaurants, bars, buses and mini-buses were started with money sent home by labour migrants. Upon returning home, labour migrants brought their skills and knowledge about various industries, including construction, painting, bricklaying, plumbing, electrical work, welding and even plastering, some even started their own companies. These skills were lifelong skills that led to self-employment and in the process elevated Botswana's economic self-sufficiency.³⁵ Even pastoral farming which suffered from the absence of young Batswana,³⁶ received a boost when migrant remittances contributed to the accumulation of cattle, important assets for many families in Botswana. The next section discusses how the Southern Customs Union also shaped the economic relationship between Botswana and South Africa.

³² 'Migrant Labour Drains Manpower', *Botswana Daily News*, 28 February 1980.

³³ P. E. Morgan, 'Botswana: Democratic Politics and Development', in G. C. Carter and P. O'Meara (eds), *Southern Africa in Crisis* (London: Indiana University Press, 1977), 208.

³⁴ Morapedi, 'Skills Acquisition and Investments by Batswana Migrants from South Botswana to South Africa', 136.

³⁵ *Ibid*, 141.

³⁶ Brown, 'The Impact of Male Labour Migration on Women in Botswana', 369-370 and Morapedi, 'Skills Acquisition and Investments by Batswana Migrants from South Botswana to South Africa', 134.

The 1969 Southern African Customs Union (SACU) Renegotiation

When anticipating the pending independence of the British High Commission Territories (Botswana, Lesotho and Swaziland,) in November 1961, the South African government gave notice that it wished to end the 1910 Customs Agreement.³⁷ South Africa planned to divide and conquer the three smaller nations. On the 13 December 1961, the Minister of Economic Affairs, Nico Diederichs, had a meeting with the United Kingdom authorities to discuss South Africa's future economic relations with the High Commission Territories. Diederichs suggested that South Africa wished to continue with the 1910 Agreement but embodied in separate agreements with the territories to the mutual advantage of the member states.³⁸ He also proposed a formula to be utilised in case of unforeseen developments. The British Ambassador to South Africa Sir John Maud, reacted to South Africa's desire for separate agreements with the High commission territories by noting that as, Britain was negotiating on behalf of the not-yet independent BLS territories, so there was no point in treating them separately.³⁹ Nonetheless, the South African Prime minister, Hendrik Verwoerd pushed for separate agreements which would allow Pretoria greater flexibility to terminate an agreement with any one of the territories without affecting the other two.⁴⁰ South Africa justified the separate agreements on the basis that the countries were at different stages of constitutional development and diverging economic and political interests.⁴¹ Britain stood firm however, not least because London feared a backlash due to the General Agreement on Trade and Tariffs (G.A.T.T).⁴²

Once Botswana, Swaziland and Lesotho were able to take the lead on their own economic affairs, they held an official discussion on the customs renegotiations on 9-10 August 1967. Despite their

³⁷ TNA, FCO 45/65, Revision of the Customs Agreement 1910-Submitted by Swaziland's Minister for Finance, Commerce and Industry, 20 July 1967.

³⁸ National Archives of South Africa / National Archives Repository [hereafter NASA/SAB], BTS 16/2/1, The Future Commercial Relations with the British High Commission Territories, 31 December 1961.

³⁹ Ibid.

⁴⁰ Ibid.

⁴¹ TNA, FCO 45/65, Revision of the Customs Agreement 1910-Submitted by Swaziland's Minister for Finance, Commerce and Industry, 20 July 1967.

⁴² NASA/SAB, BTS 16/2/1, Meeting of the External Trade Relations Committee, 14 April 1962. See also, NASA/SAB, BTS 16/2/1, External Trade Relations: Notes on Future Economic Relationship with the High Commission Territories, 11 April 1962.

somewhat different economic interests, they explored ways of achieving a united front for their mutual benefit. They all wished to obtain:

the largest possible financial share in the common pool of customs and excise revenues which was justified by the facts; they needed exports benefit of the products from their countries to South African without restriction as to quantity and on a non-dutiable basis; they also wanted to have the protection which the south African tariff provided over the whole customs area for industrial products as against industrial imports from the outside world.⁴³

Despite the commonalities, some fundamental differences remained: Swaziland wanted a bilateral agreement with South Africa for an indefinite period, but terminable on twelve months' notice while the Botswana and Lesotho preferred a multilateral agreement with a fixed five year term.⁴⁴ Therefore, it was crucial that these countries meet to iron out their differences before making a proposal to South Africa.

The renegotiation of SACU in 1969 demonstrated that the four countries could put away their political differences and focus on matters of common interest.⁴⁵ Mutual respect, non-interference, and the recognition of sovereignty was crucial for international friendship and cooperation. The South African Minister of Economic Affairs, Jan Haak, claimed to support these sentiments, arguing that South Africa wanted viable economic progress for its neighbours; their prosperity would benefit their people.⁴⁶

Although Botswana and South Africa had very different political views, Khama stressed that the two countries co-existed without sacrificing Botswana's national interest or fundamental principles. He further pointed out that Gaborone could not wish away the reality of close economic ties with South Africa. Yet established economic ties, notwithstanding, Khama revealed that, "we are anxious to replace the old pattern of dependence which was regrettably a feature

⁴³ TNA, FCO 45/65, Swaziland Cabinet Paper- Revision of the customs agreement 1910, Submitted by the Minister for Finance, Commerce and Industry, 1 September 1967.

⁴⁴ Ibid.

⁴⁵ University of the Free State Contemporary Archives [hereafter to be referred to as UFS CA], PV 118 3/2/10, Address delivered by the Honourable J.F.W Haak, Minister of Economic Affairs of the Republic of South Africa, at the Official Luncheon Offered to the Visiting Ministerial delegation of the Republic of Botswana, The Kingdom of Lesotho and The Kingdom of Swaziland on 11 December 1969.

⁴⁶ Ibid.

of the colonial era, with one of interdependence.”⁴⁷ Khama believed that dependence was not in the best interests of Botswana, as that could stifle in the country’s economic growth. While determined to expand economy and aim for economic independence, Khama indicated that his government and people were pleased to negotiate a new agreement.⁴⁸

The 1969 SACU renegotiation was hugely significant for Botswana. The previous agreement had been written in 1910 when Botswana was a High Commission Territory, and Britain controlled its economic future. In 1969, Botswana had the opportunity to redefine its economic position in Southern Africa.⁴⁹ However, the legacy of the previous agreement, and South Africa’s subsequent failure to incorporate BLS due to the increasing racial discrimination into its republic loomed large over the negotiations.⁵⁰ Long negotiations were held between Botswana, Lesotho, Swaziland and South Africa about the new Customs Union agreement.⁵¹ At the beginning of the negotiations, Botswana was represented by Mr Beeby, Permanent Secretary (P.S) of Finance, Mr Tilbury, Attorney General, Mr Reardon, P.S Commerce and Industry and Mr Winstanley, P.S for Agriculture. Lesotho’s delegation included, Mr Collings, P. S Finance, Mr Giles Economic Advisor and Mr Beiman, director of planning. Swaziland was represented by Mr Essex P.S Finance, Commerce and Industry, Mr C.M.E Dlamini, Senior Assistant, Prime Minister’s Office, Mr A.R Khoza Assistant Secretary Finance, Commerce and Industry.⁵²

One of the changes that occurred through the renegotiations was the adoption of the name Southern African Customs Union (SACU) just as opposed to the Customs Union Agreement.⁵³ A new Revenue Sharing Formula was also put in place, in theory, shifting the balance somewhat

⁴⁷ BNA, BNB 6767, Interview with Sir Seretse Khama by a South African Journalist, April 1970.

⁴⁸ Ibid.

⁴⁹ U. Kumar, ‘Southern African Customs Union and BLS Countries (Botswana, Lesotho and Swaziland)’, *Journal of World Trade*, 24 (1990), 32.

⁵⁰ C. Saunders and D. Nagar, ‘South Africa and the Southern African Development Community’, *Journal Für Entwicklungspolitik*, 29, 4 (2013), 30.

⁵¹ UFS CA, PV 118 3/2/10, Address delivered by the Honourable J.F.W Haak, Minister of Economic Affairs of the Republic of South Africa.

⁵² TNA, FCO 45/65, ‘Note on a Meeting Held at the British Embassy, Pretoria on 9th-10th August by Delegation from Botswana, Lesotho and Swaziland, 1967.

⁵³ Ibid.

away from South Africa towards the BLS states.⁵⁴ Even so, the Revenue Sharing Formula was not widely supported. Swaziland felt its share of the common pool of customs and excise duties together with Botswana and Lesotho, was too small.⁵⁵ Khama also expressed his desire for a more equitable distribution of revenue among member states, and the ability to protect Botswana's infant industries while retaining access to the South African market.⁵⁶ During the negotiations, Botswana focused on three major issues affecting its economic development: revenue, development and participation in decisions concerning the Customs Union.⁵⁷ With Revenue Sharing, Botswana was to accumulate one-third of the amount of all imports into Botswana that came from outside the SACU area. This change turned on the understanding that the obligation to grant free access to all goods from the common customs area was limiting to the growth of industries in Botswana. Their development, it was hoped, would contribute to higher standard of living in the country.⁵⁸ Botswana's development plan envisaged protection for any industrial and commercial development against competition from more sophisticated industries in the common customs area, notably from South Africa.⁵⁹

South Africa's original desire to strengthen its position by renegotiating SACU was thwarted to a degree by the three other territories who used the negotiations to ensure they benefitted from the mutual trade agreements.⁶⁰ Indeed, Acemoglu et' al have argued that Botswana only agreed to the renegotiation of the SACU in 1969 in order to secure a greater share of the revenue.⁶¹ Due to the renegotiation, Botswana received payment of duties and cheaper importation of goods and services from other SACU members, and its goods remained duty-free as before. Although

⁵⁴ H. P. E. Nyalawa, 'Anatomy of the Southern African Customs Union: Structure and Revenue Volatility', *International Business and Economics Research Journal*, 13, 1 (2014), 147.

⁵⁵ TNA, FCO 45/65, Revision of the Customs Agreement 1910-Submitted by Swaziland's Minister for Finance, Commerce and Industry, 20 July 1967.

⁵⁶ BNA, BNB 6767, Interview with Sir Seretse Khama by a South African Journalist, April 1970.

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ TNA, FCO 45/65, Report by Swaziland Ministry on Finance, Commerce and Industry, 'Explanatory Notes on the Draft Customs Agreement Proposed By the Government of Botswana, 20 July 1967.

⁶⁰ BNA, OP/110/11, Memorandum on the location of new manufacturing enterprises in Southern Africa, 13 September 1972.

⁶¹ D. Acemoglu, S. Johnson and J. Robinson, 'An African Success Story: Botswana', (2002), <https://economics.mit.edu/files/284>, accessed-23 April 2017.

some observers in Botswana remained sceptical of the new arrangement, Minister of Finance, Ketumile Quett Masire, reassured the population that there were many advantages to remaining in the union especially as regards access to international trade, a particularly important consideration for developing countries that relied mostly on foreign markets for its exports.⁶²

Masire elaborated:

Botswana happens to be situated next to a country which is considerably more developed than we are. It [South Africa] offers Botswana an important market for the goods and services which we can produce. It also manufactures a wide range of goods and services which Botswana requires and which would be more expensive if we had to acquire them from other countries. There are thus obvious mutual advantages to be gained from removing restrictions on the trade between our two countries.⁶³

In theory, all four states were supposed to develop manufacturing industries by December 1969, to sell their goods to the Customs Union members.⁶⁴ This allowed South Africa's more developed industries and manufacturing economy to continue to dominate the export of consumer goods.⁶⁵ The new customs union agreement was meant to ensure equality in the treatment of all industries in all member states. To establish a fair agreement, unlike the 1910 agreement, favours were not to be granted to any industries in Botswana, Lesotho and Swaziland even if they were protected by article six and seven of the new agreement.⁶⁶ Article six of the agreement purported protect small industries especially in the BLS states, but South Africa saw the Article as opportunity it could use it to its advantage by denying all protection. If one business especially in manufacturing, was already up and running in a particular country, usually South Africa then the other SACU members could not develop the same business or project behind tariff barriers. As a result, a consultative committee to apportion projects amongst countries was needed to

⁶² 'Minister's statement on customs union Agreement', *Botswana Daily News*, 17 December 1969.

⁶³ Ibid.

⁶⁴ BNA, OP/110/11, Memorandum on the location of new manufacturing enterprises in Southern Africa, 13 September 1972.

⁶⁵ Ibid.

⁶⁶ Article 6 provides for the imposition of additional customs duties for protective purposes by Botswana, Lesotho and Swaziland; Article 7 permits the government of Botswana, Lesotho and Swaziland with the concurrence of other control parties, to specify industries of major importance to their economies and prescribes the method dealing with tariff aspects relation to such industries. See, BNA, OP/10/11, Notes by Republic of South Africa- The Customs Union Agreement and Industrial Development; BNA, BNB 2366, R. Bodenmiiller, 'Botswana, Lesotho and Swaziland: Their External relations and attitudes towards South Africa'; B. Setai, 'Integration and Policy Constraints to Industry and Trade in Botswana, Lesotho, and Swaziland', *African Journal of Political Economy*, 2, 1 (1988), 103-104.

assist with the establishment of projects in Botswana, Lesotho and Swaziland. This was supposed to stop manufacturing enterprises from concentrating only on South Africa, but in practice very little changed.⁶⁷

For administrative reasons, the revenue payments were made after a two year delay.⁶⁸ Additionally a 1.42 special compensation factor was paid to the BLS to counter-balance adverse effects caused by their SACU membership.⁶⁹ This included “the price effects of South Africa’s imports control measures. The price effects through customs tariffs, the polarisation effects likely in a situation where a less developed country is closely tied to a developed economy, and the loss of fiscal discretion.”⁷⁰ As, Grynberg Roman and Masedi Motswapong have indicated, under this new formula, the revenue share that South Africa received was a residual after the BLS had been paid their share.⁷¹ Vice President Masire had stated that during the negotiations their arguments were so sound that South Africa had to agree to Botswana’s suggested proposal for revenue sharing.⁷²

The 1969 renegotiation was an indication of an important rebalancing of the benefits of SACU RSF (Revenue Sharing Formula) in favour of Botswana, Lesotho and Swaziland. This is evidenced chart 2.1 below which shows the differences in the revenues collected before the RSF of 1969 and after.⁷³

⁶⁷ BNA, OP/10/11, Savingram from Permanent Secretary, Ministry of Commerce, Industry and Water Affairs in Botswana to Permanent Secretary Ministry of Finance and Development Planning in Botswana and Permanent Secretary to the Office of the President, reference: Customs Union Commission; Memorandum on Location of New Manufacturing Enterprises in Southern Africa’, 03 October 1972.

⁶⁸ TNA, FCO 105/772, Report from Alan Coverdale, British Development Division in Southern Africa, to Barry Jones, British High Commission, Swaziland, 17 December 1981.

⁶⁹ See Appendix 3.

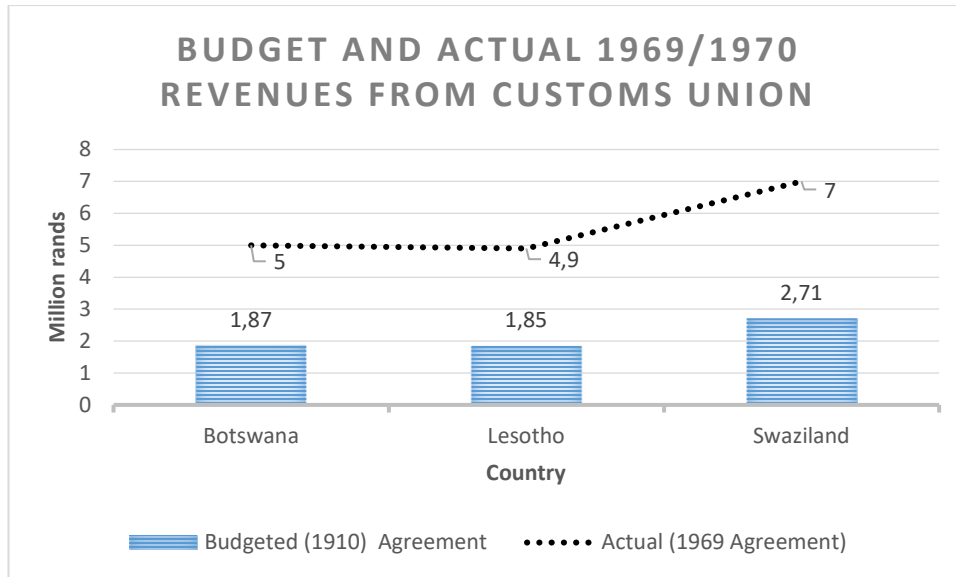
⁷⁰ TNA, FCO 105/772, Report from Alan Coverdale, British Development Division in Southern Africa, to Barry Jones, British High Commission, Swaziland, 17 December 1981.

⁷¹ G. Roman and M. Motswapong, ‘SACU Revenue Sharing Formula: The History of an Equation of an Equation’, (2003), <https://www.africaportal.org/publications/sacu-revenue-sharing-formula-the-history-of-an-equation>, accessed 15 May 2018.

⁷² *Ibid.*

⁷³ *Ibid.*

Chart 2.1: Budget and actual 1969/70 revenues from SACU



Source: G. Roman and M. Motswapong, (2003)

Botswana’s revenues from customs duties rose from R1.8 million in 1968 to R5 million in 1969 - 1970 in the first year of the new formula’s operation. Scholarship noted with surprise that the Pretoria delegation agreed to a formula which, from a purely economic perspective, placed South Africa in a weaker financial position. But it can be argued that, when South Africa agreed to the RSF, it never believed that the economies of the BLS would grow as rapidly as they did in the first years of independence. Anyway it was politically expedient for the apartheid regime to agree to the new SACU provisions and thus to buy the other territories’ support.⁷⁴ The possibility for future negotiations remained open, but in the meantime, the new agreement placed Botswana at the same level with South Africa. The revenue from the customs duties helped boost Botswana’s economy, which complimented income from other industries like mining and beef. At the same time, SACU kept Botswana linked to the international market and had reduced costs when importing from other SACU members.⁷⁵

⁷⁴ *Ibid.*

⁷⁵ *Ibid.*

The Beef Industry

For many years, the livestock industry was regarded as a constant factor in Botswana's economic life.⁷⁶ Culturally, the Tswana kept cattle for many purposes, such as paying the bride price and for barter trading. Most cattle were sold only when families had need for cash crisis, consequently small peasant holdings kept cattle not only for commercial purposes.⁷⁷ The Botswana cattle industry originates from the mid-1880s, about the time when the country became a protectorate. Livestock became a commodity and was mostly sold to South Africa, Pretoria becoming Bechuanaland's first international market. The demand for beef in South Africa was mostly a result of the rapid development of the mining industry. Beef was a cheap source of protein and it was cheap to transport as it literally walked to market⁷⁸

Cattle ranching increased dramatically after the colonial administration improved borehole drilling in the late 1920s and 1930s, which facilitated access to underground water for animals.⁷⁹ Grazing land and access to water were essential for successful cattle husbandry.⁸⁰ Much later on, the Commonwealth Development Corporation (CDC) made attempted to promote the livestock industry by establishing ranching projects at Pandamatenga and Bushman Pits, North of Botswana to increase the quality and value of cattle exported to Zambia.⁸¹ This initiative was not successful. Despite this failure, the CDC successfully established full scale ranching at Molopo, South-west of Lobatse, which prompted the creation of the Lobatse abattoir in the early 1960s. The Lobatse abattoir handled the growing export market, sending beef productions to the UK,

⁷⁶ TNA, FCO 45/1276, Letter from David Anderson to Stan Cook on the Livestock Industry in Botswana, 10 April 1973; R. H. Behnke, 'The Economic Contribution of Pastoralism: Case Studies from the Horn of Africa and Southern Africa', *Nomadic Peoples*, 12, 1 (2008), 55 and S. Masike and P. Urich, Vulnerability of Traditional Beef Sector to Drought and the Challenges of Climate Change: The Case of Kgatleng District, Botswana, http://ithuteng.ub.bw/bitstream/handle/10311/542/Masike_JGRP_2008.pdf?sequence=1&isAllowed=y, accessed, 18 December 2018.

⁷⁷ TNA, FCO 45/1276, Letter from David Anderson to Stan Cook on the Livestock Industry in Botswana, 10 April 1973.

⁷⁸ M. Darkoh and J. E. Mbaiwa, 'Globalisation and the Livestock Industry in Botswana', *Singapore Journal of Tropical Geography*, 23, 2 (2002), 151.

⁷⁹ TNA, FCO 45/1276, Letter from David Anderson to Stan Cook on the Livestock Industry in Botswana, 10 April 1973.

⁸⁰ E. Hillbon, 'Diamonds or development? A Structural Assessment of Botswana's Forty Years of Success' *Journal of Modern African Studies*, 46, 2 (2008), 200-203.

⁸¹ *Ibid.*

South Africa and Zambia. Smaller specialized products were exported to Switzerland and Hong Kong.⁸²

The abattoir was nationalised after independence and the Botswana Meat Commission (BMC) created in 1965 to organise and manage the beef industry.⁸³ The BMC Act required the commission to purchase all the cattle that were offered to it. In turn, the commission was required to pay full price for any cattle, minus the costs of slaughtering and transport. The Commission was, basically a non-profit making agent for producers. With approximately 80% of the population in Botswana keeping cattle, the BMC was constituted as a permanent potential buyer.⁸⁴ The government maintained a monopoly over beef exports as privately owned abattoirs were not allowed to export beef and related products. The BMC Act prohibited the exportation of live cattle and the importation of beef.⁸⁵ In the past some people had built their fortunes by smuggling cattle from Botswana into South Africa. Indeed, wealthy families in South Africa such as the Brink and Steinburg families, had reputedly built their wealth through cattle smuggling.⁸⁶ The prohibition of beef imports by Botswana was a strategic way of expanding the country's economy by promoting local production.

⁸² TNA, FCO 45/1276, Letter from David Anderson to Stan Cook on the Livestock Industry in Botswana, 10 April 1973.

⁸³ The BMC is a state enterprise and has been the sole exporter of beef since its establishment. This was made possible through a statutory instrument establishing the entity, the BMC Act. It runs the single channel export scheme for beef. It investigates future strategies to present to cabinet in order to improve efficiencies. It also oversees the sanitary and phytosanitary requirements needed to control the occurrence of foot-and-mouth disease. See, T. Seleka and P. Kebakile, 'Export Competitiveness of Botswana's Beef Industry', *The International Trade Journal*, 31, 1 (2017), 80; 'Botswana Beef exports: Opportunities for SA Farmers?', *Farmers Weekly*, 12 June 2016, <https://www.farmersweekly.co.za/opinion/by-invitation/botswana-beef-exports-opportunities-for-sa-farmers>, accessed-17 October 2017; Acemoglu, Johnson and Robinson, 'An African Success Story: Botswana', (2002), <https://economics.mit.edu/files/284>, accessed-23 April 2017. See also, Ettinger, 'The Economics of Customs Union between Botswana, Lesotho, Swaziland and South Africa', 39.

⁸⁴ TNA, FCO 45/1507 'Letter from The Botswana Mission to the European Economic Community to The President of the council of the European communities, 27 August 1974 and A. Murray and N. Parsons, 'The Modern Economic History of Botswana', in Z. A. Konczacki, J. L. Parpart and T. M. Shaw (eds), *Studies in the Economic History of Southern Africa, Volume 1: Frontline State* (London: Frank Cass & Co Ltd, 1990), 166.

⁸⁵ K. Jefferis, 'How Trade Liberalization can Contribute to Resolving the Crisis in the Beef and Cattle Sector', *Policy Briefing Paper, Southern Africa Global Competitiveness Hub*, 2005.

⁸⁶ TNA, FCO 45/1276, Letter from David Anderson to Stan Cook on the Livestock Industry in Botswana, 10 April 1973.

Unfortunately, disease and drought plagued the beef industry, frequently limiting its potential to the domestic market and cultural practices.⁸⁷ One third of the national herd died of starvation during the drought, leaving one fifth of Botswana's population destitute.⁸⁸ Conditions improved in the five years following the end of the drought, but in the early 1960s, an outbreak of Foot and Mouth Disease in the northern part of the country meant exports to South Africa, and Britain were suspended.⁸⁹ Overdependence on the British market posed difficulties for the industry. British health regulations forced the suspension of imports from any country experiencing an outbreak of Foot and Mouth Disease.⁹⁰ Another major drought between 1961 and 1966, negatively affected cattle.⁹¹ By 1971, the cattle population had recovered to about 1.7 million, from below 1 million at the height of the drought.⁹² The loss of Botswana's main source of income, cattle, meant its only remaining source of foreign currency was the SACU revenues, which were insufficient for the country's needs.

By the early 1970s, beef equalled 60% of Botswana's total export earnings, at R36 132 200 gross sale.⁹³ In 1973, a total of 78% of the meat and livestock products were sent to Europe. These sales amounted to R28 339 369.⁹⁴ Unfortunately, in 1974, the European Economic Community (EEC) raised restrictive import measures that hurt Botswana's export market. Trade relations between Botswana and the EEC had been nurtured carefully, but they were, now destroyed by a blanket ban designed to protect European beef markets. Botswana was forced to go back and base most of its trade on South Africa. The country had worked hard from independence to lessen

⁸⁷ Ibid; Hillbon, 'Diamonds or development? A Structural Assessment of Botswana's Forty Years of Success', 202.

⁸⁸ TNA, FCO 45/1507, 'Letter from The Botswana Mission to the European Economic Community to The President of the council of the European communities, 27 August 1974 and Smith, 'Too Much Territory and Too Few People', *Evening Post Newspaper*.

⁸⁹ TNA, FCO 45/2257, 'Botswana Economic Report January –June 1978', June 1978.

⁹⁰ TNA, FCO 45/1276, Telegram from David Anderson to Stan cook, 8 March 1973.

⁹¹ Smith, 'Too Much Territory and Too Few People', *Evening Post Newspaper*.

⁹² Ettinger, 'The Economics of Customs Union between Botswana, Lesotho, Swaziland and South Africa', 39.

⁹³ TNA, FCO 45/1507, Letter from The Botswana Mission to the European Economic Community, President of the council of the European Communities, 27 August 1974.

⁹⁴ Ibid.

it economic dependence on Pretoria, by forging relations with the global north to diversify its markets, but this policy was threatened by EEC self-interest.⁹⁵

The European community's decision to ban beef imports adversely impacted Botswana and Swaziland because of their dependency on the United Kingdom market. They had previously used their limited resources to build up trade relations with the United Kingdom.⁹⁶ In 1973, 18 000 and 3000 tons of beef were exported by Botswana and Swaziland to the United Kingdom, which were valued up to £11.4 million and £2.2 million respectively. Botswana's total trade with the United Kingdom in 1973 amounted to 93%.⁹⁷ In Botswana, the BMC was the largest single employer and Lobatse had become a small town. Over 200 people lost their jobs after the ban.⁹⁸ This forced Botswana to again turn to its southern neighbour for trade and perpetuated labour migration to South Africa.

Britain admitted that the EEC needed to understand how serious the problems were for Botswana and Swaziland after losing their overseas trading partners because of the decisions made by it (EEC).⁹⁹ Britain's Secretary of State, Roy Hattersley, commented on the implications of the ban:

I accept that it is worth putting up with the temporary import ban on meat- awkward and embarrassing though this is for the sake of the UK beef market. As you say, the effect on traditional suppliers of the UK market will not in general be very great because of the expected reduction in sendings following the substantial increase in our own beef production. There are however, two exceptions. Botswana and Swaziland depend heavily on exports of beef to the United Kingdom market for their export earnings. I understand that in the case of Botswana this dependence is greater than 90 per cent.¹⁰⁰

Hattersley sympathised with Botswana's predicament following the ban which clearly benefitted the UK. Rural income declined across Botswana. The country's development plan had been based

⁹⁵ Ibid.

⁹⁶ TNA, FCO 45/1507, Letter from R. Q. Braithwaite to R. Manning UK Representative at the EEC, 9 September 1974.

⁹⁷ Ibid.

⁹⁸ TNA, FCO 45/1507, Letter from The Botswana Mission to the European Economic Community to The President of the council of the European communities, 27 August 1974.

⁹⁹ Ibid.

¹⁰⁰ TNA, FCO 45/1507, Letter form Roy Hattersley Secretary of State to Fred, Minister of Agriculture, 8 August 1974.

on predicted cattle export earnings which assumed the increase from 195 000 in 1974 rising to 293 000 cattle would be exported to the United Kingdom.¹⁰¹ The goal had been, after recuperating from the losses brought on by the drought, that Botswana would increase its cattle revenue through sales to the United Kingdom, raise its GDP, and reduce its dependence on trade with South Africa.

Minister of Agriculture, Edson Masisi, admitted that the ban was a grave blow to the Botswana meat industry which played a particularly important role in the rural economy.¹⁰² Despite seasonal challenges such as outbreak of diseases and drought, the beef industry clearly thrived during the protectorate and through to independence and would remain Botswana's second highest source of income after the discovery of diamonds.¹⁰³

Table 2.2: Meat sales by BMC, Lobatse, 1966- 1972

YEAR	GROSS SALES VALUE
1966	R 8 586 678
1967	R 12 294 900
1968	R 11 240 006
1969	R 10 245 305
1970	R 13 794 029
1971	R 17 101 139
1972 (Jan-June)	R 13 700 000

Source: TNA, FCO 45/1276, Letter from David Anderson to Stan Cook on the Livestock Industry in Botswana, 10 April 1973

¹⁰¹ TNA, FCO 45/1507, 'Letter from The Botswana Mission to the European Economic Community to The President of the council of the European communities, 27 August 1974.

¹⁰² TNA, FCO 45/1507, Report from British High Commission in Gaborone to Foreign and Commonwealth Office in London, about EEC Ban on Beef, 24 July 1974.

¹⁰³ R. Armah, 'Botswana and Mauritius: A Comparative Analysis of Political and Economic Success Story in the most Unlikely Region', (Master's in Public Administration, Minnesota State University, 2015), 17-18.

Table 2.3: Diamonds Sales, 1971 - 1st Quarter 1972

1st quarter 1971	R 440 000
2nd quarter 1971	R 600 000
3rd quarter 1971	R 1, 937 000
4th quarter 1971	R 2, 544 000
CALENDER 1971	R 5 521 000
1st quarter 1972	R 6 099 000
i.e an annual rate of about R24 million	

Source: BNA, OP 23/13, Investigations into the Possibility of Increasing Production from D/K1 and A/K1, November 1973.

As the EEC's ban came into effect, Botswana was already diversifying its economy through its newly discovered mineral wealth. Both the change in external markets for Botswana beef and the need for South African expertise in mineral extraction, intensified economic links with South Africa and away from Europe.

Discovery of Minerals and the Arrival of De Beers

The discovery of diamonds lifted the entire economic fortunes of Botswana, especially compared to the period of dependence on the beef industry.¹⁰⁴ De Beers had begun searching for diamonds in Botswana during the colonial era. Starting with exploration in 1959, around the Tuli Block in Eastern Botswana, seven years later they expanded the search to the Bamangwato territory, north-west of the Tuli Block.¹⁰⁵ This was the same territory where the Roan Selection Trust (RST) Group, another mining company, had previously found an insignificant amount of diamonds along the dry banks of the Motloutse River. Despite prospecting upstream, the Roan Selection Company failed to find the source of the diamonds and subsequently abandoned the search. De

¹⁰⁴ Armah, 'Botswana and Mauritius: A Comparative Analysis of Political and Economic Success Story in the most Unlikely Region', 12-13.

¹⁰⁵ BNA, OP/23/13, J. V. Hepworth, Director of Geological Survey, 'Report on Diamonds Prospecting in Botswana', 13 May 1974, Lobatse. See also, 'The Twelve Year Trail to a Diamond Fortune', *Rand Daily Mail*, 23 June 1972.

Beers continued where RST left off, examining the river gravel sites of the previous expedition and confirming the presence of diamonds at both. They then followed the Motloutse upstream finding a small amount of diamonds as far as 80 km west of Foley.¹⁰⁶ They lost the trail when the river petered out. De Beers tried other prospecting methods away from watercourses, but still found nothing. These other methods included the Ariel photography, which was unsuitable over Botswana Kalahari sands. The airborne magnetometry method was also used but that too did not pick any kimberlite.¹⁰⁷ This method was regarded as costly too, although it was sufficiently powerful to a point that it could reveal hidden kimberlite pipes. The team abandoned the search at Foley and joined other geologists who were following up on earlier reconnaissance of the Kgatleng district, in southern Botswana, by an intensive exploration programme. Nonetheless, these found two kimberlite pipes which proved to be barren after exhaustive testing.¹⁰⁸ This search evidently gave De Beers hope that there might be diamonds in Botswana.

In April 1967, a young geologist, Manfred Marx, working for De Beers discovered a diamond pipe, after following a diamond trail for hundreds of kilometres. A second pipe was found a month later.¹⁰⁹ An area to the west of Letlhakane and Mopipi was found to contain abundant ilmenites and garnets, indicators of diamonds and kimberlite.¹¹⁰ A new mine with huge potential was built at Orapa. Estimates suggested that in its first year the mine it would supply 2.4 million carats of diamonds, compared to South Africa's total production of less than 6.8 million carats in 1971.¹¹¹ Some scholars, among them Acemoglu, Johnson and Robinson actually suggested that both Seretse Khama and De Beers knew Botswana had an abundance of diamonds but waited until independence before announcing the discovery.¹¹² This is fanciful in the light of the, years of research and prospecting before their discovery in 1966.

¹⁰⁶ BNA, OP/23/13, J. V. Hepworth, Director of Geological Survey, 'Report on Diamonds Prospecting in Botswana', 13 May 1974,

¹⁰⁷ *Ibid.*

¹⁰⁸ *Ibid.*

¹⁰⁹ *Ibid.*

¹¹⁰ 'The Twelve Year Trail to A Diamond Fortune', *Rand Daily Mail*.

¹¹¹ *Ibid.*

¹¹² Acemoglu, Johnson and Robinson, 'An African Success Story: Botswana', <https://economics.mit.edu/files/284>, accessed, 23 April 2017.

The discovery of diamonds had the potential to change the economic course of post-independence Botswana. When addressing the Botswana Parliament in 1968, the Minister of Commerce, Industry and Water Affairs, James Haskins, told parliament about the discovery of Kimberlitic pipes by De Beers Prospecting (Botswana) at Orapa near Letlhakane.¹¹³ Haskins was cautiously optimistic, reporting that that Harry Oppenheimer, Chairperson of De Beers, had confirmed that it was a big discovery.¹¹⁴ A discovery of this magnitude would mean significant development in the mining sector, and require legislation to protect Batswana interests. Experience from countries such as South Africa had shown the need for a legislation dealing with illegal diamond dealings.¹¹⁵

Political stability, robust policies and efficient use of resources subsequently underpinned to Botswana's success.¹¹⁶ Notably, the government nationalised all natural resources to gain control over future revenues.¹¹⁷ The Minerals and Rights in Tribal Territories Act of 1967 gave the national government all sub-soil mineral rights which had previously belonged to ethnic groups under the leadership of a chief.¹¹⁸ This was done without compensation when the Botswana Democratic Party (BDP) came into power.¹¹⁹ But by diminishing chiefly status and, by removing their control over natural resources, this move created an uneasy relationship between the government and the chiefs. It pushed some chiefs into politics. Chief Bathoen Gasietsewe of Bangwaketse joined the Botswana National Front (BNF), an opposition party that promised to give back the chiefs their authority if elected to power.¹²⁰ The main diamond mine was in the

¹¹³ *Hansard No. 26, Fifth Meeting, Third Session, First Parliament*, (9th -13th December, 1968), James Haskins.

¹¹⁴ *Ibid.*

¹¹⁵ *Ibid.*

¹¹⁶ Acemoglu, Johnson and Robinson, 'An African Success Story: Botswana', <https://economics.mit.edu/files/284>, accessed-23 April 2017. See also, Murray and Parsons, 'The Modern Economic History of Botswana', 168.

¹¹⁷ Hillbon, 'Diamonds or development? A Structural Assessment of Botswana's Forty Years of Success', 200-201.

¹¹⁸ Acemoglu, Johnson and Robinson, 'An African Success Story: Botswana' <https://economics.mit.edu/files/284>, accessed, 23 April 2017. See also, E. Bule, 'No End in Dikgosi, BDP Brinkmanship', *Botswana Guardian*, 07 September 2015, <http://www.botswanaguardian.co.bw/news/item/1491-no-end-in-dikgosi-bdp-brinkmanship.html>, accessed 15 October 2017.

¹¹⁹ Government of Botswana, *Mineral rights in Tribal Territories Act, 1967* (Gaborone: Government Printer, 1967).

¹²⁰ Acemoglu, Johnson and Robinson, 'An African Success Story: Botswana', <https://economics.mit.edu/files/284>, accessed-23 April 2017. See also, Bule, 'No End in Dikgosi, BDP Brinkmanship', *Botswana Guardian*, 07 September 2015, <http://www.botswanaguardian.co.bw/news/item/1491-no-end-in-dikgosi-bdp-brinkmanship.html>, accessed 15 October 2017.

Bamangwato territory, of which the first President of Botswana, Seretse Khama, was paramount chief.¹²¹ This may have made it easier for the law to pass because even Khama was willing to take away mineral rights from his own people. He argued, “at the same time, non-tribal land where mineral rights have been vested in private companies, the passing of the Mines and Mineral Act makes it possible for government to make sure that prospecting for minerals and their exploitation proceeds in a way which is fully compatible with Botswana’s national interests.”¹²²

While Seretse Khama welcomed private investment from any source, he stressed the need to prevent investors from draining the country’s resources with little or nothing in return.¹²³ De Beers (Botswana) was given the lease for mining in 1971 precisely because they had searched and discovered the minerals for Botswana.¹²⁴ This lease came with a 15: 85 percent in overall shareholding, with the Botswana Government acquiring 15% and De Beers retaining 85%.¹²⁵ Together they formed the De Beers Botswana Mining Company (Debswana). When addressing the Botswana Parliament, Matlatsi Segokgo, the Minister of Commerce, Industry and Water Affairs, supported a bill that would circumvent the Mines and Mineral Act of 1967 to allow Debswana to start mining before submitting a survey plan.¹²⁶ The reason for that decision was because it would rapidly bring a significant flow of mineral revenue to the government. Benjamin Steinberg, Member of Parliament for Boteti, supported the bill tabled by Segokgo because the country was under pressure to start increasing its income.¹²⁷ Coming at the tail-end of the drought, the government was in need of augmented cash flows and felt that expediting diamond mining would help boost the budget. This was a sign of desperation by the Botswana government as its need for funds obliged it to short-circuit its own legal process.

¹²¹ Acemoglu, Johnson and Robinson, ‘An African Success Story: Botswana’, <https://economics.mit.edu/files/284>, accessed, 23 April 2017.

¹²² TNA, FCO 45/825, President Seretse Khama’s speech in Kanye, June 1970.

¹²³ BNA, BNB 6767, Interview with Sir Seretse Khama by a South African Journalist, April 1970.

¹²⁴ *Hansard 37, Third Meeting, Second Session, Second Parliament* (22nd – 25th June, 1971), Matlatsi Segokgo.

¹²⁵ Hillbon, ‘Diamonds or development? A Structural Assessment of Botswana’s Forty Years of Success’, 202.

¹²⁶ *Hansard 37, Third Meeting, Second Session, Second Parliament* (22nd – 25th June, 1971), Matlatsi Segokgo.

¹²⁷ *Ibid.*

Seretse Khama officially opened the Orapa Diamond Mine in May 1972. De Beers had invested R21 500 00 in developing the Orapa mine the biggest single external investment in Botswana by that date.¹²⁸ The government, as a 15 % shareholder, appointed two directors to the company's board. De Beers earned almost R8 million a year after tax from Orapa.¹²⁹ The sheer scale of the operation was made clear at the opening:

The mine will treat 2 400 000 tonnes of kimberlite annually to recover 2 400 000 carats of diamonds showing that its caratage per tonne of kimberlite is above normal. But because 85 percent of the stones will be industrial value will be low at R7 to R8 a carat. They will bring profit at nearly R 16 million but a little more than R8 million will be paid to the state in mining royalty, tax and dividends. The state has a fifteen percent interest in De Beers (Botswana).¹³⁰

While Botswana only owned 15% of the mine, it obtained half of the profits through royalty, tax and dividends. Ralph Stephens, an American economist engaged by the Botswana government as a consultant, was impressed by Botswana's level of development by 1972.¹³¹ As shown in Chart 2.2 below, this success was evidenced by overall GDP which grew from P35 million in 1965 to P109.6 million in 1972, which meant a growth of P74.6 million in seven years.¹³²

¹²⁸ *Ibid.*

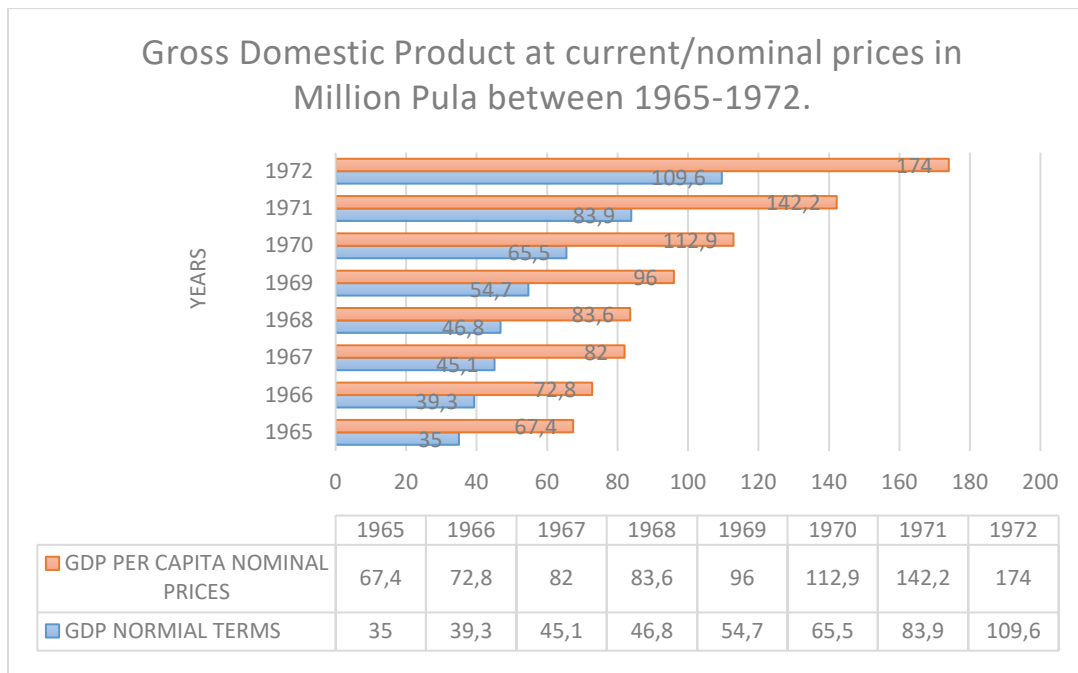
¹²⁹ 'Orapa: Full Production Soon', *Botswana Daily News*, 27 July 1971.

¹³⁰ 'Orapa to Earn De Beers R8m a Year', *Rand Daily Mail*, 27 May 1972.

¹³¹ 'Botswana Woos Industry: US Economist Looks Ahead', *The Star's Africa News Service*, 24 January 1972.

¹³² Statistics Botswana, *Selected Statistical Indicators 1966-2016*, 15.

Chart 2.2: Gross Domestic Product Current/Nominal Prices in Million Pula, 1965-1972



Source: Statistics Botswana, 2016

The above statistics confirm Stephens’s assessment that despite only having population under one million people, Botswana had established a significant international mining industry and could be viewed as a shining example to developing countries. Historian Hillbon concurred with Stephens’ assessment and pointed out that after the discovery of diamonds, Botswana’s rapid success and prosperity gave hope to other sub-Saharan African countries who had mineral deposits of their own.¹³³ Previously viewed as one of the poorest developing countries in Africa, Botswana had turned into one of the biggest economic success stories in Africa if not the world with the discovery of minerals.¹³⁴ In a few short years, Botswana changed from a country without any mining infrastructure to one of the leading diamond producers in the world.¹³⁵ Indeed, the

¹³³ Hillbon, ‘Diamonds or development? A Structural Assessment of Botswana’s Forty Years of Success’, 191.

¹³⁴ ‘Botswana Poised for Money Boom- Rags to Riches’, *The Star’s Africa News Service*, 17 May 1972; Statistics Botswana, *Selected Statistical Indicators 1966-2016*, 15.

¹³⁵ Turning Finite Resources into Enduring Opportunity: The Economic Contribution to Botswana of the Partnership between the Government of the Republic of Botswana and De Beers, <https://www.debeersgroup.com/~media/Files/D/De-Beers-Group/documents/reports/botswana/deb081-impact-botswana-single-low-res.pdf>, accessed 10 November 2018.

Chief Executive Officer (CEO) of De Beers Group, Phillipe Mellier, stated that before the discovery of diamonds by the De Beers geologists happened, no one could have imagined the kind of wealth the country possessed below the ground. Botswana's new-found wealth allowed it to experience one of the world's longest periods of uninterrupted economic growth.¹³⁶

Botswana's economic growth, powered by diamonds, significantly elevated its status in the region.¹³⁷ Diamonds contributed positively to the economy of Botswana by a direct partnership between Botswana and De Beers. This turned on the, location and then mining of minerals efficiently and providing a steady supply, managing the growth of the demand of diamonds, and the maintenance of production equity. Mined rough diamonds were sold to the world's leading diamantaires. There was also investment in diamond value chain within Botswana, and diamond revenues were invested wisely.¹³⁸ Earlier studies have credited Botswana's success to "good governance and sound economic management."¹³⁹ Gladys Mokhawa in her work deemed natural resources a 'resource curse' since they brought instability to many countries, not least Congo and Nigeria.¹⁴⁰ As Acemoglu *et al*, all noted, unlike Angola, Congo, Sierra Leon and Nigeria, there was no civil war over the control of revenues from diamonds in Botswana.¹⁴¹ Conflict was avoided due to the sound policies enacted by Botswana politicians who were aware of the pitfalls of

¹³⁶ Ibid.

¹³⁷ 'Botswana Woos Industry: US Economist Looks Ahead', *The Star's Africa News Service*, 24 January 1972.

¹³⁸ Turning Finite Resources into Enduring Opportunity, <https://www.debeersgroup.com/~media/Files/D/De-Beers-Group/documents/reports/botswana/deb081-impact-botswana-single-low-res.pdf>, accessed 10 November 2018.

¹³⁹ Armah, 'Botswana and Mauritius: A Comparative Analysis of Political and Economic Success Story in the most Unlikely Region', 16.

¹⁴⁰ G. Mokhawa, 'All that Glitters is not Diamond: the Politics of Diamond Dependence and Abundance in Botswana', in M. Basedau and A. Mehler, *Resource Politics in Sub-Saharan Africa* (Hamburg: Institute of African Affairs, 2005), 108.

¹⁴¹ Acemoglu, Johnson and Robinson, 'An African Success Story: Botswana', <https://economics.mit.edu/files/284>, accessed 23 April 17.

'resource curses'. Botswana's leaders avoided that by asserting state rights to all mineral resources, avoiding private control of the diamond industry.¹⁴²

Duncan Green makes a compelling judgment in support of Acemoglu's argument that by running the country through a series of National Development plans, state-owned companies and the nationalisation of mineral rights kept Botswana stable.¹⁴³ Concurring with Hillbon and Armah, Mokhawa stated that, "Botswana in contrast to other mineral-rich countries had defied existing belief that minerals fail to pave a way to economic success."¹⁴⁴ Mokhawa also asserted that there were a number of factors contributing to Botswana's successful management of resources. These included "quality leadership, luck, prudent management and good negotiating skills."¹⁴⁵ Although Botswana was tied to South Africa by geographical location and trade, the degree of economic independence it did secure from South Africa emanated from sound policies followed by its leaders, starting with Seretse Khama.

In 1973, the Botswana government launched negotiations with De Beers to increase their share to 50 percent; the talks lasted 18 months.¹⁴⁶ High level government officials including the Permanent Secretary as well as Cabinet Ministers were involved. Vice President, Ketumile Masire, Minister of Mineral and Water Resources, Motlatsi K. Segokgo, Christopher Hermans, Permanent Secretary for Ministry of Finance and Development Planning, Baledzi Gaolathe, Permanent Secretary for the Ministry of Mineral Resources and Water Affairs, R.M. Dean from the Office of the President, Peter Eigen from the Attorney General's Chambers and G.W. Tough,

¹⁴² Luck means good things that happen by chance rather than one's effort, however in this context mean, particularly four elements: the national mineral endowment, particularly diamonds; the production and marketing of diamonds within the most durable and successful producer/marketing cartel run by De Beers, the Central Selling Organisation (CSO); the inflow of foreign aid; and the small and basically homogenous population. See, G. S Maipose and T.C Matsheka, 'The Indigenous Development State and Growth in Botswana', http://www.swarthmore.edu/SocSci/soconne1/book/Ch15_RRBotswana_GMTM.doc, accessed 15 December 2018; M. Lewin, 'Botswana's success: Good Governance, Good Policies, and Good Luck', in P. Chuhan-Pole and M. Angwafo (eds), *Yes Africa Can: Success Stories from a Dynamic Continent* (Washington D.C: The World Bank, 2011), 85.

¹⁴³ D. Green, *From Poverty to Power: How Active Citizens Effective States Can Change the World* (Oxford: Oxfam International, 2008), 192.

¹⁴⁴ Mokhawa, 'All that Glitters is not Diamond: the Politics of Diamond Dependence and Abundance in Botswana', 108.

¹⁴⁵ *Ibid*, 109.

¹⁴⁶ *Ibid*; BNA, OP/23/13, Notes on Status of Government- De Beers Negotiations, 19 April 1975.

an official from Mineral Resources and Water Affairs negotiated for Botswana. Harry Oppenheimer and his delegation, J. Oligvie-Thompson, M.S. McCrum, P.J. Leyden and G. Ralfe, represented De Beers.¹⁴⁷ Oppenheimer, the chairman of De Beers, wanted to retain technical and managerial control of Debswana, claiming that changing geological mining materials had increased operating costs thus decreasing profit.¹⁴⁸ De Beers' main objective was to secure maximum profits and to maintain its monopoly over the diamond industry in Botswana.¹⁴⁹ As far as it was concerned, it's Botswana main objective was to maximise revenue from the diamonds, while at the same time distancing itself from South Africa, to "prevent any one company or group of companies dominating the economy and to prevent the creation of enclaves of wealth and elitism".¹⁵⁰ The diamond market has specific objectives including control on the marketing of the diamonds, and prevention of the illicit diamond buying.

The equal share agreement between De Beers and Botswana gave the government more power and influence in the diamond mining sector.¹⁵¹ It improved the country's economic wealth and influence within the industry that constituted its economic base. Botswana had two main objectives with regards to the exploitation of its mineral resources. These were national economic development and increased revenue from taxation.¹⁵²

Since mining royalties were costs incurred by the miner in the production of mining income, they were deductible under general income tax law. Shareholders in the Debswana Company were not taxed twice, since Debswana was a joint company between the Botswana Government and De Beers.¹⁵³ This partnership had each party determined to gain as much as they could. As such, "areas where the balance of interest may vary included operating efficiency and before tax

¹⁴⁷ BNA, OP/23/11, Minutes of Meeting held in Vice President Office, 05 September 1974.

¹⁴⁸ Ibid; BNA, OP/23/13, Mineral Resources and water affairs, Meeting to discuss diamonds negotiations, 27 February 1975.

¹⁴⁹ Ibid.

¹⁵⁰ BNA, OP/23/13, J. V. Hepworth, Report on De Beers Government Relations, 13 May 1974.

¹⁵¹ Armah, 'Botswana and Mauritius: A Comparative Analysis of Political and Economic Success Story in the most Unlikely Region', 14.

¹⁵² BNA, OP/23/13, Letter from C. Mapp, Commissioner of Taxes, on 'Income Tax Liability of an International Mining Enterprise', to Economic Consultant, 8 April 1974.

¹⁵³ Ibid

profitability, prospecting, labour relations, localisation and training; wages, infrastructure and social services.”¹⁵⁴ There were areas of mutual interest which were; political and economic stability of the country; security and the maintenance of law and order; and good communication between the government and the company. But they still clashed on issues of taxation, level of production which rose because of the government’s desire to maximise production so as to acquire as much revenue as possible.¹⁵⁵ Botswana and South Africa signed an agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, Article 9, 10 and 11 which stated that:

Dividends maybe taxed in the state of which the company paying the dividends is a resident, and according to the law of that state, but the tax so charged shall not exceed 15 percent of the gross amount of the dividends. Interest which is taxable according to the laws of both states and is paid or payable to a resident of one of the states may be taxed in that state. Lastly, royalties which are taxable according to the law of one state but which have their sources in the other state may be taxed in that other state.¹⁵⁶

The Botswana government held the stronger position as it controlled considerable reserves of diamonds. This happened when the supplies in Botswana under the control of De Beers were diminishing. De Beers’ strength turned on its tight control of the international diamond market. The only disadvantage that the government faced was its relatively weak administrative capacity including lack of skilled manpower, whilst, De Beers’ position was weakened by being a South Africa company at the time of mounting international hostility towards apartheid.¹⁵⁷

After difficult negotiations, the Botswana government finally secured its demands from De Beers. According to one participant:

¹⁵⁴ BNA, OP/23/13, J. V. Hepworth, Report on De Beers Government Relations.

¹⁵⁵ Ibid.

¹⁵⁶ BNA, OP/10/15, Third Draft of the Agreement between the Republic of South Africa and the Government of the Republic of Botswana for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, March 1975.

¹⁵⁷ Ibid.

the negotiations have been very tough and, I understand at the end rather bitter. They must be seen of course in the context of Anglo-American's other operations here, of their interest in Selebi-Phikwe and of their hopes for a coal prospecting license in the east.¹⁵⁸

The Botswana government needed skilled negotiators to persuade De Beers to give up 35% of its shares, and a significant portion of its profits. On 23 July 1975, Vice President Ketumile Masire, presented the second reading of a bill to Parliament outlining the new agreement with De Beers. The new bill concerned the Orapa mine known AK1 and the Letlhakane mine known as DK1. The government gained 50% share of the De Beers equity in the Botswana diamond mines and would receive between 65 and 70% of the profits. With the new arrangement, the government's revenue from Orapa was expected to increase by approximately R4.6 million in 1974.¹⁵⁹ Debswana yielded R 9 500 000 in revenues, although the Botswana government was entitled to only 15% (R1 425 000), while De Beers got the remaining 85% (R8 075 000).¹⁶⁰ But these figures were readjusted to the 50:50 share, both parties receiving R4 750 000.¹⁶¹

Tax revenue from diamonds was used to develop educational facilities, health and infrastructure in Botswana which improved the life of ordinary Motswana.¹⁶² These developments are shown in the Tables below. In 1968, there were only 12 General Hospitals, 16 clinics and no Health Posts. Between 1967 and 1979, 142 primary schools and 27 secondary schools were built.¹⁶³ Between 1968 and 1979, 218 Health Posts were created.¹⁶⁴

¹⁵⁸ TNA, FCO 45/1707, Letter from E. J. Emery on Diamonds in Botswana, to A. Ibbott, 15 August 1975.

¹⁵⁹ *Ibid.*

¹⁶⁰ BNA, OP/23/13, Note on Status of Government – De Beers Negotiations, 9 April 1975. See Appendix 4.

¹⁶¹ *Ibid.*

¹⁶² Smith, 'Too Much Territory and Too Few People, *Evening Post Newspaper*. See also, K. Good, 'Resources Dependency and its Consequences: The Costs of Botswana's Shining Gems', *Journal of Contemporary African Studies*, 23, 1 (2005), 28.

¹⁶³ Statistics Botswana, 'Selected Statistical Indicators 1966-2016', 58, 64.

¹⁶⁴ *Ibid.*

Chart 2.3: Number of Schools built between 1966 and 1979
 Source: Statistics Botswana 2016

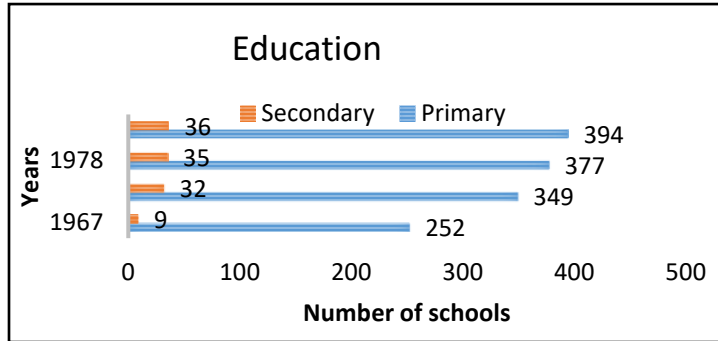
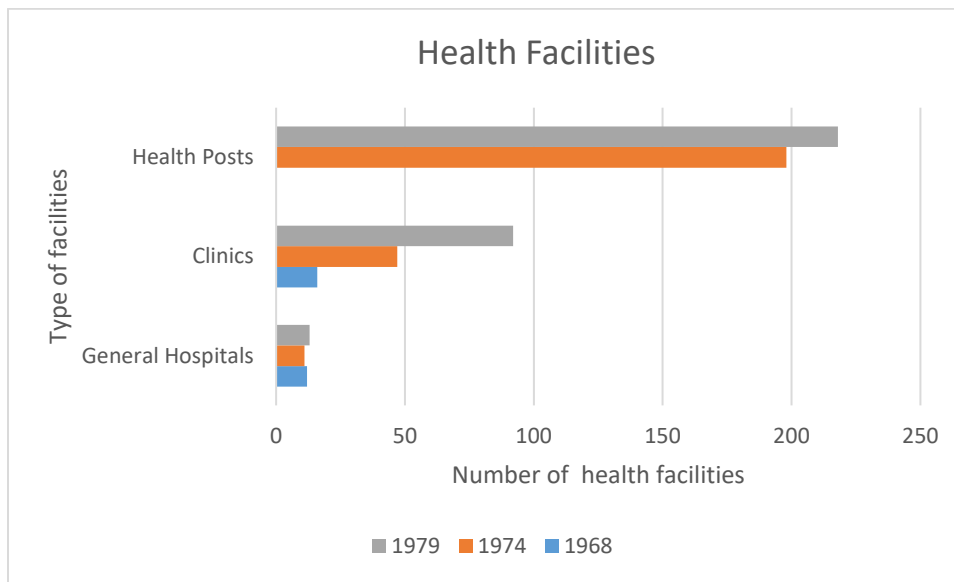


Chart 2.4: Health Facilities built between 1968 and 1979



Source: Statistics Botswana, 2016.

When analysing Botswana’s economic growth through diamonds production, Anderson wrote to a colleague at the Commonwealth Office in London, observing that the Orapa diamond mine was fully operational there would not be a large variance in the number of carats recovered in future. He added that “though the proportion of gem and industrial quality diamonds may well vary marginally”, market value would determine the value of the production, as set out in the 1970 Annual report from the Central Selling Organisation. Under Botswana laws, the export value of the diamonds was supposed to be credited to the De Beers (Botswana) Ltd bank account, in Botswana. As all export proceeds were to be repatriated to Botswana, it became increasingly important for Botswana to have its own central bank and currency. But to date, little progress

had been made into currency talks between the BLS states and South Africa. Pretoria did not take the talks seriously and took over six months to respond to points raised by the BLS states.¹⁶⁵ However, the discovery of minerals gave Botswana the financial freedom to negotiate its way out of the Rand Monetary Area arrangement and introduce its own currency.

Exit from Rand Monetary Area and Establishment of the Bank of Botswana (BoB)

Currency matters were never discussed when the SACU was formed in 1910 because the four countries (Botswana, South Africa, Lesotho and Swaziland) shared the same currency. When the South African Reserve Bank (SARB) was created in 1921 using the pound as its currency, the other countries in the customs union followed suit. They changed once again in 1960 when the SARB replaced the Pound with the Rand. There was no formal circulation of the Rand from its inception in the 1960s. When the High Commission Territories of Botswana, Lesotho and Swaziland gained their independences, they continued using the Rand.¹⁶⁶ As such, for many years the BLS were *de facto* part of a single monetary area that used the South African Rand.¹⁶⁷ The four countries were referred to as the Rand Area long before the formalisation of the currency-sharing arrangement.¹⁶⁸ This informal agreement continued even after the countries renegotiated the customs union arrangements in 1968-69.

In 1970, Botswana, Lesotho and Swaziland requested a monetary review conducted by Commonwealth.¹⁶⁹ Perrin of the Bank of England and Parkinson of the Bank of Canada concurred that the informal monetary arrangement with South Africa had both advantages and disadvantages. They recommended having a formal discussion about a new arrangement. The team's enquiries were not kept a secret, as it was only logical and practical to consult South Africa as it held the central position as the issuing authority for the Rand currency.¹⁷⁰ Perrin and

¹⁶⁵ TNA, FCO 45/1276, Letter from David Anderson, to Stan Cook on Botswana Exports, 16 January 1973.

¹⁶⁶ Colling, 'The Rand and the Monetary Systems of Botswana, Lesotho and Swaziland', 97-98.

¹⁶⁷ *Ibid.*

¹⁶⁸ *Ibid*, 102.

¹⁶⁹ TNA, FCO 45/1071, Letter from David Anderson to Stan Cook, 24 August 1972.

¹⁷⁰ TNA, FCO 45/406, letter from David Anderson, about Monetary and Currency review team, to Cook, 21 October 1970.

Parkinson acknowledged that the South African officials had taken a helpful and positive attitude. According to the report, South Africa was prepared to accept any form of liability and to be generous towards Botswana, Lesotho and Swaziland if they retained the Rand; as such they were to share the benefits of using the Rand. The team also believed South Africa would be sympathetic if all three countries opted for the establishment of separate currency boards as a show of independence.¹⁷¹

At a conference in August 1972, Prince Makhosini of Swaziland called for a formal equitable monetary agreement by the countries in the Rand Currency Area.¹⁷² He said if membership of the SACU had any potential economic advantage at all then, South Africa had an obligation to not impede the development of new competing industries in the BLS states, and that monetary relations were no different. He stressed that Swaziland was greatly affected by monetary and foreign exchange policies made by South Africa. For instance, in 1972 there had been a devaluation of the Rand because of South Africa's balance of payments deficit. That had led to import restrictions, in the process greatly affecting the economy of Swaziland. Makhosini was concerned because Swaziland was a substantial net earner of foreign exchange for the Rand area, and did not have a balance of payments problem.¹⁷³ Makhosini observed that with a formal agreement the BLS might participate in the RMA and be placed on more equitable basis with South Africa.¹⁷⁴

The Botswana government, like Swaziland, was troubled by South Africa's unilateral decisions on monetary policy within the Rand currency area, pushing them to look for independent solutions. Botswana was unrepresented on the South African Reserve Bank (SARB) Board so could not participate in policy making even though approximately R8 million circulated in Botswana. In December 1972, South Africa suspended all foreign dealings and later devalued the Rand by 12.3 percent without informing the other member states.¹⁷⁵ Under existing currency arrangements,

¹⁷¹ *Ibid.*

¹⁷² 'S.A.'s Obligation to Customs Partners', *The Times of Swaziland*, 11 August 1972.

¹⁷³ *Ibid.*

¹⁷⁴ *Ibid.*

¹⁷⁵ 'Botswana is annoyed over Money Snubs', *The Star's Africa News Service*, 08 March 1972.

Botswana, Lesotho and Swaziland could not earn interest on overseas investments. The money that was earned from these overseas investments was converted into Rand by the SARB, in which foreign capital was counted as its own assets excluding the BLS states.¹⁷⁶ As such, only South Africa earned foreign exchange interest benefits.

The BLS jointly initiated negotiations with the South African government to formalise the Rand Monetary Area in 1972.¹⁷⁷ When Botswana started the talks, there was speculation that it intended to leave the Rand currency and establish its own central bank and own currency.¹⁷⁸ Christopher Quil Hermans, Permanent Secretary for Ministry of Finance and Development Planning, said that the monetary negotiations went on in “depressed tones”.¹⁷⁹ Due to its geographical position, totally surrounded by South Africa and dependent on it for employment, Lesotho was cautious about a new currency. It decided that keeping the Rand was its only option. Swaziland, on the other hand, was determined to issue a new currency.¹⁸⁰ Despite the increase in mining in Botswana, and an expected increase of private investments to R 2.5 million between 1972 and 1975, Botswana saw South Africa as still controlling monetary decisions in its interest.¹⁸¹ This prompted Botswana to opt for change. Khama appointed a commission, under Herman, later the first Governor of the Bank of Botswana, to examine Botswana’s monetary options. The commission concluded that it was feasible for Botswana to exit the RMA and establish its own central bank and national currency.¹⁸²

¹⁷⁶ ‘Botswana Wants Say in Rand Zone: No Interest on South African Held Money’, *The Star’s Africa News Service*, 22 January 1972.

¹⁷⁷ *Ibid.*

¹⁷⁸ A central bank is a bank at which other banks maintain deposits. It performs various functions, such as arranging for the printing, minting and storing stocks of notes and coins for issue to the commercial banks when required. It usually also acts as the banker and financial adviser to the government. In addition, it buys from and sells to the commercial banks any foreign currencies which are earned through or needed for foreign trade. Any surplus amounts of foreign currencies held by the central bank are called the ‘reserves’ of the country which the central bank manages and invests. See, Bank of Botswana, ‘Some Questions and Answers about Money and Banking in Botswana’ (Gaborone: Bank of Botswana, 1976), 8.

¹⁷⁹ *Ibid.*

¹⁸⁰ TNA, FCO 45/1257, Letter from E.J Emery at the British High Commission –Gaborone to A.B Moore at the Foreign and Commonwealth Office-London, 8 October 1973 .

¹⁸¹ *Ibid.*

¹⁸² I. Khama, ‘The Origin of Bank of Botswana’, *Speech by the President at the Commemoration of Bank of Botswana 40th Anniversary*’ 23 August 2016, www.mmegi.bw/index.php?aid58994,accesse_14 October 2017.

On August 30 1972, when asked by the Member of Parliament for Okavango, M. K. Mpho if the production at Orapa Diamond Mine would offer Botswana the possibility of its own currency, Ketumile Masire replied that talks were underway with Lesotho and Swaziland for a potential “Southern Africa Area Monetary Agreement”.¹⁸³ Masire continued by stating that if it were impossible to “reach agreement on an equitable basis”, then Botswana would then seriously consider introducing its own currency.¹⁸⁴ The Vice President was impressed by the concern that the Members of Parliament showed regarding this matter noting the significant foreign exchange which diamond mining was earning.¹⁸⁵ In his 1972 budget speech, Masire revealed that by April, Botswana would have balanced its budget of R23.5 million, without British assistance for the first time since independence in 1966.¹⁸⁶ Historian James Leith attributed this notable success both to the revenue brought in by the rapid development of diamond mining, and the SACU renegotiation.¹⁸⁷

Botswana took the initiative in early discussions on the Rand, and officially withdrew from the RMA in September 1974 to create its own bank and national currency. South Africa, Lesotho and Swaziland signed their own agreement which came into effect on 5 December 1974. These countries then decided on different arrangements that included either continued integration in the Rand Area or separation from the monetary system of South Africa.¹⁸⁸ It was not sustainable to keep investing in another country's currency when they could start building their own foreign investments. Botswana exited the Rand Monetary Area (RMA) in 1974, and established the Bank of Botswana (BoB) in 1976. At the commemoration of Bank of Botswana's 40th anniversary in August 2016, President Ian Khama recalled how the bank was established;

The conventional wisdom did not justify establishment of a central bank in Botswana. Given such an inauspicious environment, the government's decision to establish a central bank was bold. It was considered even bold when Botswana decided not only to issue its own national currency but also exit the Rand Monetary Area. The shoes which the new central bank was to fill immediately

¹⁸³ TNA, FCO 45/1071, Letter from David Anderson to Stan Cook, about ‘Question time told of monetary talks’, 4 September 1972.

¹⁸⁴ Ibid.

¹⁸⁵ Ibid.

¹⁸⁶ ‘Botswana Warning on South African Policy’, *The Star's Africa News Service*, 09 March 1972.

¹⁸⁷ J. C. Leith, *Why Botswana Prospered* (London: McGill-Queen's University Press, 2005), 81.

¹⁸⁸ Colling, ‘The Rand and the Monetary Systems of Botswana, Lesotho and Swaziland’, 102.

after establishment were indeed large. But the process that led to the Bank's establishment exemplified all the good about careful planning.¹⁸⁹

Botswana's economy was extremely open, meaning it was vulnerable to shifts in the terms of trade for both exports and imports. There was need to balance the cost of imports from South Africa against the values exports from Botswana to other countries. The Customs Union had seen the inflation of over 10% per year, something that was closely monitored by the Bank of Botswana and the Botswana Government.¹⁹⁰ This was worrying, as Botswana wanted to avoid increased costs at home due to economic and political instability abroad; imported inflation from South Africa affected Botswana living standards.¹⁹¹

Exiting the RMA was a bold but well informed decision.¹⁹² It reduced Botswana's dependence on South Africa and returned the interest on Botswana's investments to Botswana. Upon officially terminating its membership of the RMA, Botswana ceased to have access to South Africa's foreign exchange reserves, and the use of the Rand. Botswana's economy entered a new era on Pula Day, August 23rd, 1976, named after its new currency. The transition from Rand to Pula took three months.¹⁹³ The Bank of Botswana Act of 1975 established the bank's role to:

Promote internal and external monetary stability, efficient payments mechanisms and the liquidity, solvency and proper functioning of a soundly based monetary credit and financial system in Botswana. To foster monetary, credit and financial conditions conducive to the orderly balanced and sustained economic development of Botswana and to assist in the attainment of national economic goals.¹⁹⁴

The Bank of Botswana was responsible for ensuring there were sufficient funds to pay for imported goods and services.

The introduction of the Pula was an important step towards greater economic independence. Before the change, Botswana was dependant on interest rates set by South Africa. Botswana

¹⁸⁹ *Ibid.*

¹⁹⁰ BNA, OP/10/12, 'Radio Address by the Vice President Quett Masire', 30 April 1977.

¹⁹¹ *Ibid.*

¹⁹² Khama, 'The Origin of Bank of Botswana', www.mmegi.bw/index.php?aid58994, accessed 14 October 2017.

¹⁹³ BNA, OP/10/12, Letter from Deputy Governor of Bank of Botswana G. P. Lambie to Minister of Finance and Development Planning, Q. Masire, 22 January 1976.

¹⁹⁴ *Ibid.*

lacked the authority in terms of exchange control regulations to make its own policy. When there was inflation in South Africa, Botswana was also affected.¹⁹⁵ Given its restrictive labour policy, South Africa pushed up the cost of living throughout Southern Africa, with detrimental consequences for Botswana. Price inflation undermined improvements in the standard of living of Botswana's people achieved through development efforts.¹⁹⁶

Masire reminded the nation that Botswana withdrew from the RMA to establish its own Central Bank and currency and thus exert control over its greater economic environment. The government informed citizens via *Kgotla* meetings, the radio, and the daily news, about how the monetary system would work and what it hoped to achieve. The government wanted informed citizens who understood their complicated economic ties with its South Africa, as Botswana remained in SACU even after leaving the Rand Area. Masire reminded the population that:

We depend on South Africa for three-quarters of all imported goods and services needed for local consumption as well as for development purposes. Botswana is therefore directly affected by the structure of prices in South Africa and any changes thereto.¹⁹⁷

The issuing of the Pula as the new currency and the establishment of the Bank of Botswana was a significant development. It implied a move towards the better management of its affairs. When the new currency was introduced, neighbouring countries readily accepted it.¹⁹⁸ When officially opening the Bank of Botswana, Seretse Khama said:

Without its own currency and its own central bank, a country cannot easily progress with its development. The reason being that there will be no free flow of money between various parts of the monetary area as it did flow freely in the old Rand Monetary Area, a member country is dragged along, suffering the results of other countries' problems and mistakes.¹⁹⁹

The Bank of Botswana held reserves in different currencies, not only Rands, so as to minimise risk if one currency lost value. This created an economic boost as Botswana gained the power to modify the Pula exchange rate; for instance, to protect itself from South African inflation. As

¹⁹⁵ BNA, OP/10/12, 'Suggestions for President's Speech on Opening the Bank of Botswana New Building'.

¹⁹⁶ 'Botswana Warning on South African Policy', *The Star's Africa News Service*, 09 March 1972.

¹⁹⁷ BNA, OP/10/12, 'Radio Address by the Vice President Quett Masire'.

¹⁹⁸ Ibid.

¹⁹⁹ BNA, OP/10/12, 'Suggestions for President's Speech on Opening the Bank of Botswana New Building'.

noted below, in April 1977, the government decided to revalue the Pula by 5% to reduce inflation.²⁰⁰

Between 1975 and 1977, South Africa was in a recession and imports fell. A 15% devaluation of the Rand was beneficial as it restrained imports and stimulated exports. However, to avoid inflation in Botswana, the Pula was not devalued at the same time as South Africa devalued the Rand. But though technically Botswana could do what it wanted, the economy was strongly influenced by events in South Africa. Botswana might have exited the RMA but it was still affected by its giant neighbour because consumer goods such as food products were mostly imported from South Africa. Botswana therefore had to expect a rise in prices as a result of the new South African fiscal measures.

To deal with the effects of inflation imported from South Africa, the Pula was revalued upwards by 5%. Inflation disproportionately affected citizens and small businesses with low incomes.²⁰¹ The revaluation had less to do with reserves than a way of assisting low-income people and even small businesses by slowing down the rate of the increase of prices of goods imported from South Africa.²⁰² Conversely, the decision hurt bigger companies like Debswana, Botswana Meat Commission, and Bamangwato Concession Limited, as the price of diamonds, beef and copper-nickel were set on the world market. As such, Masire stated that, “these are not easy times in Southern Africa. Smaller countries with less developed economies always tend to be buffeted severely by the actions of larger countries with more developed economies to deal with their own problems. Botswana is no exception.”²⁰³ Masire acknowledged that South Africa’s actions continued to greatly affect Botswana.

²⁰⁰ Ibid.

²⁰¹ BNA, OP/10/12, ‘Radio Address by the Vice President Quett Masire’.

²⁰² Ibid.

²⁰³ Ibid.

Conclusion

This chapter has paid close attention to the economic activities that shaped the country's economic trajectory during the first decade of independence. Despite major challenges such as drought and Foot and Mouth disease, the beef industry continue to play an important role in the economy. The discovery of minerals was hugely significant for the country's economic growth. State partnership with De Beers as well as careful taxation policies benefited the country significantly especially as regards the partnership over diamond mining and sales. The expanding economy after the discovery of minerals made possible Botswana's exit from the Rand Monetary Area. The renegotiation of the SACU in 1969 helped Botswana to import goods and services from South Africa at a reasonable price, while receiving duties at the end of each fiscal year which contributed significantly to its economy.

CHAPTER THREE: REGIONAL BULLY?: SOUTH AFRICA, SADCC AND BOTSWANA, 1978

- 1990

Introduction

In the aftermath of the Soweto Uprising in 1976, which resulted in mounting condemnation of apartheid abroad and an expanding wave of domestic challenges to white minority rule at home, white South Africa sought new ways to defend its interests. Seeking to exert maximum control over all aspects of the apartheid system, the National Party securocrats devised a new policy known as 'total strategy' which utilised political, military and economic levers to combat the growing pressures it faced internally and externally. Total strategy had severe repercussions for economic relations with Botswana. In light of this, this chapter will examine the extent which South Africa's quest for regional domination and security negatively impacted upon its relationship with Botswana, and particularly on its economic ties. In addition, the chapter will analyse how Botswana's first President, Seretse Khama, pragmatically sought to maintain a degree of neutrality with both South Africa and Rhodesia, by preventing the country being used as a springboard by the liberation movements operating in Southern Africa at the time.¹ Khama did this for the sake of peaceful co-existence with these countries in an effort to foster and maintain domestic stability which was vital to the newly independent country.

As discussed in Chapter Two, although Seretse Khama opposed the apartheid government, he was committed to close economic cooperation with South Africa because Botswana was heavily dependent on South Africa and was closely linked through tribal connections as well as migrant labour. Furthermore Botswana chose a degree of collaboration with its much bigger neighbour because it needed Pretoria's assistance in order to prosper and become a developed and economically stable country. The Government of Botswana realised that despite its deep ideological aversion to apartheid and white minority rule, Botswana required technical and

¹ M. Graham, *The Crisis of South African Foreign Policy: Diplomacy, Leadership and the Role of the African National Congress* (London: I.B Tauris, 2015), 50; Hanlon, *Apartheid's Second Front*, 21; 'Botswana Shock at SA Reaction', *The Star's Africa News Service*, 05 September 1973 and Dale, 'The In Man Out: Sir Seretse Khama of Botswana and the Southern African Subordinate State System', 7th Annual Meeting of the African Studies Association, Chicago, 30 October -2 November 1974, 10. See Appendix 2.

economic assistance from its powerful southern neighbour.² In turn, Gaborone's economic dependence made Pretoria believe it could turn Botswana's economic reliance on South Africa to its own advantage by establishing an open diplomatic and economic channel to a 'hostile Black Africa' to the North.³ However, the South African government mistakenly assumed that this economic dependence would translate into open support of the apartheid regime in international forums, something which Khama never acquiesced to, and in fact, did the exact opposite. Despite South Africa's stranglehold over Botswana's economy, it was unsuccessful in capturing the political and ideological support of its much smaller neighbour.

Given the complicated context in which these events were happening, a number of themes are discussed in this chapter in order to trace the ways in which South Africa's actions negatively impacted the not only on Botswana but on the rest of the Southern African region. The chapter argues that South Africa sought to be the regional hegemon. It traces Pretoria's efforts, despite the reality of its own acts of aggression and impingement of state sovereignty across Southern Africa, to force its neighbours to sign non-aggression pacts. Moreover, it assesses the global economic sanctions that were imposed on South Africa by the international community after the Soweto Uprising, and how these affected economic cooperation between Gaborone and Pretoria, as South Africa looked to diminish the impact of sanctions. Finally, the chapter will assess the influence and direction of pan-regional decisions which impacted upon the relationships between Botswana and South Africa, including the Preferential Trade Agreement of Eastern and Southern Africa, the formation of the Southern African Development Coordination Conference (SADCC) and the Constellation of Southern African States (CONSAS).

Preferential Trade Area (PTA) Treaty

The Organisation of African Union (OAU) collectively sought to increase African self-sufficiency in the wake of a pan-continental economic recession and a rising debt crisis in the 1970s, through

² 'Bechuanaland Triumph for Moderates: extremists rejected', *Sunday Times*, 07 March 1965.

³ 'Independence for Botswana: Seretse Khama Tells of His Problems and Plans', *The Argus Africa News Service*, 04 April 1965.

a series of recommendations set out in the Lagos Plan of Action. A core tenet of this plan was to grow intra-Africa trade through five sub-regional Multilateral Programming and Operating Centres (MULPOC), which were set up by the United Nations Economic Commission for Africa (ECA). One of the MULPOCs was Eastern and Southern Africa, which based upon the Lagos Plan was established to implement a Preferential Trade Area (PTA).⁴

A memorandum for a treaty establishing the Preferential Trade Area across Eastern and Southern Africa was signed after a decision was made at the Lusaka-based MULPOC council of ministers held on the 4th November 1977. In follow-up to this decision, an extraordinary conference was held by Trade, Finance and Planning ministers in Lusaka from 30-31 March 1978.⁵ The assembled ministers adopted what became known as the Lusaka Declaration of Intent and Commitment on the establishment of a Preferential Trade Area for Eastern Southern African states. As part of the agreement, an Intergovernmental Negotiating Team of officials (INT) was agreed upon and the deal was signed-off by all countries in the region (with the exception of South Africa).⁶ Major items that were considered as part of the Lusaka meeting included: constituent membership of the PTA; whether there would be a reduction or elimination of customs charges in the region; the facilitation of transit trade within the PTA; the formulation of protocols to supplement the treaty; as well as the simplification and harmonisation of trade documents and procedures.⁷ The aim was to ensure maximum efficiency across the region, and to create opportunities for mutual economic development to offset the serious structural declines that had been experienced throughout the 1970s. Botswana's Minister of Commerce and Industry, Moutlakgola Nwako told his cabinet that:

In 1980, my ministry submitted a cabinet memorandum (Cab memo /39 ccl. 8/11/1) to cabinet seeking the mandate to join the negotiation of PTA. The memorandum was

⁴ The Preferential Trade Area of Eastern and Southern Africa, <http://www.fao.org/docrep/W5973E/w5973e06.htm>, accessed, 18 November 2018.

⁵ BNA, OP/13/4, M. P. K. Nwako, 'Cabinet Memorandum –Ministry of Commerce and Industry, Signing of the Treaty Establishing the Preferential Trade Area for Eastern and Southern Africa', Gaborone, 1981.

⁶ The nations involved were: Angola, Botswana, the Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Seychelles, Somalia, Swaziland, Uganda, the United Republic of Tanzania, Zambia and Zimbabwe.

⁷ BNA, OP/13/4, M. P. K. Nwako, 'Cabinet Memorandum –Ministry of Commerce and Industry, Signing of the Treaty Establishing the Preferential Trade Area for Eastern and Southern Africa', Gaborone, 1981.

considered at the 8th meeting of cabinet held on Friday 14th March 1980. Presidential Directive Cab.8 (b)/80 issued on the 31st March 1980 On the subject directed that; Botswana should negotiate with other African states of the sub-region on the basis of entering PTA arrangements under the proposed BLS protocol; Botswana should negotiate and finalize the BLS protocol with prejudice to her membership of SACU; The finalised BLS protocol should not contain and specific time frame for the purpose of deciding when preference accorded South Africa should be phased out or when tariff reduction/ elimination in respect of goods produced by other PTA member states and imported into BLS should be affected; Lesotho and Swaziland be made fully aware of the forthcoming Lusaka initiative on the Southern African economic development coordination. BLS should immediately consult South Africa on the PTA arrangements.⁸

Although South Africa was not part of the PTA, a major impediment to the new policy was that Pretoria still controlled the BLS nations partaking in it, by virtue of them being SACU members (see Chapter Two). However, inter-governmental co-operation soon floundered as reservations about the new PTA saw only ten of the twenty potential members sign the Treaty in December 1981.⁹ The reason for half the nations not signing was because they were uncertain about the implications of them adhering to this treaty for their already existing or aspiring relations with other economic organisations.¹⁰

A good example of this impediment to the PTA was South Africa's domination of the SACU through which it held considerable influence and sway over potential trading partners, which became evident with the emergence of the proposed free-trade areas. Crucially, Article 19(1) of the SACU agreement established in 1910 and later revised in 1969, required the BLS countries to obtain South African approval before signing any new pact outside the Customs Union. However, in March 1982, South Africa gave conditional acceptance for the BLS countries to sign the PTA treaty, as long as they continued to fulfil their obligations under the SACU agreement. However, South Africa did view the PTA as a rival to the SACU agreement.¹¹ Nonetheless, the BLS states had a joint meeting to find a way of convincing South Africa about their intentions to join PTA. Their argument was that PTA was formed so as to encourage development of the member states

⁸ Ibid.

⁹ G. Martin, 'The Preferential Trade Area (PTA) For Eastern and Southern Africa: Achievements, Problems and Prospects', *Africa Spectrum*, 24, 2 (1989), 159.

¹⁰ BNA, OP/13/4, M. P. K. Nwako, 'Cabinet Memorandum –Ministry of Commerce and Industry, Signing of the Treaty Establishing the Preferential Trade Area for Eastern and Southern Africa', 1982.

¹¹ Ibid, Letter from Permanent Secretary, Ministry of Finance and Development Planning to Permanent Secretary of Ministry of Commerce and Industry, 18 March 1982.

and diversification of these countries' economies. If the BLS successfully improved their economies through PTA, it would lead to less dependence of South Africa. As such, less dependence on South Africa would then improve cooperation within SACU. Moreover, Pretoria would also enjoy partnership with countries that are economically viable.¹²

As a result, Botswana's delay in signing the PTA treaty was impaired by the negotiations within SACU, as it sought clarification from South Africa concerning its economic stance towards the unfolding regional agreement. However, it became clear in the ongoing negotiations that South Africa wanted to use its power and influence over the BLS countries to force them to align themselves with "the South African concept of the constellation of (independent) states" (discussed later in the chapter) which would have a clear conflict of interests and impingement of other multilateral organisations including the SADCC and PTA which were opposed to apartheid.¹³

A letter written from Botswana's Permanent Secretary of the Ministry of Finance and Development Planning to the Private Secretary to the President, in reference to Kenneth Kaunda's invitation to the PTA Summit in Lusaka in December 1982 stated that:

In view of our commitment to, and our clear stated objectives with regard to SADCC and PTA, South Africa's prevaricating attitude on the negotiations is now seen as an unwholesome tactic to bring our political and economic options back on the SACU conference table. We have in the past given South Africa our assurance on the PTA issue in relation to our commitment to SACU obligation and do not intend to go back on our word. We advised the president to accept Kaunda's invitation to the inaugural meeting and use that opportunity to sign the treaty because in the above raised circumstances we consider Botswana to sign the treaty.¹⁴

Tellingly, Michael Long from the Foreign and Commonwealth Office wrote to the British Embassy in Botswana arguing that a reason for South African's approval for BLS participation in the PTA

¹² Ibid, Letter from A. J. Lemo, Director of Customs and Excise, to Permanent Secretary, Ministry of Finance and Development Planning, 22 September 1982.

¹³ Ibid, Letter from Permanent Secretary, Ministry of Finance and development planning, to Private Secretary to the President, 25 October 1982.

¹⁴ Ibid.

was almost certain because they did not think it would be successful.¹⁵ Green and Thompson demonstrated how PTA operations were clearly different from other agreements in the region especially SADCC:

This relationship between politics and economics presumably underlies South Africa's vehement and often violent antipathy to SADCC and passive attitude towards the Preferential Trade Area (PTA). SADCC is overtly political and has an explicitly political project of economic disengagement for which it mobilises external and domestic resources. The PTA is much more technically economic more market and less state interventionist perhaps, as a result, it is far less oriented to any political project of economic liberation.¹⁶

Ultimately South Africa's grudging acceptance of PTA was because it did not challenge their interests in Southern Africa. More so, the South African government understood that through its existing regional domination and myriad economic connections there was little chance these new initiatives would unravel the existing power dynamics that benefited Pretoria.

With the Presidential directives, emphasizing that:

Botswana should not deliberately take any action in the next few years to threaten its membership on SACU. Every effort should be made to develop alternative transport, communication and trade links with the rest of Southern Africa while still remaining within the SACU. Immediate steps be taken to consult with RSA on the PTA arrangements. This is consistent with Article 19 (1) of the SACU which provides that prior concurrence of the other contracting parties be obtained before a party can grant concessions on the duties in force in the Custom Area to another country outside the Common Customs Area.¹⁷

Therefore, Botswana entered the PTA negotiations with clear terms, which adopted a joint approach with the BLS states because of their common commitment through the membership of SACU. The core aim was to create a generally acceptable agreement which would recognise the position of the BLS against South Africa, while fulfilling their commitments to SACU. There was a provision inserted that if there was significant conflict, then SACU obligations would be

¹⁵ TNA, FCO 107/772, Letter from Michael Long, Foreign and Commonwealth Office to Wilfred Jones at the British High Commission in Gaborone, 11 February 1982.

¹⁶ R. Green and C. Thompson, 'Political Economies in Conflict: SADC, South Africa and Sanctions', in P. Johnson and D. Martin (eds), *Destructive Engagement: Southern Africa at War* (Harare: Zimbabwe Publishing House, 1986), 248.

¹⁷ BNA, OP/13/4, M. P. K. Nwako, 'Cabinet Memorandum- Ministry of Commerce and Industry, Botswana's Participation in the Proposed Preferential Trade Area (PTA) for Eastern and Southern African States', 10 March 1980. See also, BNA, OP/13/4, M. P. K. Nwako, 'Cabinet Memorandum –Ministry of Commerce and Industry, Signing of the Treaty Establishing the Preferential Trade Area for Eastern and Southern Africa', 1982.

considered in favour of the PTA. South Africa was informed as soon as the shape of the treaty was clear.¹⁸ Although Botswana had utilised a delaying tactic in the signing of the PTA, it should be acknowledged that it respected the other agreements it was involved in such as SACU. However, it did not allow South Africa to ultimately hold it hostage in the economic and developmental decision-making of the country.

Southern African Development Coordination Conference (SADCC): A Counter-Constellation?

In 1979, the South African Prime Minister P.W. Botha proposed the establishment of a 'Constellation' of Southern African States (CONSAS) as part of South Africa's new 'total strategy'. Botha's key objective was to make CONSAS an association of eleven states, which included; South Africa, Botswana, Lesotho, Swaziland, Zimbabwe, Zambia, Mozambique, Malawi, Namibia and the internationally unrecognised Bantustans.¹⁹ The underlying vision was for these countries to expand their economic ties, as well as political links, albeit with South Africa at the fulcrum.²⁰ Therefore, "CONSAS would include, bilateral non-aggression treaties, multilateral security/defence pacts among members and a common political programme aimed in the main at ensuring profit-maximisation for monopoly capital and political-economic stability for South Africa."²¹ The constellation of states was envisaged by the National Party as a means of diluting the international pressure mounting against the South African state, establishing greater legitimacy for the system of apartheid with 'black Africa', removing the threats posed by African liberation movements including the ANC, and to secure the economic interests of its businesses.

If the Southern African states had agreed to CONSAS, South Africa would have been able to exert greater control over the region politically by forcing them to expel the liberation movements

¹⁸ Green and Thompson, 'Political Economies in Conflict: SADC, South Africa and Sanctions', 248.

¹⁹ The Bantustans were the pseudo self-governing homelands within South Africa that were set aside for separate African development. See, Graham, *The Crisis of South African Foreign Policy*, 50; Evans, 'The Frontline States, South Africa and Southern African Security: Military Prospects and Perspective', 1-19 and Dzimba, *Destabilisation of Zimbabwe, 1980-89*, 6. See Appendix 8.

²⁰ J. C. Chipasula and K. Miti, 'South Africa and its SADCC Neighbours', *Pula: Botswana Journal of African Studies*, 7, 1 (1991), 165-167.

²¹ Matlosa, 'South Africa's Regional Economic Strategy 1970-1990', 11-12.

operating within their borders, and to express support for apartheid internationally, while importantly developing and maintaining their deep economic links with South Africa.²² South Africa's Foreign Minister Roelof Frederick 'Pik' Botha apparently believed that ten states comprising 40 million people, south of the Zambezi and Kunene rivers would join forces in this constellation of states to establish a common approach in the security and political fields; it was not meant solely for the expansion of the economic ties only, despite this being a vital consideration.²³ Unsurprisingly, the independent Southern African states were not eager to deal with the apartheid state and instead sought ways to loosen their connections to South Africa rather than strengthening them.²⁴

The CONSAS concept, had drawn the ire of the region, and prompted a rapid and immediate response from various Southern African countries including Botswana, which responded by calling for an economic alliance solely between black majority ruled states. In response to Botha's plan, the region chose to ignore South Africa's proposals, and instead formed an alternative multilateral organisation: the Southern African Development Co-ordination Conference (SADCC). The origins of SADCC emerged in May 1979, when the Foreign Ministers of the Frontline States met in Botswana to discuss possible areas of economic cooperation.²⁵ This was followed two months later by a conference in Arusha Tanzania which considered various economic policies and objectives, as well as agreeing to invite other majority-ruled Southern African countries to participate in drawing up a plan for the development of the region. In April 1980, SADCC was formally launched in the 'Lusaka Declaration Southern Africa: Towards Economic Liberation', which was adopted by the nine independent Southern African States.²⁶ SADCC's main aim was to

²² *Ibid.*

²³ D. Geldenhuys, 'The Constellation of Southern African States and the Southern African Development Co-ordination Council: Towards A New Regional Stalemate?', *The Southern African Institute of International Affairs, Special Study* (1981), 2.

²⁴ Matlosa, 'South Africa's Regional Economic Strategy 1970-1990', 13.

²⁵ The Frontline States (formed in 1974) was a political and economic organisation which expanded into SADCC by the inclusion of Lesotho, Swaziland, Malawi and Zimbabwe, who joined the founding states; Tanzania, Angola, Mozambique, Zambia and Botswana. The frontline state's formation was motivated by the external threats that were perceived by Botswana, Tanzania and Zambia. See Geldenhuys, 'The Constellation of Southern African States and the Southern African Development Co-ordination Council', 19 and J. Moma, 'The Frontline States Alliance and the Management of Threat in Southern Africa', (Masters of Arts, Ohio University, 2009), 9.

²⁶ Anon, 'SADCC: The Southern African Development Co-ordination Conference', *The Black Scholar*, 18, 6 (1987), 37.

accelerate economic growth, improve living standards and conditions for citizens', and to curb their overarching dependency on South Africa.²⁷

This alliance was designed to allow the immediate neighbours of South Africa, principally the BLS countries, to reduce their economic, and political dependency on their hegemonic neighbour. These countries all had extremely close ties that ranged from tourism and transport, to formal agreements governing the SACU, the Rand Monetary Area (RMA) and the supply of labour to South Africa (see Chapter Two). The counter-proposal, led by newly independent Zimbabwe, was embodied in the formation of the nine-country SADCC.²⁸ The SADCC was a necessary move against Botha's vision because if he had been successful in implementing his objectives, all the independent Southern African states would have been turned into de facto satellite states that would have been under South Africa's influence.

SADCC's main objectives were to reduce the economic dependency of its member states on South Africa, to forge links for the creation of 'genuine and equitable regional integration', to mobilise the resources of member states so that they could implement their national, inter-state and regional policies through concerted actions which would secure international cooperation.²⁹ The SADCC leaders realised that to achieve their objectives they needed to establish regional transport and communication systems that were less integrated and reliant on South Africa, especially for its landlocked members. To achieve this a Southern Africa Transport and Communication Commission (SATCC) was signed on 1 April 1980 in Mozambique to develop additional transport and communication networks.³⁰ This was done through the implementation of the SADCC Protocol on Transport, Communications and Meteorology which set out to: "coordinate the use of existing transport and communications systems and the planning and financing of additional regional facilities to establish adequate, efficient and sustainable transport, communications and meteorology services in the region; achieve self-sufficiency in

²⁷ *Ibid.*

²⁸ G. Maasdorp, 'Reassessing Economic ties in Southern Africa', *Optima*, September 1981, 113.

²⁹ G. H. Oosthuizen, *The Southern African Development Community: The Organisation, its Policies and Prospect*, (Midrand: Institute for Global Dialogue, 2006), 59-60.

³⁰ *Ibid.*

maintenance of equipment and plant, technical manpower, training and development.”³¹ This was meant to improve transport and communication in the SADCC region especially for the landlocked countries like Botswana, and reduce significant dependence of South African transport and communication system.

The SADCC nations clearly saw the new organisation as a necessary means to achieving greater economic, political and social emancipation. For example, the President of Mozambique, Samora Machel believed the SADCCs quest for independence was part of a wider general struggle for decolonisation that extend beyond the region.³² Similarly, Simba Makoni one time Zimbabwean Minister of Finance, saw SADCC as “a logical and natural progeny of the political struggle, and the translation of the tactics and strategies of the political struggle into the economic struggle”.³³ Makoni viewed the SADCC as a genuine effort by the regions governments to cooperate in order to develop and free the region. Makoni stressed that political independence was hollow and meaningless if there was no economic independence concluding that:

In the months and years that lie ahead, there will be many false friends whispering in our ears that the road we have chosen is too difficult, that the company we keep is not trustworthy and that the struggle is not worth the effort.³⁴

The South African initiative of CONSAS was to promote interregional transport, energy, investment and manpower planning, while maintaining its own power and influence over the regions fledgling independent nations.³⁵ But the SADCC countries objected to joining CONSAS, fully realising the external dependency that this policy would establish over their sovereignty, which would reduce them to perpetual client status.³⁶ Moreover, they had little inclination to support or even legitimise the apartheid state, including the Bantustans. Quite clearly, as Seretse

³¹ <https://uia.org/s/or/en/1100061374>, Accessed 13 November 2018.

³² ‘Botswana Praised for coordination’, *Botswana Daily News*, 01 December 1980.

³³ ‘SADCC is a Liberation Movement, not Group of Beggars-Makoni’, *Botswana Daily News*, 26 April 1985.

³⁴ Ibid.

³⁵ D. Chitala, ‘The Political Economy of SADCC and Imperialism’s Response’, in S. Amin, D. Chitala and I. Mandaza (eds), *SADCC: Prospects for Disengagement and Development in Southern Africa* (London: The United Nations University, 1987), 30.

³⁶ Geldenhuys, ‘The Constellation of Southern African States and the Southern African Development Co-ordination Council’, 38.

Khama had bluntly stated, the SADCC was in large measure a direct response CONSAS.³⁷ Therefore the region actively sought to cooperate in their opposition to South Africa's power, and thus the SADCC was a mechanism designed to combat this development. Frustrated in his attempt to draw the region into a Constellation of states dominated by South Africa, was the prompt for P.W Botha to escalate the policy of destabilisation in an effort to 'convince' the region that their future development lay with the apartheid state, and not through the path set by the SADCC.³⁸

Pretoria regarded the formation of SADCC as a direct challenge to its power and influence, and its ambition to reduce regional economic dependency on South Africa; as a consequence the total strategy switched to an overt and explicit attempt to destabilise the region instead. Historian Matthew Graham vividly describes how South Africa made sure that SADCC did not succeed in its objectives, because "South Africa skilfully manipulated the regional interdependences lingering from the colonial era for its own benefit, for example by destroying infrastructure or blocking trade access ensuring that SADCC aims were never realised."³⁹ As CONSAS was rejected, South Africa made sure that it still exerted power over the SADCC countries. Although the SADCC countries categorically rejected the CONSAS idea, South Africa did not abandon the idea, and it continued to seek legal and illegal mechanisms to subvert SADCC member states, pursuing policies that served to drive a wedge across the region. For example, Malawi was the weakest regional nation and it was the only SADCC country that openly had diplomatic ties with South Africa.⁴⁰ Yet, the emergence of an independent Zimbabwe in 1980, led by Robert Mugabe was a big setback to South Africa's plan for CONSAS and in reality was the final nail in the policy. Mugabe had clearly stated that Zimbabwe would not take part in CONSAS, and actively sought to develop alternative economic plans, albeit fully aware of the power wielded by the apartheid state. In fact, Mugabe walked a tightrope of rhetorically criticising apartheid, but equally doing

³⁷ J. Hentz, *South Africa and the Logic of Regional Cooperation* (Bloomington: Indiana University Press, 2005), 39.

³⁸ *Ibid*, 40.

³⁹ Graham, *The Crisis of South African Foreign Policy*, 50.

⁴⁰ Chitala, 'The Political Economy of SADCC and Imperialism's Response', 31-32.

little to antagonise South Africa to avoid reprisals and retributions which so characterised the total strategy.⁴¹

Most South African investment in the SADCC countries was in the mining sector with companies such as De Beers in Botswana and Anglo-American in Zambia. Tanzania and Angola were the only SADCC countries that did not have direct trading links with South Africa, mostly because of distance, and the ongoing and destructive conflict in Angola.⁴² However, they were still affected by any instabilities in the links between South Africa and other SADCC states. South Africa also had transport and communication network centred on it. Its transport network was the most vital in SADCC countries especially for trade with the overseas countries.⁴³

The foregoing discussion reveals the circumstances surrounding the formation of SADCC and the challenges which it faced. It is very clear that it was an important step towards greater independence from South Africa which Southern African states had articulated in the 1970s and had for a long time aspired to achieve. As the ensuing sections will reveal, the failure of South Africa's CONSAS idea was to bring instability across the region as it tried to reclaim lost influence through destabilisation.

Destabilisation

While the previous section discussed the formation of SADCC and the enthusiasm carried by regional leaders in terms of their perceived enhanced capacity to deal with the issue of overreliance on apartheid South Africa, this section articulates how South Africa dealt with the rejection of its CONSAS idea. The South African response should also be understood in the context of the increased domestic and international pressure it faced in the 1970s and early 1980s. Following the Soweto Uprising in 1976, and the exodus of thousands of young militant youths fleeing South Africa, the ranks of the ANC were swelled with new recruits which put them

⁴¹ Geldenhuys, 'The Constellation of Southern African States and the Southern African Development Co-ordination Council', 4.

⁴² Oosthuizen, *The Southern African Development Community: The Organisation, its Policies and Prospect*, 59-60.

⁴³ *Ibid.*

in a much stronger position to challenge apartheid. Placed alongside the wider geo-political changes in Mozambique and Zimbabwe, consequently meant the ANC could intensify its international activities, which ushered in a new found sense of assurance within the movement. The ability to infiltrate guerrilla fighters into South Africa by the late 1970s and early 1980s meant a notable increase in incidents of armed propaganda, which spectacularly targeted symbols of the apartheid regime including the Koeberg Nuclear Facility.⁴⁴ In response to these emerging threats, South Africa implemented total strategy as the key principle of its foreign policy to target not only the ANC, but also the nations which harboured them. As already discussed, the total strategy utilized all possible political, economic and military resources of the state to defend the nation.⁴⁵ Pretoria disregarded state sovereignty and attacked any country that it suspected to be harbouring ANC cadres, with the aim of ending guerrilla activities and to cease Southern African governments support of the movement.

South Africa's destabilisation campaign posed a great threat to the region's peaceful co-existence and security.⁴⁶ In 1981 the SADF launched its first strike against the ANC's guerrilla fighters in Matola near Maputo in Mozambique. This attack resulted in the death of twelve people.⁴⁷ Furthermore, in January 1983 South Africa invaded Lesotho, where it despatched over a 100 commandos and helicopter gunships to strike twelve ANC locations in and around Maseru, which resulted in forty-two fatalities.⁴⁸ The infiltration in to Lesotho was largest by the SADF in Southern Africa, besides the then ongoing military activities in Angola.⁴⁹

Beyond military strikes, from 1980, South Africa utilised its unequal economic power relationships by suspending and violated the provisions of the Customs Union Agreement it had with Botswana, Lesotho and Swaziland by limiting the use of its railways and harbour facilities

⁴⁴ Graham, *The Crisis of South African Foreign Policy*, 45.

⁴⁵ *Ibid*, 50.

⁴⁶ E. Kwakwa, 'South Africa's May 1986 Military Incursions into Neighboring African States', *Yale Journal of International Law*, 12, 2 (1987), 423. See also, D. Geldenhuys, 'The Destabilisation Controversy: An Analysis of a High-Risk Foreign Policy Option for South Africa', *South African Journal of Political Studies*, 9, 2 (1982), 31.

⁴⁷ See, R. Davies, 'South African Strategy Towards Mozambique in the Post-Nkomati Period- A Critical Analysis of Effects and Implications', Research Report No.73, The Scandinavian Institute of African Studies, 1985.

⁴⁸ Graham, *The Crisis of South African Foreign Policy*, 50.

⁴⁹ *Ibid*.

from export and import activities.⁵⁰ For instance, South Africa imposed punitive additional charges on goods transported and manipulated the availability of railway trucks for cross border journeys.⁵¹ There were further restrictions on the amount of goods that were exported through South Africa, while Pretoria sought to regulate the movement of people from across the region by creating delays at the border-posts. Pretoria also regulated the exportation of goods to Botswana, such as food and oil but also machinery, spares and other goods could also be added.⁵² However, Botswana did not buckle under the South African pressure. For example, Botswana allowed ANC activists to remain in the country, maintained an open-door policy for refugees, and repeatedly and very publicly criticised the apartheid policy.⁵³

Given this stance, the President of Bophuthatswana, Lucas Mangope dispatched a personal message to Gaositwe Keagakwa Chiepe, Botswana's Minister of Foreign Affairs, reporting that his territory was experiencing an increase in 'terrorist activities', which were said to originate from Botswana.⁵⁴ Since Mangope did not want to create tension between Bophuthatswana and Pretoria, he immediately took assertive actions against any allegation of 'terrorist activities', even if that meant attacking Botswana.⁵⁵ Botswana was categorically warned that if the guerrilla activities were not stopped, Bophuthatswana would be left with no alternative than to engage in cross-border pursuit operations against the 'terrorists'.⁵⁶ Mangope, then informed Pik Botha about this crucial step he had taken as an attempt to warn the Botswana government about the extent of the problem. Botha and Molatlhwa met in Cape Town, where they sent Chiepe a message that serious discussions on matters concerning security arrangements were required. Nonetheless, upon receiving the message Chiepe gave a positive response on her willingness to

⁵⁰ Hanlon, 'Destabilisation', 30.

⁵¹ *Ibid.*

⁵² *Ibid.*

⁵³ Spray, 'Botswana: Cautious but Outspoken', 219.

⁵⁴ NASA/SAB, MSB 147, 1/15/7/6, Letter from R. F. Botha, South Africa's Minister of Foreign Affairs and information about Terrorist infiltration through Botswana to the RSA and Bophuthatswana, to J. C. Heunis, Minister of Constitutional Development and Planning, 20 February 1985.

⁵⁵ *Ibid.*

⁵⁶ *Ibid.*

visit Cape Town to discuss the issue and to clarify any misconception about the guerrilla fighters and their activities originating from Botswana.⁵⁷

Although there were ANC cadres in the country, Chiepe still assured Pik Botha that all ANC cadres in the country had been expelled and those that were found in possession of arms would be prosecuted.⁵⁸ However, Pik Botha argued that Botswana security forces were not cooperating with South Africa including a failure to respond to request for fingerprints and other details of a suspected terrorist that had escaped to Botswana from Ellisras in August 1984.⁵⁹ Moreover, Botswana had a large number of ANC cadres who lived freely in the country with no measures implemented to suppress their activities. Botha was particularly incensed by the white South Africans who had escaped military service in South Africa and fled to Botswana, who he accused of spreading false propaganda against the apartheid state.⁶⁰ Botha further stressed that, Botswana Police's lack of commitment in stopping ANC activists was influenced by the political stand the country took against the apartheid regime. Indeed, Botha was willing to threaten Chiepe about the dangers facing Botswana's industrial development if they refused to cooperate on joint projects in the region especially those that harboured ANC cadres.⁶¹

However, the Botswana government remained unmoved by South Africa's threats, a stance reiterated in a statement from Botswana's Office of the President which categorically stressed that the country's position in regard to apartheid and African political freedom remained unchanged. Crucially, Botswana was fully aware of the unequal power dynamics at play, yet

⁵⁷ Ibid.

⁵⁸ Spray, 'Botswana: Cautious but Outspoken', 223.

⁵⁹ BNA, OP/13/113, G. G. Garebamore, 'Minutes of Meeting held on 22 Feb 1985 Between Honourable R. F. (Pik) Botha and Honourable G. K. T. Chiepe in Pretoria to Discuss Security', Secretary for External Affairs, Gaborone, 01 April 1983. See Appendix 5.

⁶⁰ R. Southall, 'Botswana as a Host Country for Refugees', *Journal of Commonwealth and Comparative Politics*, 22, 2 (1984), 163.

⁶¹ NASA/SAB, MSB 147, 1/15/7/6, Letter from R. F. Botha, South Africa's Minister of Foreign Affairs and information about Terrorist infiltration through Botswana to the RSA and Bophuthatswana, to J. C. Heunis, Minister of Constitutional Development and Planning, 20 February 1985.

despite being sympathetic with other African liberation struggles, they would not get involved. The Tanzanian President Julius Nyerere recognised this fact, stating:

The Botswana government does not give active support to the liberation movements in Southern Africa, there are no bases for liberation movement in the country. Botswana is not involved in the military struggles of the people on Southern Africa nor in Africa, or the liberation movement so stupid as to ask Botswana to commit suicide by providing such facilities.⁶²

What emerged was Botswana walking a delicate tightrope. On the one hand, the government rhetorically and in a limited fashion materially supported regional liberation movements. Yet, on the other they were all too aware of the dangers posed by Pretoria, and the enormous damage that could be inflicted if they were to be more proactive in challenging the apartheid state.

In 1983, Barend Schoeman, South Africa's Minister of Transport argued that South Africa's acts of destabilisation were only targeted towards where ANC bases were located. Therefore Schoeman assured Malcom Rifkind, British Minister of Foreign Affairs, that Botswana should not be concerned about any attacks if they were not harbouring and ANC activists.⁶³ This was a clear message that if Botswana did choose to host the ANC then they were at a heightened risk of being attacked by South African security forces. While clearly threatening the ANC activists and the neighbouring countries that were willing to harbour the movement, P.W. Botha stressed that South Africa had no hesitation in targeting any group or movement that threatened Afrikaner and white-minority interests. However, he clearly tried to sugar coat the threat by insisting that Botswana and South Africa had always had good relations which he hoped would continue into the future.⁶⁴

On 21 April 1983, Pik Botha provided the Botswana Minister of External Affairs Mogwe with a list of ANC 'terrorists' in Botswana he demanded to be arrested.⁶⁵ Clearly, Botha wanted to dictate terms on how Botswana should deal with the people it labelled terrorists. Consequently the two-

⁶² 'Muller to check Khama's Terror Stand', *'Mail' African Bureau*, 05 September 1973.

⁶³ TNA, FCO 105/1173, Telegram no. 125, by Howe, 27 June 1983.

⁶⁴ 'Muller to check Khama's Terror Stand', *'Mail' African Bureau*.

⁶⁵ *Ibid.*

sides came together in March 1984, in which the South African's proposed that in partnership they could devise ways to prevent the planning execution of acts of violence, sabotage and terrorism against each other; in reality this meant the potential threats emanating from Botswana.⁶⁶ As has already been revealed elsewhere, the early 1980s witnessed an increase in the number of attacks on the apartheid government from the guerrillas, some of whom were allegedly infiltrating South African boundaries through its border with Botswana. Furthermore, having regard to Botswana's predicament in which its economy could not sustain itself without South African capital forced it to succumb to pressure from South Africa hence it accepted the proposal on 26 March 1984.

However, after agreeing a mutual partnership on security issues, the deal did not last long; South Africa violated not only Botswana's sovereignty but international law as well by attacking Gaborone in June 1985. While the SADF claimed the attack was focused solely on key ANC activists, they did kill twelve innocent civilians.⁶⁷ Ajulu and Cammack pointed out that:

The true motives for the attack seemed to be to try to silence a vocal community of South African exiles as well as frightening and alienating the Botswana community from the exile community, exerting pressure on the government to expel South African exiles and generally boosting morale in South Africa by dramatizing the attack as a 'successful' offensive against terrorists.⁶⁸

Chiepe was understandably furious, and accused Botha and the SADF of targeting innocent people, and destroying property:

In the wake of this act of aggression, six refugees, two ordinary residents, one of whom was Somali national who had only arrived in Botswana in 1984, two visitors, a student from South Africa and a six-year-old child from Lesotho and two Batswana women lost their lives. In addition, three refugees, two Botswana nationals and a Dutch citizen were injured. Some of whom will be permanently crippled. Vehicles and machinery were destroyed and houses reduced to rubble. The raiders also fired indiscriminately at passing motorists who were driving home.⁶⁹

⁶⁶ *Ibid.*

⁶⁷ R. Ajulu and D. Cammack, 'Lesotho, Botswana, Swaziland: Captive State', in P. Johnson and D. Martin (eds), *Destructive Engagement: Southern Africa at War* (Harare: Zimbabwe Publishing House, 1986), 151.

⁶⁸ *Ibid.*

⁶⁹ BNA, OP/13/113, Letter from Chiepe to R. F. Botha, 18 August 1985.

Although this raid was the most deadly and destructive against citizens living in Botswana it was in fact the third that year, demonstrating that the security deal was not worth the paper it was written on. The raid by the SADF ensured that Gaborone questioned the South African authority's sincerity and good faith. Pretoria's acts of unprovoked aggression violated territorial integrity and Botswana's national sovereignty, prompting the United Nations to demand South Africa pay for the damages in properties, as well as reparations for the deceased and injured people. Chiepe's plea to Botha was for South Africa to end its acts of unwarranted violence for the sake of their good neighbourliness.⁷⁰

Nonetheless, this 1985 attack was a huge challenge to the relationship that existed between the two countries. When reacting to the news of the raid, President Masire described it as "the wanton and unprovoked act of aggression and violation of the territorial integrity of my country with horror and indignation."⁷¹ He condemned this act and the killing of innocent civilians, particularly since South Africa had accepted that Botswana's policy on refugees had not changed at a meeting on February 22, 1985. From the Botswana perspective following this 'act of bad faith or more bluntly of duplicity and treachery', South Africa could not expect Botswana to trust it when it came to any agreement.⁷² However, we should also put these acts of aggression by South Africa in the context of the era, as the apartheid state sought through any means necessary to protect its diminishing legitimacy and security, primarily through force. Recognising this fact, Botswana's Minister of Home Affairs, Englishman Kgabo described South African raids into neighbouring countries as "the last kicks of a dying horse,"⁷³ urging them to respect Botswana, because it had adopted a policy of good neighbourliness toward the white South African government.⁷⁴

⁷⁰ Ibid.

⁷¹ Ibid, 'Meeting Between G. K. T. Chiepe, Minister for External Affairs of Botswana and Roelof Botha, Minister of Foreign Affairs of South Africa', 25 September 1985. See Appendix 9, Masire's full statement.

⁷² Ibid.

⁷³ Ibid.

⁷⁴ 'SA Should Respect Our Policy-Kgabo', *Botswana Daily News*, 05 August 1985.

South Africa's actions were criticised by many international leaders including President Mengistu Haile Mariam of Ethiopia, who argued the raids were conducted as a 'sinister' way of intimidating and blackmailing Botswana, while showing a callous disregard for international law and civilised norms of behaviour.⁷⁵ Likewise, the Danish Ministry of Foreign Affairs condemned Pretoria's acts of aggression and insisted that its reckless behaviour towards its neighbours could not be tolerated any longer.⁷⁶ International laws demanded that the Security Council use its power to force South Africa to end acts of violence and aggression in Southern Africa.⁷⁷ Under Resolution 568 (1985), the Security Council reaffirmed that all states were obliged to refrain in their international relations from threatening or even using force against the sovereignty and integrity of any country. It consequently expressed concern over the way apartheid South Africa resorted to military attacks against 'a defenceless and peace-loving Botswana.' The Council therefore, "demanded the immediate, total and unconditional cessation of all acts of aggression by South Africa against Botswana, denounced and rejected racist South Africa's practice of 'hot pursuit' to terrorise and destabilise Botswana and other countries in Africa."⁷⁸ The Security Council further reaffirmed that Botswana had the right to "receive and give sanctuary to the victims of apartheid in accordance with its traditional practice, humanitarian principles and international obligation".⁷⁹ The Secretary-General was then requested to send a mission to Botswana to assess the extent of the damage that was caused by South Africa, and find ways in which Botswana could receive and assist South African refugees.⁸⁰ Ultimately, the UN sought to accord Botswana with some protection, and Resolution 572 obliged South Africa to make a full compensation for the damages of property and the loss life that resulted from its aggressive act.⁸¹

While facing international condemnation in the international sphere, by July 1985 tensions had increased significantly within South Africa too. Instead of fleeing to other countries to seek

⁷⁵ 'World Leaders Deplore South African Blackmail Attempts on Her Neighbours', *Botswana Daily News*, 04 July 1985.

⁷⁶ *Ibid.*

⁷⁷ 'What Security Council Says About SA Raid', *Botswana Daily News*.

⁷⁸ United Nations Security Council Resolutions, 'Resolution 568: Botswana-South Africa', 1985 <http://unscr.com/en/resolutions/568>, accessed 14 June 2018.

⁷⁹ *Ibid.*

⁸⁰ *Ibid.*

⁸¹ United Nations Security Council Resolutions, 'Resolution 572: Botswana-South Africa', 1985 <http://unscr.com/en/resolutions/572>, accessed 14 June 2018.

asylum, the black population actively begun fighting against the apartheid government, they brought the revolution home. In the previous year, approximately 600 people had been killed and 1000 incarcerated as waves of protests led by the United Democratic Front (UDF) and the trade union movements begun to challenge apartheid.⁸² These internal developments increased the state's paranoia leading to its conclusion that it was being coordinated by exiles, including those in Botswana.

In an appearance at the UN in September 1985, Chiepe condemned the apartheid arguing that apartheid pushed the violence and terror within South Africa across international borders, showing an utter disregard for the sanctity of human life. This destabilisation by South Africa haunted all countries in the region. Chiepe observed that:

The apartheid regime still had not addressed its problems even the struggle for freedom had intensified. It rather focused on attacking its neighbours causing a destabilisation and repressing its people. It blames its neighbours for and has caused havoc on them as it believes they were fuelling political strife and instability in the country. But the simple thing to do was for South Africa to abandon apartheid and recognise the black majority.⁸³

As this discussion has revealed, the apartheid regime faced increased pressure which, as has already been shown, forced it to adopt a more radical and militant way of containing the rising tide of revolutionary forces. Destabilisation, inadvertently worsened the South African position even more especially diplomatically as it attracted widespread condemnation.

The Non-Aggression Pact

Destabilisation should be viewed as part of a dual South African strategy to win support in the sub-region. Aside from aggressive acts of destabilisation, the South African government concurrently used the threat of violence as a means to establish military alliances in Southern Africa especially the signing of non-aggression pacts. However, as one of the targets, Botswana resisted continued South African pressure to sign a, "non-aggression and good neighbourliness

⁸² BNA, OP/13/113, 'Meeting between G. K. T. Chiepe, Minister for External Affairs of Botswana and Roelof Botha.

⁸³ Ibid.

pact.”⁸⁴ It should be recognised other nations were unable to withstand this pressure such as Swaziland which signed a non-aggression pact in February 1982,⁸⁵ while Mozambique sustained direct economic, political and military destabilisation which eventually forced the government to succumb, signing the Nkomati Accord in March 1984.⁸⁶ This latter pact gave Mozambique the obligation to expel ANC cadres from within its borders.⁸⁷ The previous month, the South African government had presented Botswana with an eleven page document similar to the Nkomati Accord, but Botswana refused to sign it fearing that expelling the ANC would set it apart from the aspirations of black African countries.⁸⁸ In a final attempt to gain Botswana’s support for the non-aggression pact, on 30 October 1984, the Police and Defence personnel of both Gaborone and Pretoria met to discuss a security agreement, but Masire continued to refuse, rightly arguing that it was dangerous for Botswana, and more beneficial to South Africa.⁸⁹ Botswana’s High Commissioner in the United Kingdom, Samuel Mpuchane, also expressed his concern with South Africa trying to force neighbouring countries to sign the non-aggression agreement. Masire observed that there was no need for an agreement because Botswana had never been at war with South Africa. Moreover, her argued that "Botswana's policy on this question is well known, and the liberation movements of South Africa have not asked us to commit suicide because this is what it would amount to if they were to give the slightest pretext for South Africa to march in and occupy our country".⁹⁰ Masire, therefore, insisted that since South Africa knew that Botswana would not tolerate liberation movements using its territory, there was no practical benefit to signing the security pact.⁹¹ However, Pretoria double-downed on its threats, warning

⁸⁴ Chitala, ‘The Political Economy of SADCC and Imperialism’s Response’, 32. See also, G. Erasmus, ‘The Accord of Nkomati: Context and Content’, *The South African institute of International Affairs*, Occasional Paper (1984), 21.

⁸⁵ Chitala, ‘The Political Economy of SADCC and Imperialism’s Response’, 32.

⁸⁶ Graham, *The Crisis of South African Foreign Policy*, 58.

⁸⁷ *Ibid.*

⁸⁸ Dale, ‘Not always so placid a place: Botswana under attack’, 75.

⁸⁹ TNA, FCO/105/1583, Telegram no. 200, W. Jones, 01 November 1984.

⁹⁰ BNA, OP/15/15, ‘Address by his Excellency the President Dr Q. K. J. Masire to the Conference of the Socialist International Committee and the Socialist Group of the European Parliament on Southern Africa’, Arusha, 4-5 September 1984.

⁹¹ *Ibid.*

Gaborone that it would invade the country if it did not stop the ANC cadres from using it as a passage, even if they were not residing in the country.

In fact, the British Foreign Minister, Malcolm Rifkind, commended Botswana for maintaining its peaceful policy and not allowing itself to be used as a spring board to attack other countries, although this sentiment belied his sympathies for the apartheid regime. However, Rifkind was concerned by the threats made by South Africa to its neighbours which was threatening the peace and stability in the region. He assured Botswana that Britain was ready to take any necessary measures to ensure that there was stability, peace and integrity in the country.⁹²

In February 1985, South Africa, backed down from insisting that Botswana sign a non-aggression pact. Geoffrey Garebamore, Secretary for External Affairs for Botswana, confirmed to the press that Botswana did not need to sign the non-aggression pact with South Africa, because the country had retreated on its earlier stance.⁹³ Pik Botha, held a press conference to tell journalists about South Africa's new stance in which he believed it would definitely improve relations between these neighbouring countries.⁹⁴ However, J. Hawkins from the British Embassy in South Africa argued that Pik Botha was more concerned with Mozambique, Namibia and Angola as he had control over them, this was to point of neglecting BLS concerns, and hence BLS became less of a priority. As such, the pressure on Botswana and Lesotho to sign security pacts in the non-aggression pact receded. Thus, Botswana by the end of 1985 Botswana has scrapped through both destabilisation and increased pressure to sign non-aggression pacts with the effect that its victimhood at the hands of the apartheid regime brought the crimes of the latter to the international fora even more vividly.

⁹² Ibid.

⁹³ 'SA Now Sees No Reason for Peace Accord', *Botswana Daily News*, 26 February 1985.

⁹⁴ Ibid.

International sanctions on South Africa and the impact on Botswana

As the previous section has revealed, destabilisation in general and in particular South African cross-border expeditions into Botswana in particular further attracted international attention to the apartheid regime's violations of international law. In this section, it is paramount to discuss how the consequent international sanctions on South Africa impacted on its relations with Botswana. In 1986, the international community agreed to enact sanctions against South Africa. The United States President Ronald Reagan, and Ministers of the European Communities and Japan chose to adopt selective sanctions against and disinvestment from South Africa.⁹⁵ Most observers began to question the longevity of the apartheid system in the early 1980s.⁹⁶ The United States congress passed the Comprehensive Anti-Apartheid Act (CAAA) in 1986 (despite Reagan trying to veto it), which severely restricted lending to Pretoria, and imposed import bans of South African products such as steel, coal, uranium, textiles and agricultural goods.⁹⁷ The sanctions were meant to force South Africa to abandon apartheid with most of the provisions focused on the country's trade and finance. In fact, the most painful and damaging measure that South Africa experienced was the oil embargo. It led to a rise on prices for petroleum which in the process affected the whole population if not the region.⁹⁸ Nonetheless, these sanctions were welcomed by the Frontline States on September 15 1985. King Moshoeshoe of Lesotho argued that if SADC supported the economic sanctions against South Africa, it would mean a great sacrifice to the citizens of Southern Africa. Moshoeshoe however pleaded that because the

⁹⁵ Economic sanctions are the official imposition of various economic penalties by one or more countries (senders) against another country (target) to bring about certain changes in political behaviour (foreign policy objective) of the target country. See, M. H. Louw, 'Economic Sanctions against South Africa during the Eighties', (PhD Commerce, University of South Africa, 1994), 8; UFS CA, PV 203/PS/12/82/2, 'Statement by the Minister of Foreign Affairs Mr R. F. Botha DMS, MP- In Response to the Announcement of Further Sanctions by the European Community', *European Political Cooperation Ministerial Meeting*, Brussels, 15 September 1986 and A. R. Booth, 'South Africa's Hitherland: Swaziland's Role in Strategies for Sanction-Breaking', *Africa Today*, 36, 1 (1986), 41.

⁹⁶ T. J. Redden Jr, 'The US Comprehensive Anti-Apartheid Act of 1986: Anti-Apartheid of Anti-African National Congress?', *African Affairs*, 87, 349 (1988), 599.

⁹⁷ P. I. Levy, 'Sanctions on South Africa: What did they do?', Center Discussion Paper No.796, Economic Growth Center, Yale University, 1999, 7; The Comprehensive Apartheid Act, September 29 1986, <https://history.house.gov/Historical-Highlights/1951-2000/The-Comprehensive-Apartheid-Act/>, accessed, 15 January 2019 and H. Giliomme, 'Democratization in South Africa', *Political Science Quarterly*, 110, 1 (1995), 88.

⁹⁸ C. Hefti and E. Staehelin-Witt, 'Economic Sanctions against South Africa and the Importance of Switzerland', http://www.snf.ch/sitecollectiondocuments/nfp/nfp42p/nfp42p_staehelin-e.pdf, accessed 10 December 2018 and T. Bell, 'The Impact of Sanctions on South Africa', *Journal of Contemporary African Studies*, 12, 1 (1993), 9.

sanctions were imposed on South Africa, the world should consider measures of protecting the SADCC countries against the adverse effects of the sanctions, which the regime was trying to dampen by offsetting them to its neighbours.⁹⁹

In order to understand Botswana's position concerning sanctions against South Africa, it is vital to underscore the highly unequal political and economic relationship between the two countries. Botswana had limited room for manoeuvre, something Pretoria knew only too well.¹⁰⁰ A key dependency on South Africa meant that 85% of Botswana's imports were from South Africa. If there was any disruption in the supply of industrial imports such as oil then Botswana consequently suffered with exports and foreign exchange. The country as whole was greatly affected by any disruption in the supply of consumer goods; for example, Botswana imported about ¼ of the grain consumed in the country.¹⁰¹ Moreover, South Africa had the power to prevent or disrupt the transportation of Botswana's key exports like beef and diamonds through its ports, while remittances and migratory workers could be affected by its citizens being returned home.¹⁰²

Fearing economic retaliation by South Africa, Chiepe made repeated and very publicly neutral positions on international sanctions. In February 1985, at the 'International Conference on apartheid in South Africa' in Amsterdam, she presented the views of the SADCC states concerning the global sanctions against South Africa. Chiepe argued, "Botswana's policy on these issues is well known. It is that we have no capacity to impose sanctions against South Africa, nor the capacity to stand in the way of those who call for sanctions in order to bring about the demise of apartheid."¹⁰³ The effects of the sanctions and disinvestment negatively affected Botswana as a

⁹⁹ R. H. Green, 'The SADCC Economies and Sanctions against South Africa: Notes towards Costs Containment and Benefit Attainment', <https://opendocs.ids.ac.uk/opendocs/bitstream/handle/123456789/5612/rg177.pdf?sequence=1&isAllowed=y>, accessed 11 December 2018.

¹⁰⁰ BNA, OP/13/4, 'Effects on Botswana in the Case of an International Blockage against RSA', 18 May 1979.

¹⁰¹ Ibid.

¹⁰² R. A. Gibb, 'The Effect on the Countries of SADCC of Economic Sanctions against the Republic of South Africa', *Transactions of the Institute of British Geographers*, 12, 4 (1987), 400-402.

¹⁰³ BNA, OP/13/113, Draft Press Release (alternate 1)', Department of External Affairs-Botswana, 23 September 1985. See Appendix 6.

matter of deliberate or consequential step by South Africa. Botswana could not impose sanctions against South Africa as it did not have the capacity to, but then again it did not have the power to stop those who wanted to impose international sanctions either. Its position obviously contradicted the stand taken by SADCC although Botswana argued that it would be forced by others to categorically support or oppose the sanctions, even if it was at variance with other members of SADCC who were more belligerent toward South Africa.¹⁰⁴ The British High Commission, was concerned by South Africa's actions, in a letter to D. Dewberry at the Foreign and Commonwealth office, the frustrated diplomat said:

As you know Botswana is totally dependent on transit through South Africa for most of its imports and exports. Some people seem to think Botswana should be obligated to South Africa for allowing this transit. Is there not some international convention or principle of international law which requires state to allow peaceful transit of goods, especially for land-locked state?¹⁰⁵

The SADCC's main aim which was to reduce dependency on South Africa, and as such it supported international sanctions. Yet, the prospect of sanctions against Pretoria troubled the BLS governments, even though they were not prepared to oppose them. As result of their geographical proximity, these countries were extremely vulnerable as their interlocking economies in terms of trade, transportation, migrant labour and fiscal arrangements with South Africa made it impossible for them to disengage completely. Botswana held only three reserves of oil and two large depots were hastily being constructed in Gaborone as sanctions began to bite.¹⁰⁶ Botswana depended upon the rail link between Zimbabwe and South Africa for many of its key supplies, which if disrupted by the result of oil sanctions against would be enormously costly. The BLS countries were faced with serious adverse consequences if economic sanctions were implemented.

¹⁰⁴ BNA, OP/13/113, M. L. Selepeng 'Cabinet Brief on Botswana's Policy on Sanctions/Disinvestment', External Affairs 23 September 1985.

¹⁰⁵ TNA, FCO 105/1173, 'Letter from British High Commission in Gaborone to Mr D. Dewberry at the Foreign and Commonwealth Office in London, 26 September 1983.

¹⁰⁶ TNA, OD 66/27, 'South Africa: Talks with French and Germans, Effects of Sanctions on Botswana, Lesotho and Swaziland (BLS) and other African Countries'.

If South Africa passed on the burden of the sanctions to the BLS countries, it could cause them considerable harm. Consequently, the international community was asked to meet the cost of any relief measures that was needed by these countries.¹⁰⁷ In any event, the SADCC countries viewed sanctions as the best way of dealing with South Africa destabilisation as the latter was badly affecting their economies. They appealed for ‘comprehensive, mandatory and international sanctions’ to target the key levers of the South African state.¹⁰⁸

South Africa regarded economic sanctions and disinvestment as unacceptable, and warned the surrounding countries they would be negatively impacted if they supported the actions.¹⁰⁹ For example, South Africa responded to Botswana’s outspoken criticism of apartheid at the United Nations by delaying refrigerator wagons for abattoirs in Botswana for several days at a time, while holding up fuel deliveries which caused serious fuel shortages in Botswana.¹¹⁰ When Botswana sought ways of circumventing South Africa’s control by building additional oil tanks, South Africa simply refused to fill them for almost a year.¹¹¹ At every point, the South African government linked its political demands to economic negotiations with Botswana.¹¹²

The effect of international sanctions on South Africa soon hit the region, which forced six nations: Botswana, Lesotho, Mozambique, Zimbabwe, Swaziland and Zambia, to seek United Nations emergency aid to alleviate the effects. Reginald Green and Carol Thompson observed that:

It is no accident and no frivolity when Pretoria brandishes the threat of economic sanctions against its neighbours in an attempt to defuse the growing international trend towards sanctions against itself. Those economies would be much weakened by forced instant disengagement by South Africa. Equally however violence by South African “security” forces and their proxies is critical to the maintenance of economic hegemony. Dominance in the “key” transport sector is neither

¹⁰⁷ TNA, OD 66/27, ‘South Africa: Talks with French and Germans, Effects of Sanctions on Botswana, Lesotho and Swaziland (BLS) and other African Countries’.

¹⁰⁸ J. Hanlon, ‘On the Front Line: Destabilisation, the SADCC States and Sanctions’, in M. Orkin (ed), *Sanctions against Apartheid* (Claremont: David Phillips Publishers), 187-188.

¹⁰⁹ UFS CA, PV 203/PS/12/82/2, ‘Statement by the Minister of Foreign Affairs Mr R. F. Botha DMS, MP- In Response to the Announcement of Further Sanctions by the European Community’, *European Political Co-operation Ministerial Meeting*, Brussels, 15 September 1986.

¹¹⁰ Spray, ‘Botswana: Cautious but Outspoken’, 220-221.

¹¹¹ *Ibid.*

¹¹² *Ibid.*

geographically nor economically natural. Ultimately it can be ensured only by action to keep other Southern African routes wholly or partially non-functional.¹¹³

While in theory, Botswana had the ability to use an alternative rail route through Zimbabwe to the harbours of Maputo, Beira, Nacala, Dares Salaam and Lobito, in reality, the armed struggles, in Angola and Mozambique made these routes virtually inaccessible. At the time, South Africa handled six million tonnes of traffic to and from the seven SADCC countries of which 2.4 million were South African exports to the region.¹¹⁴ One point six million were imports in to South Africa, and the final two million tonnes were overseas imports and exports to the SADCC member states. Importantly, the imbalance in trade was represented by the BLS states receiving only 920 000 tonnes.¹¹⁵ For SADCC, independent transport infrastructure could be as a means of economic liberation, whilst South Africa viewed it as a means of maintaining its continuing domination of the region.¹¹⁶

Conclusion

The discussions presented in this chapter underlined how political considerations in South Africa significantly influenced political, social and economic relations with Botswana. Although efforts were made to stave-off the worst of South Africa's nefarious activities such as economic destabilisation, the evidence has shown that in reality there was little Botswana could really do to combat these actions. For example, the formation of the SADCC was as a direct response to South African proposals to create a new regional alliance, although one with Pretoria at its nexus. Understandably the region was far from receptive, and the creation of and objectives set out by the SADCC were a clear attempt to challenge the hegemony of South Africa. While this multilateral organisation had some sway, it was unable to fully address the balance of power, and was left helpless when South African security forces raided countries such as Botswana. Indeed, the escalation of destabilisation coincided with the region's rejection of South African proposals, which led to repeated and aggressive state sanctioned violence under the guise of

¹¹³ Green and Thompson, 'Political Economies in Conflict: SADC, South Africa and Sanctions', 247.

¹¹⁴ UFS CA, PV 203/PS/12/82/2, 'Sanction and Economic Interdependence in Southern Africa'.

¹¹⁵ Ibid.

¹¹⁶ Green and Thompson, 'Political Economies in Conflict: SADC, South Africa and Sanctions', 247.

targeting the ANC, but in reality was aimed at striking governments that opposed apartheid and assisted the liberation movement. The outcome was that Botswana, despite having a regional support network of likeminded independent nations, was largely unable to counteract the activities of the South African state. Admirable examples such as the successful rejection of South Africa's non-aggression pact policy demonstrated that Botswana could in some case resist the pressure from Pretoria. However, as this chapter has indicated, when the full force of South African political, military or economic aggression was brought to bear on Botswana, there was very little that could be done to counter. For example, the effects of economic sanctions designed to undermine apartheid were passed-on to the BLS nations, which they could do almost nothing to avoid. The unequal power dynamics exerted by South Africa over Botswana were manifest.

CHAPTER FOUR

FALL OF APARTHEID, REPOSITIONING BOTSWANA AND SOUTH AFRICA RELATIONS, 1989-2006.

Introduction

Towards the end of the 1980s, apartheid South Africa was under immense pressure to reform and from the mid-1980s in particular it was placed under punitive United Nations sanctions. As this chapter will show, after decades of white minority rule in South Africa, and the significant and damaging effects the apartheid regime had across Southern Africa, 1990 marked the beginning of tangible changes to end racial subjugation. Although secret negotiations had been under way since the mid-1980s between the state, business leaders, and exiled liberation movements, the release of Nelson Mandela in February 1990, after 27 years of incarceration, marked a symbolic sea change in attitudes as the aggressive opponents signalled a willingness to work together to radically change the course of South Africa's future. Moreover, the process of negotiations and the outcomes of these talks while primarily focusing on the domestic situation in South Africa, had an enormous impact on Southern Africa too.

This chapter discusses how the relationship between Botswana and South Africa developed and evolved from the release of Nelson Mandela and the subsequent South Africa's first democratic election in 1994, which marked the transition into majority rule. It will demonstrate that although this was a moment of joy for freedom and independence in the region, there were mixed feelings amongst Botswana's politicians and business community concerning the changes in South Africa, as there were worries that these new changes could negatively impact the country as Pretoria began to aggressively expand its 'legitimate' influence after decades of isolation. For example, some feared foreign investors would consider relocating from Botswana to the new South Africa. However, while South Africa's large population starved of purchasing power and its beneficial geographical location were tempting for businesses, initially the fear of instability in a nation undergoing a radical political, economic, and social transition did encourage some investors to wait.

This chapter also develops a point raised in Chapter Two that highlighted Botswana's international reputation as a country characterised by peace and tranquillity and, therefore, a relatively stable place in which to invest, remained an important asset during its neighbour's transition from apartheid to democracy. Moreover, these changes in South Africa were also occurring within a particular regional context including South Africa joining SADC, and the renegotiation of the SACU in 2002. Yet, it was not plain sailing for Gaborone. The Botswana government was facing serious economic problems and was, therefore forced to implement measures such as the devaluation of its currency. Overall, the chapter posits that South Africa's transition to black majority rule was positive to the economic relations between Botswana and South Africa as it was a massive departure from the apartheid government's total strategy, which as shown in the previous chapter, resulted in the deterioration of South Africa's relations with its neighbours. It concludes that since the two governments, now both democratic and enshrining principles of liberal democracy and mutual economic development, were able to establish smoother and closer trade relationships after 1994.

From Botha to Mandela- The road to a democratic South Africa

As discussed in the previous chapter, by the end of the 1980s, global change was afoot, marked by dramatic economic and political upheaval in a number of countries, perhaps best exemplified by Namibia's shift toward independence, the Soviet Union's collapse triggered by the fall of the Berlin Wall, the diminishing support for dictatorial regimes on either side of the Cold War divide, and not least the talks between Mandela and Botha to initiate change in South Africa.¹ All these developments offered Southern African states, especially Botswana, a glimmer of hope as they had all been reeling under the impact of the local dynamics shaped by the Cold War, and more specifically, by the apartheid government's total strategy. The effects of the Cold War's sudden demise sent shockwaves across Southern Africa where the campaign against white minority rule in the region had been defined and played one against the spectre of superpower rivalry the

¹ A. Guelke, 'The Impact of the End of the Cold War on the South African Transition', *Journal of Contemporary African Studies*, 14, 1 (1996), 88-92. See also, J. S. Saul, 'From Thaw to Flood: The End of the Cold War in Southern Africa', *Review of African Political Economy*, 18, 50 (1991), 154.

collapse of the global communism and the end of the Cold War had an enormous effect.² Following Botha's decline in health and popularity, he was replaced by former Education Minister F.W. de Klerk who, unlike Botha, was concerned with South Africa's image abroad, and took radical steps to change it.³ This outlook was evidenced by a number of bold steps he took including unbanning all the political opposition organizations and releasing Nelson Mandela from prison on 11 February 1990.⁴ Therefore, after strained relations in the 1980s, Botswana-South Africa relationship improved greatly in the early 1990s. Apartheid was gradually dismantled. In the years 1991-1992, Botswana gladly closed all the ANC camps. Hundreds of political exiles returned home under the United Nations High Commissioner for Refugees (UNHCR).⁵ In April 1994, in a historic vote, Mandela was elected President of South Africa. For Botswana, the end of apartheid was a dramatic and decisive recalibration of its relationship with South Africa.

The optimism in Botswana was influenced by the positive steps taken by the new ANC government as soon as it took power. The promises made by the first South African High Commissioner appointed to Botswana in 1995, William Oupa Mokou, were reassuring as they guaranteed Botswana full cooperation in all spheres. On his Freedom Day speech in 1995, Mokou noted that Botswana and South Africa would seek to work together on issues pertaining to trade, health, agriculture and education.⁶ He said the two countries would develop their existing trade and diplomatic relations. While Mokou's speech was designed to reassure the public that Gaborone and Pretoria would continue to mutually collaborate, in reality, he meant that SA would continue to try and dominate the economic affairs of the region as it had done under the apartheid regime.⁷

² Graham, *The Crisis of South African Foreign Policy*, 71-72. See also, T. Sisk, *Democratization in South Africa* (New Jersey: Princeton University Press, 1995), 4-5.

³ Giliomme, 'Democratization in South Africa', 85-86.

⁴ D. Ottaway, *Chained Together: Mandela, de Klerk and the Struggle to Remake South Africa* (New York: Times Books, 1993), 76, 82.

⁵ 'Relation with African States', <http://countrystudies.us/south-africa/83.htm>, accessed 05 January 2019.

⁶ 'SA Reassures Botswana', *The Botswana Gazette*, 03 May 1995.

⁷ *Ibid.*

The emergence of a new South Africa closed a sad chapter in the region which was vividly discussed in Chapter Three. The assurance of cooperation between the two countries were evidenced as both Gaborone and Pretoria upgraded their representative offices to full diplomatic status. The countries promised to work on the bilateral relations based on mutual respect for national sovereignty, characterised by good neighbourliness. President Masire also highlighted his desire for Botswana to work with South Africa in promoting regional and economic integration; ultimately this led to the invitation of Pretoria to join SADC.⁸ South African Minister of Trade and Industry, Trevor Manuel visited Botswana as a way of indicating Botswana's importance to South Africa, with a particular emphasis on matters of trade and investment. In a bid to undermine fears of South African domination Mokou stressed that the government recognised that balance and mutually beneficial cooperation were vital for regional cooperation and development. He stated that, "if South Africa attempts to dominate its neighbours, it will restrict their growth, reduce their potential and markets and worsening their unemployment rates."⁹ Moreover, Mokou appealed to neighbouring countries such as Botswana not to judge it in regards to the apartheid era and that a new chapter was being written.¹⁰

A key challenge for the democratic government of South Africa in 1994 was the inheritance of apartheid's deep-seated and damaging economic and social legacies. The country was overwhelmed by unskilled labour, high unemployment, entrenched poverty, poor spatial access to education and health based upon racial divides.¹¹ As Pdraig Carmody has shown, South Africa's main aim was to build new economic and social opportunities to benefit the people and overcome these problems¹², while simultaneously seeking to assist in the development of the Southern African region so as not to be viewed as "an island in an ocean of poverty and

⁸ *Hansard No.114, Third Meeting, Fifth Session, Sixth Parliament (20th June - 5th August, 1994)*, Ketumile Masire.

⁹ 'SA Reassures Botswana', *The Botswana Gazette*, 03 May 1995.

¹⁰ Ibid.

¹¹ M. Nowak, 'The First Ten Years after Apartheid: An Overview of the South African Economy', in M. Nowak and L. A. Ricci (eds), *Post-Apartheid South Africa: The First Ten Years* (Washington: International Monetary Fund, 2005), 1.

¹² P. Carmody, 'Between Globalisation and (Post) Apartheid: The Political Economy of Restructuring in South Africa', *Journal of Southern African Studies*, 28, 2 (2002), 257-262. See also, R. Bahl and P. Smoke, 'Overview of Fiscal Decentralization in South Africa', in R. Bahl and P. Smoke (eds), *Restructuring Local Government Finance In Developing Countries: Lessons From South Africa* (Massachusetts: Edward Elgar Publishing, 2003), 5-6.

deprivation.”¹³ One reason for this approach was to put-off and decrease the number of economic migrants moving to South Africa in order to better themselves. Commissioner Mokou argued that these migrants would see a mirage of prosperity when looking at South Africa but when they arrived in the country, would experience slums and poverty. He believed that peace and political stability were the privileges of economic stability and that for greater economic development to occur there must be regional harmony throughout Southern African.¹⁴ This was clearly a self-interested approach by the South African government, because not only would they be able to benefit domestically from greater trade and economic linkages, but by fostering growth in neighbouring nations it would diminish the number of people moving, who were adding extra pressure to already under-funded and overstretched services and infrastructure.

The legacies of apartheid still stalked the new democratic government, and demonstrated the myriad challenges they faced. For example, one academic commentator, Kevin Hviding stated that South Africa had great challenges in terms of trade relations with the rest of the world due to the sanctions imposed in the 1980s.¹⁵ These sanctions were rapidly removed as it became clear that the apartheid regime was collapsing in the early 1990s. Therefore, South Africa had to start repairing its relations with neighbouring countries particularly showing its willingness to cooperate with other countries in the region. As a gesture of goodwill and the significance of Botswana to South Africa’s well-being, South African President Nelson Mandela visited Gaborone in September 1995 and had a series of discussions with the President of Botswana, Ketumile Masire, the Botswana business community, and the general public. Masire, welcomed Mandela to Botswana where they planted a tree to symbolise their growing cooperation and future ties. Mandela indicated that:

For South Africa, cooperative relations with our neighbours on the basis of a partnership of equality has the highest priority. This is because we know that the reconstruction and development of our own

¹³ L. Kgaswe, ‘SA no Island-Envoy’, *The Botswana Gazette*, 26 April 1995.

¹⁴ *Ibid.*

¹⁵ K. Hviding, ‘Liberalizing Trade and Capital Transactions: An Overview’, in M. Nowak and L. A. Ricci (eds), *Post-Apartheid South Africa: The First Ten Years* (Washington: International Monetary Fund, 2005), 134.

country depend on the development throughout our region. No country in our region can enjoy peace and prosperity unless we all do.¹⁶

The end of apartheid brought hope to the Southern African region as a whole that it could at least move forward, and Mandela reiterated his determination to build new, strong and lasting relationships. Mandela recognised the damage inflicted by the previous South African government, and said: “The apartheid regime hoped that through kidnapping, bombing, armed raids assassinations that violated the sovereignty and peace of your country, they would intimidate you. But they were wrong, they were deceiving themselves.”¹⁷ Mandela was obviously drawing Botswana into victimization of the apartheid regime as an attempt to draw greater connections between the two countries. Mandela acknowledged the damage that befell Botswana and thanked the country and its people for their perseverance and strength, while seeking forgiveness for what they had gone through. While he was almost certainly sincere, this was also a political posturing strategy that was meant to mend the relationship between Pretoria and Gaborone that were seriously undermined by destabilisation campaign. A crucial element of this new era was based on trust.¹⁸ As a result, the end of apartheid called for celebration not only in South Africa but also in Botswana and the rest of the Southern African region. Botswana had battled balancing the political and economic relations with South Africa, especially during the destabilisation period, as indicated in the previous chapter. Better times, it seemed had arrived in the region to rebuild the bruised relations between South Africa and other Southern African countries.

Despite the political rhetoric from successive white South African leaders, Mandela was the first South African head of state to officially visit Botswana.¹⁹ Although Botswana had been forced to walk a tightrope in its dealings with the apartheid state, it had been forced at various junctures to bow to the pressure and influence of the South African state, especially revolving around

¹⁶ ‘Mandela Thanks Botswana’, *The Botswana Guardian*, 08 September 1995.

¹⁷ ‘Nelson Mandela’s Speech at a Kgotla, Serowe, 6 September 1995’, <https://www.sahistory.org.za/archive/nelson-mandelas-speech-kgotla-serowe-serowe-6-september-1995>, accessed 8 November 2018. See Appendix 7 for full speech.

¹⁸ C. Harvey, ‘The Impact on Botswana’s Economic prospects of the Ending of Apartheid’, in L. Petersson (ed), *Post-Apartheid: Economic Challenges and Policies for the future* (London: Routledge, 1998), 237.

¹⁹ ‘Mandela Thanks Botswana’, *The Botswana Guardian*.

support for the ANC. However, Mandela was extremely adept in managing the intricacies of the past. His visit was highly symbolic and carefully designed to acknowledge a joint struggle against apartheid.²⁰ Together with Botswana's high ranking officials, Mandela visited the graves of victims of apartheid raids, as well as Botswana Defence Force soldiers who were also victims of the Zimbabwean liberation war that caused havoc and political disorder in the region in the 1970s.²¹ At all these shrines, Mandela laid wreaths. He also visited Seretse Khama's grave in Serowe. A crucial point reiterated by Mandela was that his government and the onset of democracy epitomised a new dawn in Botswana- South Africa relations. He then held a *kgotla* meeting where he exclaimed:

today we can stand before you as the representatives of a democratic country and say, on behalf of the people of South Africa; thank you for what you did for our country during the long and lonely years of struggle. Despite the pressures from the apartheid regime, you stood defiantly on the side of freedom, peace and democracy. You made our struggle your struggle. Today we can celebrate our victory together.²²

Yet, away from these plaudits and messages of solidarity, there were more pertinent challenges facing the two countries, one of which was immigration (both legal and otherwise). The two governments faced serious challenges in meeting the socio-economic needs and expectations of their citizens. For instance, Botswana citizens had gone to South Africa mostly to seek employment in the mines for many decades, whilst South African citizens in Botswana came mostly as refugees or on exile.

²⁰ *Ibid.*

²¹ *Ibid.* See also, C. J. Makgala and M. L. Fisher, 'The Impact of Zimbabwean Liberation Struggle on Botswana: The Case of Lesoma Ambush, 1978' (2009), <https://repository.nwu.ac.za/bitstream/handle/10394/5249/No57%282009%29%20Makgala%20CJ%20Fisher%20ML.pdf?sequence=1> accessed 05 January 2019; B. W. Oitsile, 'Botswana and the Liberation in South Africa and Zimbabwe: The Government and People against White Racist Rule', (Masters of Arts, Trent University, 2010), 102-112 and P. T. Mgadla, "A Good Measure of Sacrifice": Botswana and the Liberation Struggles of Southern Africa (1965-1985)', *Social Dynamics*, 34, 1 (2008), 13.

²² *Kgotla* is a meeting place where village elders meet to discuss state matters and settle disputes. See http://international-dictionary.com/definitions/?english_word=kgotla (accessed 01 December 17). See also, 'Mandela Thanks Botswana', *The Botswana Guardian* and 'Nelson Mandela's Speech at a Kgotla, Serowe, 6 September 1995', <https://www.sahistory.org.za/archive/nelson-mandelas-speech-kgotla-serowe-serowe-6-september-1995>, accessed 8 November 2018.

As discussed so far, the coming of Mandela marked a significant change in the nature of bilateral relations between Botswana and South Africa which had been previously hinged on the blackmail by the apartheid which, knowing that Botswana's economy could not be sustained without South African help, blackmailed Botswana into not giving overt support to liberation forces. Yet, what is important to reiterate is that Mandela's overture's to Botswana were part of a broader international relations blitz in which South Africa was setting the parameters of a new relationship with the world following decades of being ostracised. What is important about the shift in South African relations with not only Botswana but the regional grouping was that this was the beginning, as will be shown in the following sections, of its active participation in regional and international affairs.

South Africa Joins Southern African Development Community (SADC)

What the previous section detailed were overtures by South Africa for the creation of a closer bilateral relationship with Botswana. In that discussion, it was also intimated that this overture was part of a broader international relations strategy that was aimed at fast-tracking South Africa's re-admittance into the family of nations. In light of this, this section examines the processes of admitting South Africa into the sub-regional grouping. As already articulated elsewhere, the formation of the SADCC in 1980 had anticipated a time when South Africa would be an independent country that would join the organisation. After the enormous political and economic damage inflicted by the apartheid regime toward Southern African nations, the onset of democracy was a welcome relief and provided an opportunity for the region to embarked on greater efforts at mutual cooperation and development. It is therefore important to discuss how as a regional bloc, SADC countries dealt with the new changes and planned for future of the region. Southern African Development Coordination Conference was transformed to Southern African Development Community on August 17, 1992 at a summit held in Windhoek, capital of Namibia. The treaty for this transformation was signed by Heads of State and government. This

treaty was meant to establish a stronger regional integration throughout the region so as to develop the region.²³

In 1993, negotiations were held to make provisions for South Africa to join it after the democratic elections.²⁴ The desire was for the relations between SADC member states and South Africa to be constructive and beneficial.²⁵ In 1994, Masire extended the invitation to the new South African government to join SADC, and Festus Mogae, Botswana's Vice President, headed the delegation that handed the letter of invitation to Mandela in which he accepted the invitation.²⁶ After receiving the invitation, it was clear that South Africa wanted to be part of SADC, as it did not wait for long to start preparing to accede to the community. Indeed, these aspirations came to fruition when South Africa formally joined SADC at the Arusha summit in August 1994, making it the 11th member of the organisation.²⁷

Prior to joining SADC in 1994, South Africa was already an economic giant in Southern Africa, aided by multinational corporations (MNCs), such as Anglo-American and De Beers (diamond marketing) which were the driving force in exploiting mineral resources at home and abroad. Meanwhile other companies such as Mobile Telephone Networks (MTN) and Vodacom (mobile phones) and Shoprite/Checkers (retail) sought to expand their operations by moving into new markets in the sub-region.²⁸ Many within SADC viewed South Africa as its most important member because of the high-level of development of its manufacturing industry, and industrialised economy and technological advancement, and it was hoped that these attributes would enable SADC to integrate even faster.²⁹ However, it was a double edged sword. For example Botswana, businessmen feared South Africa would dominate SADC given its relatively

²³ 'Declaration & Treaty of SADC (1992)', https://www.sadc.int/documents-publications/show/Declaration_Treaty_of_SADC.pdf, accessed 15 December 2018.

²⁴ C. Saunders and D. Nagar, 'South Africa and the Southern African development community', in A. Adebajo and K. Virk (eds), *Foreign Policy in Post-Apartheid South Africa: Security, Diplomacy and Trade* (London: I.B Tauris, 2018), 266.

²⁵ 'Role of Post-Apartheid SA in SADC to Feature Prominently at Conference', *The Botswana Guardian*, 14 January 1994.

²⁶ E. Moloi, 'South Africa Agrees to Join SADC', *The Botswana Guardian*, 12 June 1994.

²⁷ *Ibid.*

²⁸ Saunders and Nagar, 'South Africa and the Southern African development community', 266.

²⁹ *Ibid.*, 263.

large and diversified economy, and a significant manufacturing industry.³⁰ However, wary of the legacies of apartheid, and seeking a new future relationship for Southern Africa, the South African government did not want to be viewed as a regional hegemony or playing a "big brother role" in SADC.³¹ The SADC recognised that member states were of unequal 'status' economically hence there was the need to enshrine principles of equity, balance and mutual benefit if it hoped to successfully restructure the region. Nonetheless, some members were worried that trade and investment would be concentrated in South Africa.³² South Africa's future role featured prominently at the community's consultative conference in January 1994 in Gaborone where its Executive Secretary, Kaire Mbuende said;

Regional integration in Southern Africa should not only be about economic, but cultural and political cooperation as well. SADC should provide mechanisms to effectively coordinate major regional political policy positions and to deal with issues of peace, security and conflict resolution. SADC could not afford another era of instability, violence and conflict.³³

Mbuende emphasised the importance of regional cooperation in a range of spheres. Nonetheless, it was quite obvious that South Africa would still dominate in terms of manufacturing and production of industrial goods as it was already more developed. There was an attempt to recognise the differences and the opportunities that could be afforded to SADC members that could compete with South Africa if granted the opportunity; for example, importing horticultural products from Zimbabwe.³⁴ He was saying this as a way of sensitizing member states not to only focus on importing from South Africa alone, but could also import from other member states.³⁵ Yet undoubtedly there were serious concerns that South Africa would now offer serious competition to other countries in the region. Mbuende argued that;

We would rather see an equitable distribution of investment through Southern Africa, but things in South Africa must be settled first. South Africa has considerable capabilities particularly in the

³⁰ Moloji, 'South Africa Agrees to Join SADC', *The Botswana Guardian*.

³¹ Saunders and Nagar, 'South Africa and the Southern African development community', 33.

³² Moloji, 'South Africa Agrees to Join SADC', *The Botswana Guardian*.

³³ 'Role of Post-Apartheid SA in SADC to Feature Prominently at Conference', *The Botswana Guardian*.

³⁴ 'South Africa Could Join SADC this August- says Mbuende', *The Botswana Guardian*, 13 May 1994.

³⁵ *Ibid.*

manufacturing sector but in the agricultural sector, some of the latest developed countries in Southern Africa will threaten South Africa.³⁶

As pointed out previously, the new government in South Africa inherited enormous problems when it came into power in 1994 especially the vast socio-economic issues, and poverty. However, one way of addressing the domestic issues was to re-establish global trade links, to generate inward investment, through a renewed foreign policy approach. Matthew Graham demonstrated that this new approach began during South Africa's transition process as politicians examined the available options and opportunities. One such mechanism was the Sub Council on Foreign Affairs (SCFA) which reviewed the available options for South Africa's future foreign policy. The SCFA had a wide set of issues to consider, which included "regional, political concerns in every corner of the globe, trade agreements, and reintegration into multilateral organisations like SADC and Commonwealth."³⁷ Clearly at the end of apartheid, South Africa, had a task to re-establish relationships with the rest of the world, starting with its neighbours.

One of the reasons why South Africa joined SADC was to carry out its foreign policy objectives, especially those relating to economic growth and political leadership. To demonstrate how important the region was, the South African government's first major foreign policy document to be adopted was in fact the 'Framework for Co-operation in Southern Africa' which was signed in August 1996.³⁸ South Africa's new vision for the region held the highest possible degree of economic cooperation, mutual support and combined planning pertaining to regional development initiatives, which would lead to integration that is consistent with socio-economic, environmental and political certainties.³⁹

In tandem, SADC started preparing to sign a protocol on trade, which would lead to a Free-Trade Zone in Southern Africa in August 1996.⁴⁰ The Trade Protocol meant to, "liberalise intra-regional

³⁶ *Ibid.*

³⁷ See, Graham, *The Crisis of South African Foreign Policy*, 108.

³⁸ Department of International relations and Cooperation, South Africa, <http://www.dirco.gov.za/foreign/Multilateral/africa/sadc.htm>, accessed-29 November 2017.

³⁹ *Ibid.*

⁴⁰ Bome Mashaba, 'Southern Africa To Be Free Trade Zone', *The Botswana Gazette*, 13 September 1995.

trade by creating mutually beneficial trade arrangements, thereby improving investment and productivity the region.”⁴¹ It was implemented on 1 September 2000 after being ratified by more than two thirds SADC member states.⁴² With this protocol, investors accessed markets of over 120 million people. The then SADC Chairman Masire said, “From the point of view of market access, investment in Botswana would as good as Zimbabwe or South Africa, for we would be part of the same market”.⁴³

Masire was sure that competitiveness and industrial development would be stimulated by trade liberalisation, even as the SADC mechanisms would prevent conflict, manage and resolve any tensions that would arise, to ensure stability in the region.⁴⁴ When South Africa joined SADC, it was a positive move for its relations with Botswana, as it marked the beginning of less combative forms of business engagement. What this section has revealed is the fact that the admittance of South Africa into SADC marked the fulfilment of an aspiration espoused by its founders in 1980 who anticipated a time when South Africa would be independent and therefore able to join the regional grouping. Yet, as discussed above South African independence and admittance was viewed with anxiety in certain cycles as its economic muscle was feared to have the potential to push off promising business capital in the sub-region As we will show in the next section, the two countries’ political and trade relations had been strained but improved with the South African independence.

Investors’ Dilemma: Apartheid ends in South Africa

The previous chapters have already revealed that prior to the end of apartheid, the Botswana-South Africa relationship was at best a marriage of convenience. Despite Botswana’s opposition to the apartheid regime, economic realities forced the two countries into trade relations, with the balance tipped heavily in South Africa’s favour. Thus, as this section will show, the end of

⁴¹‘Protocol on Trade in the Southern African Development Community (SADC) Region’, https://www.sadc.int/files/4613/5292/8370/Protocol_on_Trade1996.pdf, accessed 05 January 2019.

⁴²Department of International relations and Cooperation, South Africa, <http://www.dirco.gov.za/foreign/Multilateral/africa/sadc.htm>, accessed-29 November 2017.

⁴³ Mashaba, ‘Southern Africa to Be Free Trade Zone’, *The Botswana Gazette*.

⁴⁴ *Ibid.*

apartheid strengthened the relations between the Botswana and South Africa. It is not surprising that after assuming power in 1994, the late former President of South Africa, Nelson Mandela, described the apartheid state as "the skunk of the world" as it was isolated from the rest of the world diplomatically, economically and culturally.⁴⁵ Mandela was not in doubt about the herculean task he faced in transforming South Africa's international relations given that the apartheid regime separated South Africa from other nations as majority ruled countries around the world did not support it. The new government in South Africa faced a huge task of repositioning itself in the region and the continent. It needed to be part of the world that had shared interests in peace, stability and prosperity, while regionally, South Africa's priorities included strengthening its SADC relations and its integration into the region.⁴⁶

Importantly, South African impact on its neighbours had been debilitating, but the onset of negotiations and democracy provided a vital reprieve to economies that had for a long time been leveraged by the total strategy. In fact, the independence of South Africa happened at a time when Botswana's own economy was in trouble for various reasons. To address this downturn businesspeople in Botswana gathered for a conference to discuss the future of the economy. Topical at this gathering was whether South Africa's move toward democracy would worsen an already worrisome economic situation. More specifically, they were concerned that their overseas investors would now choose to relocate to South Africa. Though these fears were widespread, some believed that Botswana business could still find a way to manoeuvre the situation even though it was not entirely to their advantage. This outlook was succinctly captured by Satar Dada, a financial magnate in Botswana, who argued that:

if we must go by the current sights there is hope for peace in South Africa. There must be a boom there, we have to be more aggressive. We have to find ways to keep investors in Botswana. We will have to wait and see whether there will have a business exodus, but I suspect that those who are doing well will stay, I do not think things will be as bad as we might think.⁴⁷

⁴⁵ South Africa in the Global Arena, www.dpme.gov.za/.../20YR%20Chapter%208%20SA%20in%20Global%20Arena.pdf, accessed 11 November 2017.

⁴⁶ Ibid.

⁴⁷ Ibid.

This statement reveals the anxiety in the sub-region surrounding the South African independence in general. In particular, it reveals that businesspeople in Botswana were generally not sure but were not entirely pessimistic as they anticipated that successful foreign capital already in place would not be easily moved by the changed circumstances. Yet, it was also a wake-up call to the state to make sure that there were economic conditions and opportunities that would match the anticipated competition from South Africa.

The spokesperson for the Chamber of Commerce Movement (CCM), the business community organisation in Botswana, and also serving as Mayor of Francistown, Iqbal Ebrahim asserted that it was imperative that the Botswana government and its economic sector responded to the pressures that were emerging due to the political changes in Pretoria. Ebrahim argued that, "While we must have great praise for events leading to change in South Africa we must begin to make plans about how Botswana will respond to recent events."⁴⁸

Although, as shown below, business generally believed that these developments could have serious negative ramifications on Botswana, some economists believed otherwise. Charles Harvey for one, believed that foreign investors had targeted Botswana mostly because they shied away from apartheid. As a consequence, the end of apartheid might spell the end of Botswana's industries due to capital flight.⁴⁹ These fears were not confined to Botswana as similar speculations were also apparent in other SADC countries where it was thought investors would look for new opportunities in South Africa reigned supreme.⁵⁰ This was not an unfounded position. Yet contrary to the fears in Botswana's business community, it continued to be an attractive destination for investors. In fact, Wayne Wright, the director of the international division of JHI Real Estate, revealed:

Botswana is attractive to South African property companies from a financial security point of view, Botswana is considered a low risk and the most financially stable economy in Africa, because of those financial factors there are going to be more South African investors investing in the country in terms

⁴⁸ R. Molefhe, 'What Does South African Independence mean to Botswana' *The Botswana Guardian*, 13 May 1994.

⁴⁹ Harvey, 'The Impact on Botswana's Economic prospects of the Ending of Apartheid', 230. See also, S. Ditshego, 'South Africa and Botswana', *The Botswana Guardian*, 18 March 1994.

⁵⁰ Molefhe, 'What Does South African Independence mean to Botswana', *The Botswana Guardian*.

of property investment. The Botswana economy and currency have proved over the past decade to be stronger than the rand and a stable monetary unit. Therein lies the attraction for private investors, South African banks and development companies.⁵¹

As this statement shows, there were real economic costs, including benefits, as vital factors pertaining to trade and investment which were minimally affected by apartheid and would likewise not be negatively impacted by its end. Thus according to this school of thought trade and investment in Botswana would not be affected by the end of apartheid in South Africa, but rather it would bring more benefits because South Africa would be resuming its economic growth.⁵² But having said that, it is important to state that, the aftermath of apartheid to South Africa and Southern African region could not be predicted.⁵³ Suffice to say that the end of apartheid also rejuvenated interest from potential investors hence as Mbuende revealed there were many trade missions that were visiting South Africa with the intention of investing in the country.⁵⁴

Nonetheless, contrary to Harvey's projections, the apprehension in Botswana was not entirely unfounded as it rested on genuine fears informed by the cost of doing business there relative to South Africa. A British Journalist, Keith Somerville, stressed that the businessmen in Botswana complained about the rents, utility cost and other overheads because they were higher in Botswana compared to South Africa.⁵⁵ Moreover, labour productivity and skills were still at a lower level in Botswana. For instance, Derek James, the Planning Manager of Kgalagadi Breweries in Gaborone pointed out that it was cheaper to import Castle Beer from South Africa than to brew it in Botswana, while other manufacturers also feared even stronger competition from South Africa.⁵⁶ Somerville's argument drew very strong reaction from journalist, Sam Ditshego who argued:

Somerville and people of his ilk were loudly applauding the unequal distribution of resources in South Africa and concomitant exploitation of the indigenous population. The cheapness of the services

⁵¹ N. Wilson, 'Botswana could get new fund', *Business Day*, 12 November 2003.

⁵² Harvey, 'The Impact on Botswana's Economic prospects of the Ending of Apartheid', 237.

⁵³ *Ibid.*

⁵⁴ 'South Africa Could Join SADC this August- says Mbuende', *The Botswana Guardian*.

⁵⁵ As cited in, Ditshego, 'South Africa and Botswana', *The Botswana Guardian*.

⁵⁶ *Ibid.*

Somerville alluded to is directly proportional to the denial of these services to indigenous African and vice versa. South Africa also had cheap African labour, as a result castle was cheaper there. Castle is poisonous and meant to destroy the lives of Africans, break up families and nurture anti-social behaviour. Mind you people like Somerville and Derek James do not consume some of the things they sell to Africans like tobacco products and pork.⁵⁷

As can be seen, Ditshego's rejoinder was, however, not directed to the economic import of Somerville's argument but rather to the social aspects. Ditshego believed that Somerville was justifying apartheid and its legacy in South Africa. Thus, he argued that South Africa could not be put in the same bracket as Botswana because in South Africa, 10% of the white population enjoyed the all the basic needs such as housing whilst in Botswana, it was 90%, and as a result services were expected to be more expensive in Botswana.⁵⁸ The thinking was that most of the privileges were enjoyed by a small percentage of the population in South Africa prior to 1994, therefore, services were cheaper. However, with the end of apartheid, it meant that the end of exploitative wages paid to the black majority. This was expected to bring the countries to the same challenges or even worse for the new South African government.

What also drew criticism of Somerville's emphasis on South Africa's competitive advantage over its neighbour, was the assumption that there were was nothing that could be done to leverage it. Yet, there were a number of measures which were available to Botswana to protect its industries from being crushed. Ditshego explained that Botswana could learn from Canada which protected its industries from the USA though capping prices higher than it and through customs duties that were paid at border-posts, airport terminals and ferry terminals for all American goods coming into Canada.⁵⁹ Norway also put in place some measures to protect itself through high prices especially to protect government subsidised farmers. The people of Norway were aware of that and were prepared to pay more so as to protect their farmers, although there were some Norwegians who did not agree with that.⁶⁰ Thus, for Ditshego Botswana was also capable of introducing measures that would protect businesses in the country against the anticipated South African competition. For its part, the Botswana Government felt compelled to deal with

⁵⁷ *Ibid.*

⁵⁸ *Ibid.*

⁵⁹ *Ibid.*

⁶⁰ *Ibid.*

this possible vulnerability to external competition through improving certain aspects of the infrastructure that would keep investors. In taking this stance, the government had ready support. For instance, businessman and member of the ruling BDP, Satar Dada advised, "if the government moves fast enough to bring down interest rates, get more support for business from Botswana Development Corporation, bring down rents and get the utilities operating efficiently, we will be alright."⁶¹ This would make a huge difference, make Botswana attractive for business and actually give reason for investors not to move to South Africa.

Gaborone hoped to benefit indirectly from the pressures that the South African government might face to implement measures in their bid to overcome its enduring challenges, such as raising salaries to deal with residual inequality. South Africa clearly needed to finance the improved housing, electrification and education, potentially by raising taxes. However, 80% of goods imported by Botswana came from South Africa, which meant that if there was an upward pressure on salaries and prices of commodities in South Africa, then Botswana was going to import the inflation too in the process.⁶² In allaying the fear that investment could flock to South Africa, Mbuende stated that Mandela was not going to raise tax to fund reconstruction and development programmes but would rather encourage investment by creating a conducive environment.⁶³

Yet it is important to note that Botswana's terms of trade with South Africa continued to worsen after 1994. When opening the Botswana International Trade Fair in August 1995, George Kgoroba, Botswana's Minister of Commerce and Industry observed an emerging trend that Botswana was South Africa's fastest growing destination for its exports. In 1994, Botswana imported goods amounting to R4 billion and exported goods that amounted to R600 million to South Africa which was clearly a massive and unequal trade imbalance. Kgoroba pointed out that, "we trust that the members' of South Africa Chamber of Business (SACOB) are well aware of the importance of the Botswana market to the need and to the continued prosperity of South Africa

⁶¹ 'Be Prepared for SA Competition Dada Cautions Botswana', *The Botswana Guardian*, 13 May 1994.

⁶² Molefhe, 'What Does South African Independence mean to Botswana', *The Botswana Guardian*.

⁶³ 'South Africa Could Join SADC this August- says Mbuende', *The Botswana Guardian*.

and of the need to maintain a reciprocal openness to Botswana's exports."⁶⁴ Thus, the relationship that emerged was tipped in South Africa's favour.

The Botswana government received sufficient advice pointing to diversification as a lasting solution lest it continued to lose investors. A South African journalist, Antony Sguazzin argued that there was a need to raise money to diversify the economy of Botswana and to fund it, the country was prepared to sell 15% stake in De Beers.⁶⁵ To support his views on accelerated diversification, Sguazzin quoted Even-Zahar, a diamond expert, who said, "the most likely buyers would be the Oppenheimer and Anglo-American as the Botswana stake would give them dominance."⁶⁶ Sguazzin claimed that the Government of Botswana had realised that it had no choice but sell part of the stake.⁶⁷ However, it was very far from official policy. In fact, contrary to what both Even-Zahar and Sguazzin thought, the Permanent Secretary of the Ministry of Mineral Resources and Water Affairs, Akolang Tombale, put the speculations to rest as he stressed that the stake in De Beers was not for sale.⁶⁸ Instead of selling its stake on Debswana, Botswana found other avenues to attract investors and boost its economy.

Declining terms of trade were testimony to a much bigger development within the Botswana economy at just the moment that South Africa gained its independence. Without doubt the democratisation of South Africa affected the flow of investment to Botswana but it should be noted that the recession that Botswana found herself in was not singularly caused by that development. As it slid into recession in 1995, dismissals at the workplace grew, expatriates started to leave for better opportunities elsewhere, no new Foreign Direct Investment (FDI) was secured, the government had increasingly lost direction and growing disappointment among the people became commonplace throughout Botswana. The Bank of Botswana (BoB) Governor, Christopher Hermans, blamed the country's "beggar mentality" for the predicament and

⁶⁴ 'S.A Exports to Botswana Total over P3 Billion', *The Botswana Guardian*, 25 August 1995.

⁶⁵ A. Sguazzin, 'Botswana May Sell it 15% Stake in De Beers, says Tacy', *The Star*, 27 July 2006.

⁶⁶ *Ibid.*

⁶⁷ *Ibid.*

⁶⁸ C. Matthews, 'Botswana's Stake in De Beers not for Sale', *Business Day*, 08 June 2006.

immediately encouraged privatisation and less government interference in the economy.⁶⁹ Hermans believed that Botswana's, "model of economic development seems to have produced a materialistic complacency which is no longer compatible with economic growth and modernization."⁷⁰ He pointed out that Botswana had always had an extraordinarily high level of foreign exchange reserves placing it in a class of its own among African countries. However, he warned that the days of plenty were over and there were no longer high rates of expansion in the output of diamonds, that copper-nickel was not doing as well and that the Soda Ash Project was under threat of closure.⁷¹ Hermans stressed that "The twenty years of plenty have created a 'beggar mentality' and has softened us, and budget surpluses eroded fiscal discipline and restraint."⁷² Barriers to diversified development are not always caused by massive wealth, of course but rather by too much dependence of the main source of foreign capital which in most cases is minerals, as President Kenneth Kaunda of Zambia realised, when lamenting that, "we were born unfortunately with a copper spoon in our mouth". Kenneth Good further stated that "Botswana's brilliant gems are a curse as well as resource-a deep single impediment to the broad socio-economic."⁷³ He said this because Botswana had become entirely depended on diamonds for its socio-economic development.

As the Governor had warned, it was vital that Botswana found other means to build the economy. Therefore, when he became the Minister of Trade and Industry in 2003, Jacob Nkate visited South Africa to promote greater investment in Botswana because it was a leader in the diamond and tourism industries. Nkate told businessmen that Botswana had lower tax rates than South Africa, and that there were tax exemptions for the right investor. He recognised that diamonds were "a depleting resource" and that other areas had to be looked at to achieve a sustainable economy; for example the manufacture of leather goods using animal hides, glass manufacture from excess soda ash resource, and, of course, building tourism.⁷⁴ This was a crucial and urgent imperative.

⁶⁹ As cited on, D. James, 'Botswana Slides into Recession', *The Botswana Guardian*, 07 July 1995.

⁷⁰ *Ibid.*

⁷¹ *Ibid.*

⁷² *Ibid.*

⁷³ K. Good, 'Resource Dependency and its Consequences: The Costs of Botswana's Shining Gems', *Journal of Contemporary African Studies*, 23, 1 (2005), 28.

⁷⁴ *Ibid.*, 30.

In a table of twenty of the world's most resource-dependent countries, as far back as 1995, Botswana of 35.1% of Botswana's GDP was generated by diamond mining. This compared to Sierra Leone with a figure of 28.9%, Zambia with 26.1%, Mauritania at 18.4%, Bahrain at 16.4% and Liberia on 12.5%. Botswana was the most mineral-dependent country in the world.⁷⁵

While the business sector had been apprehensive about the potential effects of the liberalisation of the South African economy, at the political level, politicians were more interested in projecting a more harmonious relationship. The Government of Botswana saw the South African private sector as a catalyst in terms of socioeconomic development which made it an important partner.⁷⁶ Thus, it was ready to establish a public-private partnership with investors who were willing to take up direct investment within the diamond-rich Botswana, in order to keep the economy of the country afloat. Addressing the South African press in 2003, Nkate said:

I urge the investment community to utilize the conducive investment climate and growth opportunities in Botswana. For those who had ambitions of becoming investors could take this opportunity to freely repatriate their profits and dividends without worrying about foreign exchange controls because they would be scrapped off.⁷⁷

He encouraged foreign banks fund managers and reinsurance companies to set up offices at the Botswana IFSC to serve the whole SADC region. It granted these companies or foreign investors a 15% corporate tax rate which was guaranteed until June 2020. These investors were also exempted from withholding taxes, provision of credits for withholding taxes levied in foreign jurisdiction access to Botswana's Double Taxation Treaty network and no foreign exchange on capital controls which were abolished since 1909.⁷⁸

By September 2003, the IFSC had approved 18 applications from various companies and 11 of those had started operations in Botswana, including five South African companies.⁷⁹ Therefore the signing and ratification of this tax agreement between Botswana and South Africa would

⁷⁵ Good, 'Resource Dependency and its Consequences', 28.

⁷⁶ 'Botswana Woos the Private Sector', *The Star*, 23 October 2002.

⁷⁷ M. Lebelo, 'Botswana Highlights Investment, Growth Opportunities', *The City Press*, 21 September 2003.

⁷⁸ *Ibid.*

⁷⁹ 'Botswana Tax Treaty Welcomed', *The Citizen*, 18 August 2003.

enable more South African companies to participate.⁸⁰ Some South African companies moved administrative operations to Botswana in 2003 to utilise the incentives offered to them by IFSC.⁸¹ These companies included Standard Bank's African Banking Group, Metcash Africa, Braits African Alliance funding managers, Zimbabwe's Econet Wireless and Wilderness Safaris.⁸² Botswana used IFSC to become a financial services hub especially targeting foreign investors willing to run operations in the region, and in the process the country sought to develop into a world class hub for cross-border financial and business service.⁸³ The impact of these policies were evident almost immediately as Mettcash Africa's Financial Division was moved from Johannesburg to Gaborone on account of the better tax benefits exchange control.⁸⁴ At the time, Metcash Africa considered Gaborone's growing financial community a relatively better source of capital for expansion in Southern Africa which it desperately required.⁸⁵

Although there was anxiety following the end of apartheid in South Africa, this section has argued that Botswana worked hard to keep and even attract more investors from South Africa. Investment opportunities were opened up in Gaborone and the burden of taxation was lessened. Not only that, the end of apartheid also improved the position of SACU members that they began to renegotiate the existing agreement, as discussed below.

The 2002 Southern African Customs Union (SACU) Renegotiation

The previous section noted that the SADC countries in general, and Botswana in particular reacted to South African independence with some trepidation. In what follows the reaction of SACU, the sub-regional organisation made up of Botswana, Namibia, Lesotho and Swaziland, to the changed circumstances is discussed. The intra-regional trade surplus had always been heavily in South Africa's favour, as it served as the principal supplier of consumer goods and services to the other SACU members. In the case of Botswana 14% of its exports in 1997 were destined for

⁸⁰ *Ibid.*

⁸¹ S. Jardin, 'Botswana Attracts SA Companies', *The Citizen*, 11 September 2003.

⁸² *Ibid.*

⁸³ Jardin, 'Botswana Attracts SA Companies'.

⁸⁴ Wilson, 'Botswana could get new Fund'.

⁸⁵ *Ibid.*

the SACU market, whereas 72% of its imports were sourced worth South Africa. For Lesotho (in 1995) the respective figures were 52 % and 91 %; for Namibia, (in 1996) 23 % and 84 %; and for Swaziland (in 1996) 67 % and 90 %.⁸⁶ In the huge imbalance South Africa's favour made Pretoria easier for it to exert influence and potentially dominance.

This huge inequality emphasized the need for renegotiation and fair revenue sharing.⁸⁷ The 1969 SACU deal had supported and established a sophisticated redistributive allocation of its "own resources" known as the Revenue Distribution Formula (RDF), or sometimes referred to as Revenue Sharing Formula, which was used to allocate a Common Revenue Pool among its five states, as discussed in Chapter Two. Furthermore, the 1969 SACU agreement used this formula to compensate the BLS, and later BNLS states for being in a customs union that was dominated both economically and politically by South Africa.⁸⁸

In 1994, the challenges of converting an exploitative hegemonic relationship within the SACU were apparent. The Southern African region had unequal levels of economic growth and production. Due to South Africa's economic dominance, industrial development was concentrated there which only served to advance and reinforce its position as the region's economic hub.⁸⁹ South African economist Harry Zarenda asserted that:

Any future restructuring strategy undertaken by a new South African Government covering development, industrial, labour and trade have to take account of not only the existence but also the effects on other members of SACU. Equally important, such a strategy should involve analyzing the capacity and capability of the BNLS in supplying raw materials intermediate inputs and even competing consumer goods to South African markets.⁹⁰

⁸⁶ C. MacCarthy, 'The Southern African Customs Union in Transition', *African Affairs*, 102, 409 (2003), 610.

⁸⁷ R. Kirk and M. Stern, 'The New Southern African Customs Union Agreement', *Africa Region Working Paper Series*, No.57 (2003), 1.

⁸⁸ R. Gibb, 'South Africa in the Southern African Customs Union', in A. Adebajo and K. Virk (eds), *Foreign Policy in Post-Apartheid South Africa: Security, Diplomacy and Trade* (London: I.B Tauris, 2018), 284.

⁸⁹ T. K. Benjamin, 'South Africa's Role in the Southern Customs Union: 1994-1996', (Masters of Management, University of Witwatersrand, 1998), 15.

⁹⁰ As cited in, T. Boitumelo, 'New RSA Government will have to Repress its SACU Backlog', *The Botswana Guardian*, 11 March 1994.

Thus, the SACU renegotiation which was signed in 2002, was actually initiated by South Africa in 1994, as the new government tried to alter its actions compared to the previous apartheid regime. The new agreement established a Council of Ministers which was now the highest decision making body, where decisions were made by consensus among the members.⁹¹ Heads of State from Botswana, Namibia, Lesotho, Swaziland and South Africa met in Gaborone on the 21st October 2002 to sign the renegotiated SACU agreement.⁹² It consisted of 51 articles arranged in nine parts, which was signed by the Heads of State of the member countries. The political forces of colonialism, post-colonialism and apartheid, and the reality of economic interdependence, if not dependence, determined the establishment of SACU and the development of arrangement through its long and eventful history.⁹³ A Customs Union Task Force was set up to negotiate a new SACU agreement, which was meant to design institutions and decision making procedures, so as to “democratize” SACU.⁹⁴

The South African government had taken the lead in acknowledging the lopsided nature of the agreement, with President Mandela noting that the old SACU agreement reflected the colonial approach to economic matters, acknowledging that the 1969 agreement was signed between, “a bully and smaller neighbours whose economies and security forces were far weaker than those of big brother who intimidated them.”⁹⁵ Thus, Mandela promised to work closely with the other members on negotiations for a new SACU agreement which would bring about greater equality to the involved member states.⁹⁶ While these negotiations were taking place, member countries took turns to explain how the 1969 Agreement placed them at South Africa’s mercy. For instance, Botswana’s Minister of Commerce and Industry, George Kgoroba, told Parliament that the 1969 SACU Agreement gave power to South Africa to amend the legislation of SACU without consulting other member states.⁹⁷ Mills Solo also argued that the existing 1969 agreement exemplified

⁹¹ X. Mlumbi-Peter, ‘South Africa and the Southern African Customs Union’, *Parliamentary Portfolio Committee on Trade and Industry*, 29-July-2015, <https://www.thedti.gov.za/parliament/2015/SACU.pdf>, accessed, 01 April 2018, 4.

⁹² J. Bunu, ‘SACU Agreement Signed’, *The Midweek Sun*, 23 October 2002.

⁹³ MacCarthy, ‘The Southern African Customs Union in Transition’, 620-630.

⁹⁴ Gibb, ‘South Africa in the Southern African Customs Union’, 283.

⁹⁵ L. Kgaswe, ‘SACU to Be Put Right’, *The Botswana Gazette*, 13 September 1995.

⁹⁶ *Ibid.*

⁹⁷ ‘S.A Exports to Botswana total over P3 Billion’, *The Botswana Guardian*.

South African disrespect for the Southern African region. Past policies implemented by Pretoria had undermined the economic development of the SACU member states.⁹⁸ Though on a positive note, the 1969 Agreement provided for the development of the infant industries in the BLS states, South Africa still took advantage of that clause in the agreement to its own benefit.⁹⁹ This became a bone of contention between it and other member states which the SACU renegotiation aimed at addressing.¹⁰⁰ In fact, by the time Namibia joined SACU, apartheid had tarnished the image of SACU and the other member states were only too aware of how unfair the arrangement was. In when renegotiation was tabled, there was a new sense of democracy relating to the terms and outcomes of the agreement in comparison to the old one.¹⁰¹ According to Festus Mogae, who became Botswana's President in 1998, the new agreement brought about equality within the union because all the trade proceeds that were previously enjoyed by South Africa alone would now be shared by all members. Neo Moroka, President of Botswana Confederation of Commerce, Industry and Manpower (BOCCIM), said the old agreement had the greatest impact on business in Botswana than any other cooperative agreement in peace times.¹⁰² Prior to 2002, the smaller members only benefited from the revenue-sharing which came from the importation of capital goods used in the development of physical infrastructure.¹⁰³

After renegotiations, members were supposed not to suffer revenue loss as compared to the previous arrangement. Mogae was clearly delighted that South Africa's unfair share in the SACU arrangement was coming to an end. The economic levels of the Southern African states were bound to grow hence Mogae asserted that, "the agreement is an appropriate vehicle for Southern Africa's journey into a future of sustained economic growth and development."¹⁰⁴ The new agreement meant South Africa would no longer be the sole administrator and distributor of revenue. Instead, the ultimate decisions would be made by the Council of Ministers and not

⁹⁸ M. Soko, 'Building Regional Integration in South Africa: Southern African Customs Union As A Driving Force?', *Southern African Journal of International Affairs*, 15, 1 (2008), 59.

⁹⁹ *Ibid.*

¹⁰⁰ 'SACU gives RSA too much Power', *The Botswana Guardian*, 07 July 1995.

¹⁰¹ S. Mogapi, 'A Fair Deal for All in SACU', *The Botswana Gazette*, 23 October 2002.

¹⁰² Kgaswe, 'SACU to Be Put Right', *The Botswana Gazette*.

¹⁰³ *Ibid.*

¹⁰⁴ Bungu, 'SACU Agreement Signed', *The Midweek Sun*.

South Africa. This Council of Ministers appointed the secretariat and tariff board members. A Customs Union Commission was set up and consisted of senior officials from the member states. This Commission was to implement the agreement and report to the Council of Ministers.¹⁰⁵ The changes which placed Botswana in a better position on its economic relations with South Africa.

Though South Africa led the negotiations that resulted in the Revenue Distribution Formula of 2002, there was a flawed assumption underpinning its strategy. Pretoria was wrong to believe that income generated through the Common External Tariff would reduce drastically because of multilateral trade liberalisation and bilateral trade agreements, such as 'the Trade, Development and Cooperation Agreement with the EU.'¹⁰⁶ Under the 1969 Agreement, South Africa only received residual income after the BNLS had benefited from the revenue distribution formula, but this changed after 2002 when Pretoria became a beneficiary of the revenue distribution formula and no longer a recipient of residual income.¹⁰⁷

The *Botswana Gazette* reported that this change meant that "South Africa will no longer have the lion's share of the money earned in the five-country Southern African Customs Union (SACU)".¹⁰⁸ Mogapi noted that, the new agreement "enabled the still fragile infantile industries to be able to compete on prices with goods from outside. South Africa has a lot of options."¹⁰⁹ This meant that new agreement allowed member states to set up a new revenue-sharing formula that would afford the countries equitable share of accrued customs revenue.¹¹⁰ As such an economic improvement in the status of the smaller SACU member states was expected. According to, Zarenda, a strategy for future development was to link up various sectors across the region. He recommended that there should be democratic institutional structures in all key decision-making areas and that regular consultations be introduced. Zarenda also suggested

¹⁰⁵ *Ibid.*

¹⁰⁶ Gibb, 'South Africa in the Southern African Customs Union', 285.

¹⁰⁷ *Ibid.*

¹⁰⁸ Mogapi, 'A Fair Deal for All in SACU'.

¹⁰⁹ Mogapi, 'New Lease of Life for SACU'.

¹¹⁰ *Ibid.*

there should be a revision of the revenue-sharing formula which was central to the distribution of costs and benefits amongst SACU member countries.¹¹¹

The new agreement meant the involvement of all member states in decision making and a new revenue-sharing arrangement amongst the countries.¹¹² Baledzi Gaolathe, Botswana's Minister of Finance and Development Planning, explained that the total excise duty revenue of 85% was to be shared according to each member's total GDP in the new 2002 agreement. Furthermore, "A development component fund 15% will be shared inversely so that the country with the biggest GDP receives the smallest share of the fund."¹¹³ Gaolathe, the head of Botswana's negotiating team, pointed out that it was vital to protect and nurture smaller economies.¹¹⁴ In the 2002 agreement, there was leeway for member countries to engage in third-party trade agreements depending on the own circumstances.¹¹⁵ It cannot be denied, though, that SACU nonetheless drew major industrial and commercial projects to South Africa.¹¹⁶ For instance, Robert Kirk and Matthew Stern, observed that precisely because South African companies dominated the Southern African landscape, other SACU member sourced most of their imports from South Africa.¹¹⁷

However, Gaolathe claimed in Parliament that the renegotiated 2002 SACU agreement would bring industrial development to the weaker economies.¹¹⁸ The 2002 SACU Agreement basic view, did not drop the original SACU concept, which was sustenance of cross-border movement of goods between the SACU member states. Even so, countries could still impose restrictions on imports and exports depending on their own laws and regulations. Marketing restrictions could also be imposed on agricultural products within the country's borders. The new SACU agreement complied with all the requirements and regulations of the World Trade Organization (WTO); its

¹¹¹ *Ibid.*

¹¹² Kirk and Stern, 'The New Southern African Customs Union Agreement', 16.

¹¹³ Mogapi, 'A Fair Deal for All in SACU'.

¹¹⁴ *Ibid.*

¹¹⁵ *Ibid.*

¹¹⁶ Kgaswe, 'SACU to be Put Right'.

¹¹⁷ Kirk and Stern, 'The New Southern African Customs Union Agreement', 3.

¹¹⁸ S. Mogapi, 'New SACU Agreement Offers Equity to Member Economies- Gaolathe', *The Botswana Gazette*, 20 March 2002.

rules were clearly considered in the new agreement negotiations.¹¹⁹ Having described how Botswana-South Africa's relations were impacted upon by the South Africa's transition to majority rule, by Pretoria becoming part of SADC and the SACU Renegotiation Agreement, the remainder of this turns to assessing how Pula devaluations also shaped these experiences.

Pula Devaluations

Botswana's reliance on the export of minerals made it extremely vulnerable to exchange rate fluctuations. When Gaborone experienced currency appreciation, this was initially helpful in diversifying the economy.¹²⁰ Diversification of the economy coupled with planned investment supported the economy in times of economic turbulence, but the country had not made wide enough changes to achieve full diversification from mineral exports.¹²¹ The Minister of Finance and Development Planning, Gaolathe, said, "one of Botswana's exchange rate policy objectives is to maintain a stable and competitive real exchange rate of the Pula against a basket of international currencies. This is a critical element in our strategy to achieve sustained and diversified development."¹²² Due to Botswana's export of minerals from the 1970s, it had maintained a stable exchange rate and acquired considerable foreign reserves. Botswana's adoption of cautious macroeconomic policies contributed to its rapid economic growth from 1969 onwards making it one of the fastest growing economies in the world.¹²³

In late 2001 the trend changed following a steady appreciation of the Pula against the export market currencies.¹²⁴ The Pula remained strong but the Rand was depreciating quickly which pulled down the two currencies because they were closely tied. The South African Rand had more

¹¹⁹ *Ibid.*

¹²⁰ A. Poteete and A. M. Gramajo, 'Overlapping Sectors: Botswana's Inoculation Against the Dutch Disease', Working Paper 60 Presented at the 101st annual meeting of the American Political Science Association, 1-4 September 2005, George Mason University, Washington D.C., 2.

¹²¹ *Ibid.*

¹²² H. Preass, 'Botswana devalues Pula', *Business Day*, 31 May 2005.

¹²³ Poteete and Gramajo, 'Overlapping Sectors: Botswana's Inoculation against the Dutch Disease', 4.

¹²⁴ *Ibid.*, 21-22.

weight in the basket of currencies including the US Dollar, in the Special Drawing Rights (SDR) group.¹²⁵

The Bank of Botswana resorted to a devaluation of the Pula by 7.5% in February 2004 in order to counter the effects of the appreciation of the currency, which tended to slow economic development. This step improved the competitiveness of Botswana's products in domestic, regional and international markets.¹²⁶ The devaluation was done as a way of improving the competitiveness of Botswana's export products. Moreover, this was meant to improve the government's revenues in the terms of Pula from the diamonds revenues. Revenue from the diamonds reduced the deficit financing by the government because "when the Pula appreciates the Botswana Government's revenue falls in term of the Pula as the biggest earner of export revenues from diamond."¹²⁷ The effect was felt against the Rand by exporters and domestic producers' competitiveness. According to World Economic Forum (WEF) in 2004, Botswana was ranked one of Africa's competitive economies, ahead of South Africa and Nigeria.¹²⁸ Table 4.1 below shows the average rates between the countries; by 2003 P1.00 was equivalent to R 1.40 which means the Pula was considerably stronger than the Rand. After devaluation in 2005, the Pula was equal to R1.17. This meant that Botswana products were no longer as expensive as they had been in South African markets.

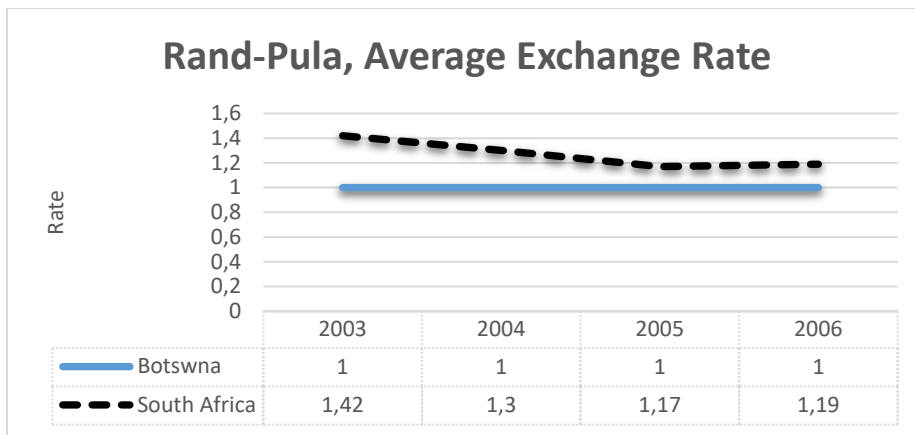
¹²⁵ M. T. Paul and G. R. Matlaleng, 'The Pula-Dollar Exchange Rate and the Purchasing Power Parity in Botswana', *Journal of Developing Areas*, 41, 2 (2008), 207.

¹²⁶ 'Botswana Acts to Counter Rand', *Sunday Times*, 08 February 2004.

¹²⁷ Paul and Matlaleng, 'The Pula-Dollar Exchange Rate and the Purchasing Power Parity in Botswana', 207.

¹²⁸ 'Botswana's economy turns up trumps', *The Star*, 03 June 2004.

Table 4.1: Rand – Pula Average Exchange Rate, 2003-2006



Source: <https://www.xe.com/currencytables/?from=ZAR&date>

In an official statement, the Bank of Botswana explained that, the devaluation of the Pula had sheltered domestic producers against the cheaper Rand, and consequently had kept open the possibilities for economic diversification.¹²⁹ In a press release statement, Gaolathe, stated that:

Pursuant to section 21 of the Bank of Botswana Act, the President had authorized the devaluation of the Pula by 7.5% with immediate effect. The Pula was pegged to a basket of currencies, the South African Rand, the US Dollar, the Euro, the British Pound and the Japanese Yen with weights reflecting Botswana's trading patterns. A critical element in Botswana's overall exchange rate strategy is to maintain a stable and competitive real exchange rate of the Pula, primarily through control of domestic inflation but also when necessary, by changing the fixed nominal exchange rate of the Pula against the basket. A stable exchange rate is important in achieving macroeconomic stability, sustained diversified development and job creation.¹³⁰

Mmasekgoa Masire-Mwamba, the CEO of the Botswana Export Development and Investment Authority (BEDIA) said exporters in the country needed to produce more to reduce dependency on diamonds and diversify the economy: “Botswana may have a small market, but is perfectly located to become a financial hub for the 200 million people in the 14 countries in the SADC.”¹³¹

¹²⁹ M. Isa, ‘Botswana Devalues Pula in a Surprise Move’, *The Star*, 31 May 2005.

¹³⁰ Bank of Botswana, ‘Devaluation of the Pula’, *Press Release*, www.bankofbotswana/assets/uploaded/devaluation-of-pula-Feb-5-2004.pdf, accessed 23 November 2017.

¹³¹ S. Graham ‘Botswana foes for Economic Diversification’, *The New Era*, 24 July 2003.

Prior to devaluation Botswana had experienced unbalanced growth in its construction and commerce sectors. This was redressed by 7.5% devaluation in February 2004.¹³²

Even though the Pula was devalued in 2004, maintaining its stability against the Rand, it nonetheless began to appreciate against its export market currencies. This led to a further devaluation by 12.5% in May 2005, and the introduction of the crawling peg system, which was meant to limit any future misalignments.¹³³ The 2005 devaluation was once again done to ensure stability and competitiveness in the real exchange rate.¹³⁴ The currency markets were surprised by Botswana's devaluation of the Pula in 2005 because it was greater than the year before, and followed a significant drop in interest rates one month earlier, in April 2005. The mining industry, textile, beef and tourism all benefitted more from the new system because they were Botswana's main exports source of foreign revenue.¹³⁵

The Pula had appreciated by 12.8% after the devaluation in 2004. However, the 12.5% devaluation brought in a different scenario as it was accompanied by the crawling peg system, which brought a continuous depreciation of the Pula.¹³⁶ According to the Assistant Minister of Finance and Development Planning, Guma Moyo; "the crawling peg is a method of achieving a desired adjustment in the exchange rate (up or down) by small percentages continuously within a given band or range rather than by major devaluation or valuation."¹³⁷ As a result of the crawling peg system, it was apparent that the Pula would be devalued by 12.5% in May 2005 so

¹³² Poteete and Gramajo, 'Overlapping Sectors: Botswana's Inoculation against the Dutch Disease', 21-22.

¹³³ A crawling Peg System is an automatic system for revising the exchange rate, establishing a par value around which the rate can vary up to a given percentage point. The system combines the flexibility of a floating rates with the stability usually associated with fixed rates. Other countries that have used this system include, Bolivia, Brazil, Costa Rico and Peru. See, G. R. Matlaleng, 'Botswana's Crawling Peg Exchange Rate System: Trends and Variations in the Pula Exchange Rate', *Botswana Notes and Records*, 41 (2009), 107; Poteete and Gramajo, 'Overlapping Sectors: Botswana's Inoculation against the Dutch Disease', 22; O. Shenkar and Y. Lou *International Business* (London: Sage Publications, 2008), 246 and R. J. Carbaugh, *International Economics* (Boston: Cengage Learning, 2017), 469.

¹³⁴ 'Botswana Devalues the Pula', *BBC News*, <http://news.bbc.co.uk/2/hi/business/4595419.stm>, accessed-23 November 2017; Poteete and Gramajo, 'Overlapping Sectors: Botswana's Inoculation against the Dutch Disease', 21.

¹³⁵ 'Botswana Devalues the Pula', *BBC News*, <http://news.bbc.co.uk/2/hi/business/4595419.stm>, accessed-23 November 2017.

¹³⁶ Matlaleng, 'Botswana's Crawling Peg Exchange Rate System: Trends and Variations in the Pula Exchange Rate', 107.

¹³⁷ J. Regomaye, 'Minister Says Botswana Benefited From Devaluation of the Pula', *Sunday Standard*, 13 April 2008.

as to bring it in line with its long-term average.¹³⁸ The government tried to remove existing over-valuation and decrease the possibility of future over-valuation as a result of these moves. The crawling peg system was used as it adjusts automatically to shifts in the basket of currencies, and exchange rate stability should increase in real terms without the need for major readjustments.¹³⁹ After the introduction of the crawling peg in 2005, the objective remained the maintenance of real effective exchange rate stability.¹⁴⁰

Furthermore, the second devaluation in May 2005 was meant to reverse the effect of the Pula appreciation and high inflation of the early 2000s. It also maintained the Real Effective Exchange Rate (REER) stability. Before the 2005 devaluation, the 7.5 % devaluation of 2004 did not have a lot of impact on the appreciation of the Pula as it still appreciated even after the devaluation, this motivated the second devaluation and the adoption of the crawling peg system, in order to stabilise the Pula.¹⁴¹ Prior to adoption of the crawling peg system, the Bank of Botswana adopted a fixed peg regime, where the Pula was pegged against a basket of currencies the Rand which constituted 60-70%. The adoption of the crawling peg resulted in convergence towards a one-to-one exchange with the Rand. "The Pula/Rand exchange rate depreciated from 0.74 in the months prior to May, to 0.82 in June. The next few months saw a further gradual devaluation of the Pula/Rand exchange rate reaching 0.89 by April 2006."¹⁴²

However, the Standard Chartered's Africa economist, Razia Khan, stated that the South African Rand had depreciated sharply against the dollar a few weeks before the 12.5% depreciation of the Pula¹⁴³. This, therefore, made it odd as the Rand accounted for 60-70% of the Pula basket. After the devaluation one Pula was to be equivalent to 1.21 Rands rather than 1.37 Rands.¹⁴⁴

¹³⁸ *Ibid.*

¹³⁹ Poteete and Gramajo, 'Overlapping Sectors: Botswana's Inoculation against the Dutch Disease', 22.

¹⁴⁰ *Ibid.*

¹⁴¹ O. K. Lesotho, G. R. Motlaleng and M. M. Ntsosa, 'Stock Market Returns and Exchange Rates in Botswana', *African Journal of Economic Review*, 4, 2 (2006), 18.

¹⁴² M. A. Nchaka, L. Edwards and N. Rankin, 'Closer Monetary Union and Product Market Integration Emerging Economies: Evidence from the Common Monetary Area in Southern Africa', *International Review of Economics and Finance*, 54 (2018), 156.

¹⁴³ 'Botswana Devalues Pula Currency by 12%', *The Namibian*, <https://www.namibian.com.na/index.php?id=15974&page=archive-read>, accessed 24 November 2017.

¹⁴⁴ *Ibid.*

Khan also pointed out that the prices were likely to increase, push inflation up to 9% in that year as South Africa was one of Botswana's main trade partners.¹⁴⁵ When the Pula appreciated strongly against the Rand, it was met by an equally drastic depreciation against the US dollar. This was influenced by the swift drop of the Rand against the dollar. These movements on exchange rate were favourable to Botswana, as it concurrently gained competitiveness in export markets and increased buying power in its major import market. If a country's currency is overvalued, it can hinder the development of other tradable sub-sectors, as it will be undermining their ability to compete locally against imports and international markets.¹⁴⁶

Despite claims from Bank of Botswana's Public Relations Officer, Chepete Chepete, that the devaluation would balance the needs of smaller and larger industries, the small business community complained that the devaluation of the Pula made it difficult to import raw materials from South Africa. For example, Alpha Moesi owner of a sorghum mill in Tonota, complained that importing packaging material had become very expensive, and only export companies benefited from the devaluation.¹⁴⁷ Furthermore, it favoured the few exporting companies while hurting local importers who were then forced to lay-off employees. Raju Fender, the Financial Director of Northern textiles (Nortex) in Francistown, pointed out that the company had benefited a lot from the devaluation since they exported most of their towels to South Africa at a competitive price.¹⁴⁸ Although this disadvantaged the smaller importing companies it gave a boost to the exporting companies which were the main players in Botswana's economic growth.

Oupa Tsheko, an economist said, the Pula devaluation indicated that the diamond industry could no longer support Botswana's economy.¹⁴⁹ Another economist Peter Mwikisa stressed that it was local consumers who were going to pay the price of the 12.5% devaluation. Obonye Galebotswe and Tshimologo Andias asserted that "despite the abundance of both theoretical and empirical

¹⁴⁵ <http://www.aljazeera.com/archive/2005/05/200841014259391714.html>, accessed 24 November 2017.

¹⁴⁶ Poteete and Gramajo, 'Overlapping Sectors: Botswana's Inoculation against the Dutch Disease', 22.

¹⁴⁷ J. Kopo, 'Small Industries Cry after Pula Devaluation', *Mmegi*, 19 October 2004.

¹⁴⁸ *Ibid.*

¹⁴⁹ 'Pula Causes Debate in Botswana', <https://www.fin24.com/Economy/Pula-causes-debate-in-Botswana-20050603>, accessed-27 November 2017.

evidence pointing to possible contractionary devaluations in developing and emerging market economies, many developing countries continue to actively use currency devaluations as a tool to promote exports and economic growth."¹⁵⁰ Indeed mining economies have often improved their economic performance through macroeconomic policies encouraging to investment or saving additional revenues obtained from a boom.¹⁵¹ Unlike Botswana, an example can be given for countries like Nigeria and Mexico that failed to implement macroeconomic policies which could have helped limit the effects of Dutch disease, that is, "a sharp currency appreciation making other exports less competitive."¹⁵²

Since the diamond boom, Botswana managed to avoid the effects of Dutch disease in several ways. These included the introduction of a revenue stabilisation fund, which was meant to even out revenue fluctuations, and while saving any budget surplus. It also accumulated foreign exchange reserves, which made possible the pegging of the Pula against international currencies. Lastly, it created a sovereign wealth fund which became an offshore investment vehicle for mineral revenues that could be accessed in times of crisis.¹⁵³ Financial control is politically difficult under any circumstances; for example, the rising demand for government spending invariably that accompanies a resource boom. Nonetheless, Botswana managed to contain political pressures to spend additional income, while adopting more conservative macroeconomic policies that protected long-term economic growth.¹⁵⁴

¹⁵⁰ O. Galebotswe and T. Andrias, 'Are Devaluations Contractionary in Small Import –dependent Economies? Evidence from Botswana', [file://mcsfs02/users\\$/2012099830/Downloads/72979-160370-1-PB.pdf](file://mcsfs02/users$/2012099830/Downloads/72979-160370-1-PB.pdf), accessed-23 November 2017.

¹⁵¹ Poteete and Gramajo, 'Overlapping Sectors: Botswana's Inoculation Against the Dutch Disease', 4.

¹⁵² See, Turning Finite Resources into Enduring Opportunity: The Economic Contribution to Botswana of the Partnership between the Government of the Republic of Botswana and De beers, <https://www.debeersgroup.com/~media/Files/D/De-Beers-Group/documents/reports/botswana/deb081-impact-botswana-single-low-res.pdf>, accessed 10 November 2018 and Poteete and Gramajo, 'Overlapping Sectors: Botswana's Inoculation Against the Dutch Disease', 4.

¹⁵³ Turning Finite Resources into Enduring Opportunity: The Economic Contribution to Botswana of the Partnership between the Government of the Republic of Botswana and De Beers, <https://www.debeersgroup.com/~media/Files/D/De-Beers-Group/documents/reports/botswana/deb081-impact-botswana-single-low-res.pdf>, accessed-10 November 2018. See also, C. Harvey, 'Botswana: Is the Economic Miracle Over?', *Journal of African Economies*, 1, 3 (1992).

¹⁵⁴ Poteete and Gramajo, 'Overlapping Sectors: Botswana's Inoculation against the Dutch Disease', 22.

Conclusion

This chapter has discussed how relations between Botswana and South Africa developed after South Africa's first democratic election 1994. There were mixed feelings amongst the politicians and the business community in Botswana about the 'new' in South Africa. Gaborone pondered whether these new changes would be positive or negative for Botswana's economy. As this chapter has shown, the major fear was that investors would relocate from Botswana to South Africa. However, for all that South Africa's very much large population and favourable geographical location were tempting for businesses, the potential for instability after such a significant political and economic shift encouraged investors to stay their hand. Building on a point raised previously in Chapter Two, that's Botswana's international reputation as a country characterised by peace and tranquillity and, a stable place in which to invest, was an important asset during its neighbour's transition from apartheid to democracy. Additionally, this chapter examined the impact of South Africa joining SADC and the renegotiation of the SACU in 2002, seeing both as largely positive. More than this the measures taken by the Botswana government to keep the economy of the country afloat by devaluing its currency made local products and services competitive on regional and international markets. Overall, it argued that the 1994 transition of South Africa to majority rule was positive for the economic relations between Botswana and South Africa, certainly when compared to the apartheid government's total strategy which, as shown in the previous chapter, resulted in the destabilisation of South Africa's neighbours. It concludes by noting the belief that since the two governments now had a mutual understanding in political matters, such as their belief in democracy by majority vote as opposed to the apartheid regime, trade relations were expected to become smoother.

CHAPTER FIVE

ECONOMIC RELATIONS FROM 2007 TO 2014

Introduction

This chapter explores the challenges faced by Southern Africa during the global economic crisis. This crisis coincided with a high demand for electricity in both Botswana and South Africa. As this chapter will show, South Africa itself faced serious power challenges and in turn threatened to cut its electricity supply to Botswana,¹ a connection first made when Botswana was still a protectorate. As Kanduza has shown, it was in April 1950 that the South African grid was extended to Lobatse, southern Botswana, and Maun, North-Western Botswana at the Protectorate's request.² The demand for energy increased in the 1960s as a result of growing light commercial and domestic use.³ Framed by these historical connections, this chapter analyses relations between the two countries as they dealt with the twin challenges of global recession and regional electricity shortage. During this period, South African and Botswana relations entered the most difficult and challenging period of their economic coexistence since the advent of majority rule in South Africa.

Global Economic Recession Era

The fact that the 2008 global financial crisis was the worst recession experienced by the global economy since the Great Depression of the late 1920s and early 1930s is without doubt.⁴ Starting in the global North and spreading to the whole world, the crisis at its peak in 2008 was arguably

¹ A recession is a period of time when a nation's gross domestic product (GDP) declines for at least two consecutive quarters. See, V. Mosweu, R. Asmal and G. H. Desai, 'An Evaluation into the Impact of the Global Recession on Botswana Building Society (BBS)', *International Review of Management and Business Research Journal*, 5, 4 (2016), 1279; R. A. Arnold, *Economics* (Boston: South-Western Cengage Learning, 2010), 151.

² Kanduza, 'Let There Be Light': The Struggle for Developing Electricity Supply in Botswana, 1950—1970.' *Botswana Notes and Records* 41 (2009), 39-40.

³ M. Balat, 'Electricity from Worldwide Energy Sources', *Energy Sources Part B*, 1 (2006), 395.

⁴ V. Madubeko, 'The Global Financial Crisis and its Impact on the South African Economy', (Masters of Commerce Dissertation, University of Fort Hare, 2010), 1. See also, 'Dark Economic Clouds Loom', *The Midweek Sun*, 17 December 2008.

more serious in terms of magnitude when compared to the economic problems of the 1930s.⁵ Economically advanced countries were the first ones to be hit by the financial crisis in 2008 before it spread all around the world.⁶ Botswana's experiences during this time underscored its vulnerability to external forces.⁷ As the Minister of Finance and Development Planning, Baledzi Gaolathe, explained, Botswana was caught up in the global meltdown simply because of its spatial location in the global village. More specifically, Gaolathe traced the economic crisis to the United States. Gaolathe explained to the National Assembly that:

For quite a while, the US banks and mortgage banks were lending without due regard to ability to repay, what they called 'sub-prime lending'. The low interest rates policy of the US Federal Reserve Bank worsened the situation as it allowed very risky mortgages to be re-packaged into securities and be on the market at values that had hidden costs with underlying repayment risks of the original loans.⁸

This summed up the root cause of recession which gathered force in 2008. The crisis spread rapidly through trade linkages, declining foreign investments and remittances, and a huge reduction in commodity prices.⁹ In his 2009 State of the Nation address, President Ian Khama described the crisis, characterising it as one generated by external forces. He explained the crisis of globalisation poignantly, "the challenges we face as a nation are not always of our own making. We are living in a world where actions in one region will affect activities elsewhere. This reality has been manifest in the negative impact of the ongoing global economic downturn".¹⁰

Economist, Keith Jeffries was quoted in the *Sunday Standard*, where he pointed out that as an export-led country that depended on positive economic growth in developed countries which provided markets for its goods, Botswana was negatively affected by slower growth in the United States. In addition, inflation in Botswana rose due to the rising prices of fuel and food in South

⁵ 'Dark Economic Clouds Loom', *The Midweek Sun*.

⁶ S. Sahoo, 'Impact of Global Economic Recession on the Livelihood of Diamond Workers: A case study of Gujarat, India' (2010), http://webmail.global-labour-university.org/fileadmin/GLU_conference_2010/papers/21_Impact_of_Global_Economic_Recession_on_the_Livelihood_of_Diamond.pdf, accessed 01 October 2017. See also, P. Alaidede, *Recession and Recovery: Whither Africa's Emerging Financial Markets* (New York: Nova Science Publishers, 2011), 27.

⁷ Alaidede, *Recession and Recovery: Whither Africa's Emerging Financial Markets*.

⁸ *Hansard No. 158, Part-1, First Meeting, Fifth Session, Ninth Parliament* (3rd-7th November, 2008), Baledzi Gaolathe.

⁹ Madubeko, 'The Global Financial Crisis and its Impact on the South African Economy', 1.

¹⁰ *Hansard No.162, Part-1, Second Meeting, First Session, Tenth Parliament* (13th -17th November, 2009), Ian Khama.

Africa and the world.¹¹ A number of economic experts and observers had predicted the crisis, although they failed to convince the responsible parties who included Board of Governors of the US Federal Reserve Bank on the need to take action.¹² The Northern Rock, a British Building Society was the first to be affected outside the United States, because it was unable to borrow additional funds to pay off maturing debt obligations.¹³ Nonetheless, Botswana was not the only Southern African country to experience this massive shock. South Africa itself was the first Southern African country to be struck by the global economic crisis, largely because it was the most integrated into the global economy.¹⁴ However, South Africa's key position as a destination and also regional exporter of capital to African economic markets, meant that countries that depended on it suffered too. Indeed, as a consequence of the vagaries of the global meltdown, Botswana's GDP annual growth dropped from 5.5% in 2006/7 to 3.3 % in 2007/8.¹⁵ The negative outlook for Botswana's economy was significantly influenced by its dependence on minerals whose prices were among the first to fall. The drop in diamond retail sales by almost 20 % during 2008 in the United States, by far the biggest market in the world for diamonds, meant that Botswana mining industry, the government's cash cow since the 1970s, was particularly hit hard. Miners, cutters, polishers and retailers all suffered.¹⁶ Operations were slowed down by local mining companies, due to lack of credit lines and long term investment funds, other enterprises curtailed or postponed capital expenditure programmes. Whereas Botswana had produced, 33 639 diamond carats in 2007, within a year this had dramatically decreased to 17 733 carats.¹⁷

This in turn, greatly affected the balance of payments, even as rising inflation from mid-2007, principally caused by high international oil prices, put additional pressure on the Botswana

¹¹ G. Ganetsang, 'Global Economic Slowdown Could Affect Botswana's Economy', *Sunday Standard*, 20-26 April 2008.

¹² Madubeko, 'The Global Financial Crisis and its Impact on the South African Economy', 1.

¹³ *Ibid.*

¹⁴ M. C. Marumoagae, 'The Effect of the Global Economic Recession on the South African Labour Market', *Mediterranean Journal of Social Sciences*, 5, 23 (2014), 380.

¹⁵ *Hansard No. 158, Part-1, First Meeting, Fifth Session, Ninth Parliament* (3rd -7th November, 2008), Baledzi Gaolathe.

¹⁶ Sahoo, 'Impact of Global Economic Recession on the Livelihood of Diamond Workers', http://webmail.global-labour-university.org/fileadmin/GLU_conference_2010/papers/21.

[Impact of Global Economic Recession on the Livelihood of Diamond.pdf](#), accessed 01 October 2017.

¹⁷ *Ibid.*

economy. Unexpectedly, however, on the very eve of recession, the Pula appreciated against the South African Rand by 4.7%,¹⁸ causing Gaolathe to explain to the National assembly that:

with the current rate of inflation in Botswana exceeding that of South Africa, the real exchange rate vis-à-vis the Rand will have appreciated which will reduce somewhat the competitiveness of our producer of tradable goods and services that have to compete with South African products.¹⁹

By November 2008, diamond exports had fallen significantly, leading to a general lack of credit, and obliged citizens to “tighten their seat belts and brace for the worst, because it’s sure to come”.²⁰ The crisis in the country’s financial markets affected both the formal and informal sectors, as well as overall employment.²¹ No one escaped, whether ordinary people, families, business, retail outlets, or personal savings.²²

When the crisis had first began to manifest itself in western economies towards the end of 2007, the Khama government promised that strategies would be found to deal with the situation when it reached Botswana. Any adverse domestic consequences would be minimised.²³ To this end, Botswana fell back on the advantage of being located next door to its most important trading partner South Africa. In the recent past Botswana’s exports to South Africa had grown constantly contributing significantly to the country’s GDP increase between 2001 and 2008.²⁴ Botswana hoped that access to South African markets should shield it from the worst of the global recession. Besides looking to take advantage of its proximity to South Africa, Botswana’s government intended to build on its track record of prudent management of its mineral resources in order to cushion those retrenched. The government put in place extensive safety nets to deal effectively with some of the more pressing socio-economic challenges that the country faced. These included food insecurity, an unemployment rate of 7.9%, 30% of the population living below the basic standard of living, growing inequalities and the increasing rate of HIV/AIDS

¹⁸ *Hansard No. 158 Part-1, First Meeting, Fifth Session, Ninth Parliament* (3rd -7th November, 2008), Baledzi Gaolathe.

¹⁹ *Ibid.*

²⁰ ‘Dark Economic Clouds Loom’, *The Midweek Sun*.

²¹ Madubeko, ‘The Global Financial Crisis and its Impact on the South African Economy’, 2.

²² ‘Dark Economic Clouds Loom’, *The Midweek Sun*.

²³ *Hansard No. 158 Part-1, First Meeting, Fifth Session, Ninth Parliament*, (3rd -7th November, 2008), Ian Khama.

²⁴ Botswana Ministry of Finance and Development Planning, *National Development Plan 10* (Gaborone: Government Printer, 2009), 56-57. See also, Stats SA, <http://www.statssa.gov.za/?p=9181>, accessed 04 October 2018.

infections.²⁵ In July 2008, the government introduced the *Ipelegeng* programme to mitigate the effects of unemployment. *Ipelegeng*, directly translated self-reliance, encompassed temporary employment on a rotational basis. By April 2009, 234,462 people had been cumulatively employed. The Universal Old Age Pension was also part of Botswana's safety nets system, offering financial security to elderly citizens aged 65 and above.²⁶

While it is clear that the state played an important role through its attempts to deal with the effects of the depression, Botswana nonetheless paid dearly for its reliance on mining alone.²⁷ Table 5.1 shows that mining's decline impacted on the economy as a whole. GDP in the financial year 2007/08 contracted by -1.7 %, falling further by -20.0 %, the following year. This drop was caused primarily by the closure of major diamond mines such as Orapa and Jwaneng. By contrast the private and parastatal sectors averaged growth rates of 6.2% over the whole period, boosted significantly in 2007/08 by a surge of +12.3%. The non-mining private sector was crucial for the creation of employment and poverty eradication, while it was also an important indicator of economic diversification.

²⁵ Sahoo, 'Impact of Global Economic Recession on the Livelihood of Diamond Workers', http://webmail.global-labour-university.org/fileadmin/GLU_conference_2010/papers/21_Impact_of_Global_Economic_Recession_on_the_Livelihood_of_Diamond.pdf, accessed 01 October 2017. See also, Alaidede, *Recession and Recovery*, 23; Government of Botswana, *Selected Statistical Indicators 1966-2016*, 26.

²⁶ K. Nthomang, 'Botswana's Ipelegeng Programme Design and Implementation: Reduction or Perpetuation/ Entrenchment of Poverty?' *Asian Journal of Social Science Studies*, 3, 3 (2018), 27; D. A. Robalino, D. L. Newhouse, F. Rother, 'Labour and Social Policies during the Crisis and the Recovery', in A. Banerji, D. L. Newhouse, P. Paci and D. A. Robalino, *Working Through the Crisis: Jobs and Policies in Developing Countries during the Great Depression* (Washington: The World Bank, 2014), 99 and M. S. Ulriksen, 'Social Policy Development and Global Financial Crisis in the Open Economies of Botswana and Mauritius', *Global Social Policy*, 11, 2-3 (2011), 204.

²⁷ *Hansard No.162, Part-1, Second Meeting, First Session, Tenth Parliament* (13th -17th November, 2009), Ian Khama.

Table 5.1: Growth of GDP 2003/04 to 2008/09 by major sector

YEARS ENDING MARCH	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	AVERAGE
Mining	+6.5	+6.0	+2.0	+3.4	-1.7	-20.0	-0.7
General Government	+5.4	+7.7	+2.5	+2.2	+2.8	+9.7	+5.1
Private and Parastatal	+5.1	+6.9	+1.0	+5.0	+12.3	+6.7	+6.2
Total GDP	+5.7	+6.7	+1.6	+3.9	+5.0	-3.3	+3.3

Source: Botswana NDP 10; Statistics Botswana

Botswana's GDP fell significantly during the economic recession, whereas projected growth calculated before the global recession began was +5.5%, actual growth decreased by -3.3% in 2008/9 as demonstrated in Table 5.2.

Table 5.2: GDP growth: Projected and Actual, 2003-2009 (%)

YEAR ENDING MARCH	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	AVERAGE
Projected growth	+5.1	+5.9	+6.6	+4.9	+5.0	+5.4	+5.5
Actual growth	+5.7	+6.7	+1.6	+3.9	+5.0	-3.3	+3.3

Source: Botswana NDP 9; NDP 10; Statistics Botswana

In South Africa, consumer demand deteriorated markedly, even as a growing energy crisis affected the manufacturing sector. The looming April 2007 elections aggravated political

uncertainty further discouraging investment.²⁸ Starting in the last quarter of 2008, South Africa's economy declined for three successive quarters, causing one million people to lose their jobs.²⁹ Table 5.3 below shows that South Africa's mining industry was the most affected by the recession declining by an alarming 32.8% in the first quarter of 2009. The second biggest drop was the manufacturing industry.

Table 5.3: South Africa's Seasonally Adjusted and Annualised Quarterly Growth by Industry/Sector

	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1
Agriculture	25.0	16.7	31.6	16.7	-29
Mining	-25.8	19.2	-8.8	0.4	-32.8
Manufacturing	-0.6	14.3	-9.4	-21.8	-22.1
Electricity	-5.8	-2.1	3.0	-2.7	-7.9
Construction	13.9	9.1	15.0	10.8	9.4
Wholesale and Retail Trade	4.1	-4.0	-6.9	-0.2	-2.5
Transport	3.4	4.3	4.5	1.8	-1.8
Finance	2.6	3.3	3.2	3.0	2.3
General Government	4.6	2.5	5.2	4.5	4.1
Personal Service	4.8	4.1	6.3	2.8	3.1

Source: <http://ejn.org.za/en/wp-content/uploads/2017/07/SA-Financial-Crisis.pdf>

By 2008 South Africa faced its first economic turn down since 1994. Economic recession was officially acknowledged by the by National Treasury of South Africa in May 2009. Like Botswana, South Africa succumbed to the global economic recession despite years of strong economic growth of four percent per annum and improved macro-economic stability. Its GDP grew by 1.1% as opposed to the expected 4.9 % as shown in Table 5.4 below.³⁰ Just after replacing Kgalemang

²⁸ Madubeko, 'The Global Financial Crisis and its Impact on the South African Economy', 2-5.

²⁹ International Monetary Fund, 'Public Information Notice: IMF Executive Board Concludes 2010 Article IV Consultation with South Africa', *Public Information Notice*, No.10/132 (September 2010), <https://www.imf.org/en/news/articles/2015/09/28/04/53/pn10132>, accessed 18 September 2018.

³⁰ Economic Justice Network, *The Social Impact of the Global Financial Crisis on the SADC Region*, 53 - 55.

Motlanthe as the President of South Africa, Jacob Zuma explicitly declared “We have entered recession” but went on to claim that South Africa had not been as badly affected as other countries.³¹ As is shown in Table 5.5, Zuma’s assertion needed some qualification.

Table 5.4: Real GDP and GDP change in South Africa (%)

Real GDP growth	GDP Change			
	Before crisis	Projection before the crisis	Current Projection	
	2008	2009	2009	2009
South Africa	4.0	4.9	1.1	-2.0
Africa	5.9	5.9	2.8	-2.9

Source: <http://ejn.org.za/en/wp-content/uploads/2017/07/SA-Financial-Crisis.pdf>

Due to their limited interactions with international financial systems, Botswana and South Africa’s banking sectors were insulated to some extent from the effects of the international crisis. In Botswana’s case increased government spending benefited other sectors.³² Moreover, the government eased monetary policy by lowering the benchmark interest rate and increasing credit in order to boost economic activity in the non-mining sector. “Monetary authorities sought to reduce inflation, which had reached the double-digit level. The drop in energy and food prices helped them to achieve this goal and inflation fell below the six percent mark towards the end of 2009, thus entering the target range of 3-6 %.”³³

³¹ Republic of South Africa, *State of the Nation Speech*, 3 June 2009, Parliament, Cape Town.

³² https://read.oecd-ilibrary.org/development/african-economic-outlook-2010_aeo-2010-en#page130, accessed 7 September 2018, 130.

³³ Ibid.

Post-Recession Recovery Strategies in Botswana and South Africa

The challenges which both South Africa and Botswana faced are better understood when located in their global and regional contexts. Following a 2.2% decrease in 2009, the 2010 *Global Economic Prospects Report* projected a 2.7 and 3.2 % growth in the world economy in 2010 and 2011 respectively. Sub-Saharan African economies were expected to grow by 3.8 % in 2010 but this growth was expected to be slower than that of developing countries due to their reliance on export commodities.³⁴ Scholars, Alexis Arieff, Martin A. Weiss and Vivian Jones stressed that even though African economies were seriously affected by the global economic crisis of 2008 and 2009, they had great potential to significantly increase growth rates. In March 2012, the IMF Director, Dominique Strauss-Kahn, stated with the global downfall African economies had recovered tremendously and their economic resilience was attributed to a variety of factors. Many resource rich and middle income African countries, implemented the economic stimulus packages so as to lessen the economic blow that was brought by the economic recession. The United States supported international financial institutions that offered assistance in stabilizing the economies of these countries.³⁵ Although, global recovery from the recession accelerated after 2012, the nuances of how Botswana and South Africa confronted the vagaries of the world economy from 2009 onwards are discussed below.

While both South Africa and Botswana were affected by global recession, the repercussions of their floundering economic fortunes were heavily felt throughout SACU. The dollar value of SACU imports declined at an annual rate of 28.1% in 2009.³⁶ Although SACU in general and Botswana and South Africa in particular started recovering from the recession in 2010, did not exceed the early 2008 peak until 2012. For its part, Botswana had to adjust its 2010/11 fiscal budget through a significant spending restraint that included a substantial cut in development spending and a

³⁴ Afari-Gyan, 'Transforming Africa's Structure and Composition of trade after the Global Economic Crisis', https://www.researchgate.net/publication/265045924_Transforming_Africa%27s_Structure_and_Composition_of_Trade_after_the_Global_Economic_Crisis, accessed 05 September 2018, 67.

³⁵ A. Arieff, M.A. Weiss and V. Jones, *The Global Economic Crisis: Impact on Sub-Saharan Global Policy Responses* (Congressional Research Service), <https://fas.org/sgp/crs/row/R40778.pdf>, accessed 12 September 2018.

³⁶ J. Mongardini, D. Benicio, T. Fontaine, G. Pastor and G. Verdier, *In the Wake of the Global Economic Crisis: Adjusting to Lower Revenue of the Southern African Customs Union in Botswana, Lesotho and Swaziland* (Washington D.C: International Monetary Fund, 2010), 35.

civil service salary freeze. Moreover, it increased Value Added Tax (VAT) from 10% to 12%.³⁷ These changes had been intimated way as far back as 2009 when it was apparent that the economy was being affected by the waning fortunes of its trading partners in the global north. Indeed, in his 2009 Budget speech, the Minister of Finance and Development Planning had warned that:

We must be careful not to overburden our future economic pathway with too much debt. As Government increases its expenditure, it simultaneously increased the value added tax from 10 percent to 12 percent in 2010. To further manage the situation, during the second year of the plan, instead of executing a planned 4.5 percent decrease in development expenditure, this budget line was cut by 12.5 percent. Government proceeded by maintaining an expenditure pattern that progressively decreased the Government spending to GDP ratio.³⁸

However, these moves also attracted criticism. The Board member and non-executive director of the Bank of Botswana, Malebogo Bakwena was very critical of the measures that the Government of Botswana adopted during the economic recession. As stated above, the government tried to off-set the recession by continuing with major projects that were already in place. These included the expansion of Morupule B Power Station and the Sir Seretse Khama, Francistown, and Maun Airports, as well as the construction of major dam projects around the country including Botswana's largest dam, Dikgatlhong Dam. Bakwena argued, however that not all public spending was useful as a stimulus. For instance, constructing bridges on roads that are rarely used, or renovating airports that are under-utilised was not useful spending on public infrastructure. Construction of these infrastructure projects might have lowered unemployment rates but wasted already scarce financial resources. Nonetheless, the expansion of Morupule B Power Station was a good use of public funds as it would alleviate existing electricity shortages. The increased VAT before full economic recovery was meant to provide funds for increased government spending so as to stimulate economic activity, but in fact the VAT increased should

³⁷ *Ibid.*

³⁸ Botswana Ministry of Finance and Development Planning, *National Development Plan 11* (Gaborone: Government Printer, 2014), 52.

have been the last resort as the Bank of Botswana attributed the exceeded target range of 3-6 % inflation to it.³⁹

The fact that the Botswana government needed to intervene on such a scale was not surprising, given the problems it had faced once the recession set in. Indeed, Botswana was the only African country included in a global list of countries severely affected by the recession. As shown in Table 5.5, Botswana was amongst 15 countries that were most affected by the economic crisis. These countries faced a significant decrease in growth rates in 2009 as compared to the previous years. Their economic performance was lower than both the world average (-0.3%) and the developing economies' average (3.1%).⁴⁰

Table 5.5: GDP Growth Rate per Annum: Countries most severely Affected by the global crisis

	2002-06 Average	2007	2008	2009
Latvia	8.99	9.6	-3.27	-17.72
Lithuania	8.01	9.79	2.91	-14.84

³⁹ M. Bakwena, 'The Recent Economic Reforms in Botswana: A critical Assessment', *PULA: Botswana Journal of African Studies*, 26, 1 (2012), 42- 43.

⁴⁰ Comert and Ugurlu, 'The Impact of the 2008 Global Financial Crisis on Developing Countries, 8.

Ukraine	7.44	7.6	2.3	-14.8
Armenia	13.32	13.74	6.94	-14.15
Botswana	5.18	8.68	3.90	-7.84
Russia	7.03	8.53	5.24	-7.8
Kuwait	9.74	5.99	2.48	-7.07
Croatia	4.71	5.06	2.08	-6.94
Hungary	4.20	0.11	0.89	-6.76
Romania	6.16	6.311	7.34	-6.57
Moldova	6.80	2.99	7.8	-6
Bulgaria	5.95	6.44	6.19	-5.47
Turkey	7.21	4.66	0.65	-482
Mexico	2.76	3.13	1.21	-4.52
Paraguay	3.83	5.422	6.35	-3.96
Developing countries	6.86	8.701	5.87	33.11
World	4.31	5.348	2.705	-0.381

Source: H. Comer and E. N. Ugurlu, (2016).

After experiencing its worst recession in 40 years, as the demand for diamonds collapsed and its economy contracted by 3.7%, Botswana started recovering in 2010.⁴¹ Diamond production had resumed in the second quarter of 2009 but due to the sharp first-quarter decline, the annual GDP for 2009 fell by an estimated four percent with respect to 2008.⁴² However, some lost ground was recovered as the economy grew at the rate of 3.4% in 2010 and 3.1% in 2011.⁴³

The austerity measures taken by the government were meant to ensure long-term fiscal sustainability.⁴⁴ Indeed the International Monetary Fund further recommended trimming the public workforce and the promotion of private industry to sustain the recovery. From 2010, the gradual recovery of the mining sector lay at the heart of Botswana's ability to promote economic growth. 'Gaborone followed moderately anti-cyclical fiscal and monetary policies so as to mitigate the impact of the crisis.'⁴⁵ In particular, the Bank of Botswana dropped interest rates

⁴¹ International Monetary Fund, 'Public Information Notice', <https://www.imf.org/en/news/articles/2015/09/28/04/53/pn10119,accessed-18> September 2018.

⁴² https://read.oecd-ilibrary.org/development/african-economic-outlook-2010_aeo-2010-en#page130, accessed 7 September 2018, 130.

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵International Monetary Fund, 'Public Information Notice', <https://www.imf.org/en/news/articles/2015/09/28/04/53/pn10119,accessed-18> September 2018.

between December 2008 and December 2009, even as the government hand boosted spending to counter the recession.⁴⁶ Although as already noted, some of the developments were cut or postponed, pre-recession financial surpluses and ample foreign reserves allowed the government to continue with its major spending programmes in the 2009/10 budget.⁴⁷

Although the recession was ending in Botswana and South Africa, the electricity problems (which are discussed in the next section) were still persisting and became another challenge to the economic recovery.

Electricity Crisis of 2008- 2014

Discussion of the overall gloomy economic environment caused by the global economic recession would not be complete without analysing the coincidence of external factors with a regional energy crisis between 2008 and 2014. As the following section shows, the energy problem exacerbated and deepened an already challenging economic position in both countries. South African experiences in the energy sector, especially access to cheap energy changed drastically in the second half of the 2000s, owing dramatic change in patterns of energy demand and supply. Its internal electricity production capacity did not match the two sources of demand: industrial expansion and increased domestic demand.⁴⁸ These South African experiences mirrored what Botswana faced during the same period. As Dianne Rahm, Larry Swatuk and Erica Matheny have shown, in Botswana, as in South Africa, rapid urbanisation and economic development came with a high demand for electricity. However, in addition to this, Botswana also had serious water shortages. During the period under discussion, water demand increased because of population growth.⁴⁹ Pushpendara Jain explained these shortages succinctly:

⁴⁶ Ibid.

⁴⁷ https://read.oecd-ilibrary.org/development/african-economic-outlook-2010_aeo-2010-en#page130, accessed 7 September 2018, 130.

⁴⁸ J. Vanheukelom and T. Bertelsmann-Scott, 'The Political Economy of Regional Integration in Africa: The Southern African Development Community (SADC)', <https://ecdpm.org/publications/political-economy-regional-integration-africa-sadc/>, accessed, 18 November 2018.

⁴⁹ D. Rahm, L. Swatuk and E. Matheny, 'Water Resources Management in Botswana: Balancing Sustainability and Economic Development', *Environment, Development and Sustainability*, 8 (2008), 161.

The energy demand and consumption can be taken as fair indicators of economic development of a society. Growth in energy demand is governed by three factors: population growth, industrial growth, and growth in household energy consumption in industrialised societies where people lead energy intensive luxurious life style with high standards of living. It is well known that the industrialized countries not only consume significantly much more energy than the less developed countries, there is also a vast disparity in the quality of energy consumed by the two.⁵⁰

In Southern Africa, these shortages manifested themselves soon after the turn of the century.⁵¹ The Southern African Power Pool (SAPP) which is the regional electricity market platform, was affected by an electricity deficiency from 2008. This was despite the fact that South Africa, had large fossil fuel deposits which accounted for 90% of domestic electricity generation and 60% regionally, it was the biggest contributor of energy to the SAPP joint electricity grid.⁵² However these neighbouring countries faced persistent load shedding. Botswana's experiences with power shortages occurred in a specific context. Because of years of negligence by the state in modernising its electricity systems, its infrastructure was very poor. New infrastructure was still under development.⁵³ Despite or because of the country's remarkable economic growth from 1966, it suffered enormous electricity shortages due to a failure to generate sufficient power. Constant black-outs affected the socio-economic wellbeing of the Botswana as well as the country's growth prospects. Prospective investors were deterred, and this affected long term developmental plans.

Botswana's electricity was and is distributed through the Botswana Power Corporation (BPC), a government owned company that operates as a monopoly and as such does not have any competition, which consequently resulted in inefficiency in electricity generation, transmission and distribution in Botswana.⁵⁴ Electricity in Botswana was mainly consumed by the mining

⁵⁰ P. Jain, 'Sustainable Development: Energy Matters', <http://ithuteng.ub.bw/bitstream/handle/10311/1806/Prof.%20Pushpendara.Jain.pdf?sequence=4&isAllowed=y>, accessed, 14 October 2018.

⁵¹ B. Munslow and P. O'Keefe, 'Energy and the Southern African Regional Confrontation', *Third World Quarterly*, 6, 1 (1984), 25.

⁵² O. Johnson, C. Muhoza, M. Ogeya, A. Lindstrom, J. Granit, and K. Rosner, *Powering Africa: Unlocking Opportunities for Energy Development in Southern Africa*. Report, Stockholm Environment Institute, (2018), 5-8.

⁵³ Sekantsi and Timuno, 'Electricity Consumption in Botswana, 79.

⁵⁴ E. Ofetotse, and E. Essah, 'Energy overview of Botswana: Generation and consumption', Paper presented at the Waber Conference, Nigeria, 2012, 1012. See also, *Hansard No.162, Part-1, Second Meeting, First Session, Tenth Parliament* (13th -17th November, 2009), Ian Khama.

industry, followed by the commercial and domestic sectors.⁵⁵ Botswana's rapid economic growth turned on energy-dependent diamond mining, yet these high electricity demands had to be met largely by imports from Eskom in South Africa, Namibia Power Corporation (Nampower), Zambia Electricity Supply Corporation (ZESCO) and SAPP.⁵⁶ While this reliance on external sources of energy worked well under normal circumstances, the vulnerability of Botswana's energy strategy was exposed during the crisis, as the countries it relied on were also facing their own power supply shocks. In Botswana, persistent power black-outs or load-shedding came to symbolise the country's inability to deal with the energy crisis.

By their nature, power shortages have political implications as public officials are inundated with complaints from the populace who are forced to change their everyday routines. From the time electricity shortages started in 2008, most businesses in Botswana operated at a loss because of the constant blackouts. The manager of Nandos Restaurant in Phakalane said power cuts interrupted their business tremendously as they were forced to stop working every time power went off.⁵⁷ Labeo Matiba, spokesperson of Pearls and Lilies Hair Salon, also said they worked at a loss during the black outs because if there was loading shedding they were forced to re-do clients hair and use more products; they also lost time as business had to stop until there was power.⁵⁸ Lebogang Mokgwathi of Travellers Funeral Parlor also said that although the mortuary was not affected because they had backup generators for the refrigerators, computers were greatly affected, and needed to have a technician called in at least four times a week for repairs because the blackouts damaged the computers.⁵⁹ Furthermore they had to take business elsewhere, for instance they were forced to print funeral programs at internet cafes at extra costs.⁶⁰

⁵⁵ Sekantsi and Timuno, 'Electricity Consumption in Botswana, 79. See also, K. Amusa and T. L. Leshoro, 'The Relationship between Electricity Consumption and Economic Growth in Botswana', *Corporate Ownership & Control*, 10, 4 (2013), 391.

⁵⁶ Sekantsi and Timuno, 'Electricity Consumption in Botswana, 81.

⁵⁷ S. Mophonkolo, 'Power Cuts Disrupt Business', *The Midweek Sun*, 30 January 2008. See Appendix 11.

⁵⁸ *Ibid.*

⁵⁹ *Ibid.*

⁶⁰ *Ibid.*

Not surprisingly, Botswana's political leaders had to offer explanations to a restless society. So serious were the shortages that not even President Festus Mogae was spared from criticism. While responding to critics at a *kgotla* meeting in Molepolole, Mogae denied that his administration was responsible for the ongoing power cuts. He claimed that Botswana had planned to increase its power generation capacity, but regional energy consumption went up significantly in South Africa after 1994.⁶¹ For Mogae, the democratisation of the South African state through the Reconstruction and Development Programme (RDP) ironically contributed immensely to power shortages, as it allowed people previously banned from urban areas to settle there. Mogae pointed to the fact that under RDP the South African government had committed itself to build over one million houses and electrify over 2.5 million homes. Between 1994 and the start of 2001, the government built over 1.1 million cheap houses accommodating 5 million of the estimated 12.5 million South African population without proper housing.⁶² Furthermore, low electricity prices in South Africa provided little incentive for consumers to save power. Moreover, the influx of investors following the lifting of apartheid-era trade sanctions further increased electricity demands.⁶³ A correspondent for the *Botswana Guardian*, Bashi Letsididi, declared that it was ironic that South Africa's rising fortunes had badly affected Botswana which imported most of its electricity from Pretoria.⁶⁴ What escaped Mogae however was that Gaborone too was at fault for failing to invest appropriately. Blaming South Africa for Botswana's challenges did not make much sense to his audience.

Given the potential sources of energy which Botswana possessed, Mogae's government could partly be blamed for the parlous position in which the country found itself. Two years before the crisis in 2006, Charles Tibone, the Minister of Minerals and Energy Resources told the media that Botswana had an abundance of unexploited coal and gas reserves that were as big as a bedrock of diamonds and had the potential to be developed into a profitable industry.⁶⁵ With coal reserves of 200 billion tons as claimed by Tibone, if exploited, coal could be as important as the

⁶¹ B. Letsididi, 'The 'Dark Side' of SA's Democracy', *The Botswana Guardian*, 22 February 2008.

⁶² *Ibid.*

⁶³ *Ibid.*

⁶⁴ *Ibid.*

⁶⁵ E. Onstad, 'Botswana's Coal May Rival Gems', *The Star*, 10 November 2006.

diamond industry and even its biggest competitor. Tibone said “coal is in abundance and we are not tapping the tip of the iceberg, because we are only producing about one million tons a year now”.⁶⁶ Extensive coal deposits are spread throughout the eastern and central Botswana and 11 minefields had been identified but only Morupule was exploited.⁶⁷ At the time of Tibone’s statement, Botswana hoped to exploit the coal bed’s methane gas and attract investment. However, Botswana’s plan was not to export coal but rather build coal-fired power stations, and export electricity to the region, especially to South Africa.⁶⁸ Under this ambitious plan, Botswana also intended to exploit the abundant coal resources in Mmamabula. In line with this vision, CIC Energy Company (Canadian company) was brought in to construct the 1 200 MW power station.⁶⁹

However, disaster struck before these plans came to fruition. As part of its energy saving strategies, South Africa’s Eskom announced a major cut in its power exports to the region including Botswana in January 2008.⁷⁰ As a state enterprise, Eskom found it difficult to continue to export power to Botswana at a time when South Africa was also facing power shortages. It is in line with this consideration that the move to cut supplies to Botswana can be understood, but suffice to say that it also underlined how Botswana’s dependence on power imports posed a threat to its future energy security.⁷¹ The South African move came, at a time when about 75 % of Botswana’s electricity was imported from South Africa through Eskom.

After being inundated with complains from furious Eskom customers, the Chief Executive Officer of Eskom, Jacob Maroga claimed that his company had no option but to cut power supply to Botswana, Namibia and Zimbabwe. He explained that every time there was a shortage in South Africa, Eskom was forced to reduce the amount of power exported. Indeed, in addition to existing power needs, Eskom faced additional challenges as a result of increased construction in

⁶⁶ *Ibid.*

⁶⁷ R. G. Harvey, ‘From Diamonds to Coal? Critical Reflections on Botswana Economic Future’, *The Extractive Industries and Society*, 2 (2015), 831.

⁶⁸ Onstad, ‘Botswana’s Coal May Rival Gems’, *The Star*.

⁶⁹ *Hansard No.162, Part-1, Second Meeting, First Session, Tenth Parliament* (13th -17th November, 2009), Ian Khama.

⁷⁰ ‘Power Slash scare’, *The Midweek Sun*, 23 January 2008.

⁷¹ E. Ofetotse, and E. Essah, ‘Energy overview of Botswana: Generation and consumption’, 1012. See also, *Hansard No.162, Part-1, Second Meeting, First Session, Tenth Parliament* (13th -17th November, 2009), Ian Khama.

preparation for the 2010 Soccer World Cup.⁷² As Botswana could not force the South Africans to reconsider their position, at home BPC scaled up its propaganda encouraging the public to use electricity wisely. Moreover, compounding the situation Eskom announced tariff hikes by 14.4% which the BPC passed on to local consumers.⁷³

Nonetheless, there were demands from various quarters within South Africa that it needed to stop exporting electricity to its neighbours. However, South Africa's Minister of Public Enterprise Alec Erwin, while addressing Parliament, argued that cutting off electricity exports would amount to "economic xenophobia". He pleaded with everyone that neighbouring countries were South Africa's customers and were therefore, supposed to continue being treated as such.⁷⁴ Erwin further stated that the future was unknown, there might come a time when South Africa will be the importer, therefore:

if I was in the Congo and Mozambique and some South African government, just when it had a crisis, chopped me off without any regard for the effect on me, I would make very certain that in future I'd do something similar to them. We've got to carry on treating people fairly.⁷⁵

What this revealed was that Erwin thought of the significance of long-term cooperation between South Africa its neighbours. He discouraged 'economic xenophobia', which the public wanted to push Eskom and the government into. His motive was to protect South Africa's diplomatic and economic relations with its neighbours.

As already discussed, in Botswana, President Mogae had been obliged to answer questions concerning electricity from angry citizens at a *kgotla* meeting. His answers had pointed to external factors beyond Botswana's control. So important was this matter that his Minister of Minerals, Energy and Water Resources, Ponatshego Kedikilwe, was compelled to make a

⁷² 'Power Slash scare', *The Midweek Sun*; M. M. Bah and M. Azam, 'Investigating the Relationship between Electricity Consumption and Economic Growth: Evidence from South Africa', *Renewable and Sustainable Energy Reviews*, 80 (2017), 531.

⁷³ 'Power Slash scare', *The Midweek Sun*.

⁷⁴ 'Erwin Defends Power Exports' *The Botswana Guardian*, 16 May 2008.

⁷⁵ *Ibid.*

statement in Parliament on the 14th of February 2008. He apologised to the public and the private sector for the crippling load shedding that they had experienced, while pointing out that Botswana relied on imported power supplies which also contributed to the problems that the country was facing.⁷⁶ Kedikilwe stated that he had met with his South African counterparts, the Minister of Mines and Energy, Buyelwa Sonjica, and the Minister of Public Enterprises, Erwin, on the 4th and 6th of January 2008 respectively. These meetings were meant to understand the nature of the energy related problems and how best to deal with them. His statement was clearly directed at allaying fears generated by media reports which pointed to 'economic xenophobia' practised by Eskom. Contrary to media reports, Kedikilwe's meetings with his South African counterparts made it clear that South Africa was not planning to disconnect power exported to Botswana. In fact, the Government of South Africa through Eskom had made a commitment to honour commercial contracts with all the neighbouring countries that imported power from it through the Power Purchase Agreements (PPA). He argued that the frequent power outages were because:

the generation capacity reserve margin in Eskom operations had been eroding overtime from what is considered acceptable levels. By the reserve margin Madam Speaker I mean the separate generation capacity that is required rather the spare capacity that is required to be available in case of any operating units experience problems which would be brought in to operation. The erosion of reserve margins was brought about by; unforeseen plant outages; problems with the coal deliveries to the power stations; higher than expected economic growth; inclement weather.⁷⁷

More importantly, Kedikilwe's statement confirmed South Africa's commitment to meeting its obligations to its trading partner and offered a glimmer of hope in a crisis situation. Furthermore, with the new agreement signed between Eskom and BPC in 2008, Botswana was able to import 350MW between 2008 and 2010, although this amount was reduced to 250MW in 2010 to 2011 due to the World Cup, and it was further reduced to 150mw in 2012.⁷⁸

⁷⁶ *Hansard No. 156, Part-2, Second Meeting, Fourth Session, Ninth Parliament (11th -15th February, 2008), Ponatshego Kedikilwe.*

⁷⁷ *Ibid.*

⁷⁸ 'Power Slash scare', *The Midweek Sun*.

As the energy crisis deepened, efforts were made to expand existing power sources as well as to develop new energy sources. It is in this context that the Mmamabula Energy Project in Botswana began in December 2008 by the CIC Energy Corporation. CIC started developing the 1200MW power station at Mmamabula which was also going to be integrated into the Mmamabula coal mine.⁷⁹ As such, a Power Purchase agreement was signed between CIC Energy and Eskom. This meant that Eskom would start importing Power from Botswana to meet the demands in South Africa. However in December 2009 the deal was cancelled because CIC Energy was forced to suspend all development activities in the Mmamabula Energy Project that were not related to South Africa's regulatory approval process. When South Africa's first Integrated Resource Plan (IRP) was made public in September 2009, it became apparent that it did not cover the time period that was relevant to the Mmamabula Project.⁸⁰ The second IRP for South Africa was finished in May 2011 and at that point CIC energy was not given the opportunity to supply South Africa with power until 2019.⁸¹ Had it been successful, Mmamabula project could have supplied sufficient power to both Botswana and South Africa, alongside Morupule B.⁸²

Botswana's push for this alternative source was motivated by the existing situation as regard domestic electricity supply. The BPC ran two thermal power stations from coal obtained from Morupule Colliery: Morupule A Power Station which came into existence in 1986 with a capacity of 132MW, and Morupule B Power Station, constructed in 2006 as an extension of Morupule A, and when completed, would have a production capacity of 600MW. What complicated Botswana's power shortages was the fact that in 2010, Morupule A had reached the end of its

⁷⁹ *Hansard No.162, Part-1, Second Meeting, First Session, Tenth Parliament* (13th -17th November, 2009), Ian Khama; S. Njobeni, 'Botswana Project to Power SA as Well', *Business Day*, 5 December 2008.

⁸⁰ Integrated Resource Plan (IRP) refers to the co-ordinated schedule for generation expansion and demand-side intervention programmes, taking into consideration multiple criteria to meet electricity demand. See Republic of South Africa, 'Integrated Resource Plan 2018', <http://www.energy.gov.za/IRP/irp-update-draft-report2018/IRP-Update-2018-Draft-for-Comments.pdf>, accessed, 29 November 2018; Republic South Africa, *Electricity Regulations Act No. 4 of 2006: Electricity Regulations on the Integrated Resource Plan 2010-2020* (Pretoria: Government Printer, 2011), 5. See also, Mmamabula Energy Project, <https://www.jindalafrica.com/countries/botswana/mmamabula-energy-project>, accessed 15 October 2018.

⁸¹ Mmamabula Energy Project, <https://www.jindalafrica.com/countries/botswana/mmamabula-energy-project>, accessed 15 October 2018. See also, Harvey, 'From Diamonds to Coal? Critical Reflections on Botswana Economic Future', 837.

⁸² Harvey, 'From Diamonds to Coal? Critical Reflections on Botswana Economic Future', 838.

life span. By 2011, it was commissioned to reach an operational capacity of 100MW but could only manage a meagre 40MW, and by 2013 it could only supply a measly one percent of Botswana's electricity supply.⁸³ In this context of aging infrastructure at Morupule A Power Station, Botswana's Minister of Finance and Development Planning, Kenneth Mathambo, told Parliament in April 2010, that the government through the BPC, was to expand its power generation capacity in order to meet the domestic demands and to reduce its dependence on imported power. To achieve this goal, the Morupule B Power Station Project was implemented.⁸⁴

By now long overdue, even the fast track nature of this project could meet energy needs.⁸⁵ Morupule B produced 19 % of the country's electricity supply in 2013 but not without challenges as it encountered technical problems. Three out of four units went down and this included boiler failure.⁸⁶ As a result, the much expected reprieve to Botswana's electricity problems never happened. The BPC was forced put in place load shedding hours so as to balance grid demand and supply. These black outs were during peak hours, between 0600-1000hrs and 1800-2200hrs.⁸⁷

Quiet clearly, electricity was a major issue in Botswana between 2008 and 2014. Besides the intermittent supply of electricity, individuals and corporations alike were constantly at loggerheads with the state over the cost of electricity. There was a belief that electricity tariffs and electricity connection charges in Botswana were too high. In particular, the private sector led by Botswana Confederation of Commerce, Industry and Manpower (BOCCIM), with the support of Botswana Export Development and Investment Authority (BEDIA) and people's representatives led a campaign calling on the government and BPC to find ways of reducing electricity and connection charges.⁸⁸ Their argument was that the tariffs in Botswana were

⁸³ E. L. Ofetotse, E. A. Essah and R. Yao, 'Trends in Domestic Electricity Consumption in Botswana', *TMC Academic Journal*, 9, 2 (2015), 84.

⁸⁴ *Hansard No. 163, Part-4, Second Meeting, First Session, Tenth Parliament* (29th March- 9th April 2010), Kenneth Mathambo.

⁸⁵ *Ibid.*

⁸⁶ Ofetotse, Essah and Yao, 'Trends in Domestic Electricity Consumption', 84.

⁸⁷ *Ibid.* See Appendix 10.

⁸⁸ *Hansard No.162, Part-1, Second Meeting, First Session, Tenth Parliament* (13th -17th November, 2009), Ian Khama.

higher in comparison to neighbouring countries and that this was scaring away potential investors. In response to these calls, the state explained that calls to reduce prices were not entirely new.⁸⁹ Kedikilwe recalled that the last time a similar push had been made was in 1994 and 1998 when Hyundai Motor Company was investigating possibilities of setting up motor assembly plants in the country.⁹⁰ BPC was then put under pressure of controlling tariffs and reducing connection charges but had not conceded to this demand because at the time Morupule Power station was not producing enough electricity, while the old Selibe Phikwe Power Station on the other hand was more expensive.⁹¹ As a result new sources of energy were needed to meet the growing power demands. That was the time when Eskom was engaged because its imports were cheaper than Botswana's domestic alternatives.⁹²

It would seem that Botswana did not only import power as a result of limited electricity production in the country, but because it was cheaper to import electricity from the neighbouring countries especially South Africa. This greatly contributed to the country's failure to invest on its own electricity production with the consequence that this boomeranged on everyone when that same outdated infrastructure which produced electricity at uneconomic rates had to fill the gap when imports from Pretoria were erratic.⁹³ Thus, the significance of Kedikilwe's statement was that since the decision to engage a foreign supplier at the expense of the expansion of local stations was made collectively, the consequent burden of high tariffs was to be shared equally without any blame game or finger pointing.

The challenges which Botswana faced were also linked to its failure to diversify its electricity supply from thermal power to solar energy. This diversification would have greatly reduced its dependence on Eskom. Solar energy was a viable alternative electricity source which could be

⁸⁹ *Ibid.*

⁹⁰ *Hansard No. 156, Part-2, Second Meeting, Fourth Session, Ninth Parliament (11th -15th February, 2008), Ponatshego Kedikilwe.*

⁹¹ *Ibid.*

⁹² *Ibid.*

⁹³ Amusa and Leshoro, 'The Relationship between Electricity Consumption and Economic Growth in Botswana', 390-392.

generated locally and far more cheaply.⁹⁴ Botswana is a country that receives the best direct sun rays in the world, a very good source of energy when captured by solar panels and turned into electrical energy.⁹⁵ Yet, Botswana neglected solar power production, instead concentrating on thermal power production because of the country's abundant coal supply.⁹⁶ Although it seemed obvious to Modiri Mogende, a journalist that Botswana should move to solar energy, the state had its own considerations largely influenced by dynamics obtaining in the global energy market.⁹⁷ At the time, the demand for energy had increased around the world because of extensive and growing industrialisation, especially in East Asia which contributed to a rise in coal prices. Thus, Botswana continued to view coal as a solution for the energy crisis as it also had the potential to become Botswana's highest GDP contributor, and be regarded as the country's 'the new diamond'.⁹⁸ Therefore, the state was prepared to ignore global concerns from climate change activists over the use of coal. The returns which coal promised made solar energy unattractive to the state. In fact, the government had always maintained that renewable energy sources, especially solar were too expensive and unreliable. On the local front, some entrepreneurs took the initiative and entered the solar business, although they complained of poor government support for the industry and a lack of official policy on renewable sources of energy.⁹⁹

Kitso Mokaila, Botswana's Minister of Mining, Energy and Water Resources, told the private sector that that the government could not offer subsidies to any alternative energy efforts, but would rather continue its focus on coal power stations.¹⁰⁰ Teseletso Masasa, co-owner of Partners Maintenance, stated that renewable energy business operated in uncertainty in terms of national direction due to the lack of a policy. He said an official policy could pave way for renewable energy subsidies which could alleviate the country's power needs.¹⁰¹ This negative

⁹⁴ S. Adebola, 'Electricity Consumption and Economic Growth: Trivariate Investigation in Botswana with Capital Formation', *International Journal of Energy Economic and Policy*, 1, 2 (2011), 32- 44.

⁹⁵ M. Mogende, 'Could Solar Solve Our Long Term Power Needs?', *The Botswana Gazette*, 19-25 March 2014.

⁹⁶ Sekantsi and Timuno, 'Electricity Consumption in Botswana', 79.

⁹⁷ Mogende, 'Could Solar Solve Our Long Term Power Needs?'

⁹⁸ *Ibid.*

⁹⁹ *Ibid.*

¹⁰⁰ *Ibid.*

¹⁰¹ *Ibid.*

attitude was not peculiar to Botswana but was prevalent across the region that Johnson actually recommended that the Southern African region instead of focusing on coal produced electricity should consider greatly the use of renewable energy such as wind power, solar photovoltaic (PV) and hydropower.¹⁰²

Having stuck to its position with regards to solar energy, the state engaged ESB International, an Irish energy company, in 2014 to turnaround and transform the BPC. With a history of continuous power stations breakdowns which often plunged the nation into darkness and disturbed the smooth operations of business, the BPC was closely watched by business who hoped the consultants would restore the corporation to profitability and make possible the effective operation of Morupule B Power Station.¹⁰³ The first few months of 2013 had been difficult for Botswana as businesses almost crashed while the public cried foul over continuous power blackouts in the wake of technical faults at trouble ridden Morupule B Power Station.¹⁰⁴ In February 2014, the Morupule B which had cost the government P11 billion was completely shut down after it developed technical faults on all its four units, forcing the BPC to continue relying on power imports.¹⁰⁵

Conclusion

This chapter argued that Botswana and South Africa fell into recession not because of their own making but as a result of their connections with the global economy. Both countries had maintained stable economic policies from the time of independence or in South Africa from the advent of majority rule, yet because of dependence on overseas markets, they could not escape the global recession. More than this, however, the economic crisis was aggravated by the shortage of electricity in Botswana and South Africa.

¹⁰² Johnson, *et al*, *Powering Africa: Unlocking Opportunities for Energy Development in Southern Africa*, 6-7.

¹⁰³ T. Lemmenyane and G. Ganetsang, 'Botswana's Crippling Power Blackouts', *The Botswana Gazette- Business*, 17-23 December 2014.

¹⁰⁴ *Ibid.*

¹⁰⁵ *Ibid.*

CHAPTER SIX

CONCLUSION

Botswana's independence in 1966 had the potential to transform its relationship with South Africa. Until then, Pretoria had essentially viewed Gaborone as one of its provinces. This perspective was given concrete expression by the fact that the administrative capital Mafikeng, was actually located outside Botswana in South Africa itself. For some authors, Bechuanaland together with Lesotho and Swaziland were simply South Africa's hostages.¹ Moreover, in the recent past, South Africa had tried to incorporate Bechuanaland into its territory, seeing it as major a building block in its Bantustan strategy. Prime Minister Hendrik Verwoerd in particular had wanted to make Bechuanaland part of South Africa.² But as discussed in Chapter One, Britain as the colonial power refused to accede to Pretoria's wishes. When Botswana became independent it set out to become independent economically as well as politically. At first this promised to be extremely difficult. When addressing the Organisation of African Unity in September 1969, Seretse Khama explained his country's economic dependence on South Africa:

Our trade and transport systems are inextricably interlocked with those of South Africa. So meagre are our employment prospects that we have for many years been obliged to permit our people to go and work in the mines of South Africa. In the immediate foreseeable future, we can find no way of providing alternative employment for these men, nor can we afford to dispense with revenues they earn.³

As discussed in Chapter Two, in its early years of independence, Gaborone was utterly dependent on South Africa as the main source of employment for its people, and the biggest market for its

¹ Dale, 'The implication of Botswana- South African Relations for American Foreign Policy'; J. Daniel, 'Swaziland: Just another Bantustan', https://sas-space.sas.ac.uk/4153/1/John_Daniel_Swaziland_Just_another_Bantustan.pdf, accessed 18 December 2018.

² Niemann, 'Diamond are a State's Best Friend: Botswana's Foreign Policy in Southern Africa' 27-47.

³ Mgadla, 'A Good Measure of Sacrifice': Botswana and the Liberation Struggles of Southern Africa (1965-1985)', 2-16.

beef exports. More than this, as a landlocked country, Botswana was forced to rely on South Africa to reach its overseas markets.

Taken as a whole, this thesis has attempted to provide the first comprehensive assessment of the two countries' economic relations since Botswana's independence in 1966, tracking its relations with both apartheid and post-apartheid South Africa. It sought to complicate accepted notions of Botswana's dependency on South Africa by developing a perspective of the relationship from Gaborone's point of view as opposed to the usual Pretoria-dominated explanations in much of the literature. To start with, this dissertation examined the impact of apartheid on economic ties between Botswana and South Africa in the period from 1966 to 1994. The paradoxical impact of the discovery of diamonds on economic relations between Botswana and South Africa was explored in detail. The thesis also analysed the fraught relationship caused by the 1980s destabilisation of the region by South Africa. The end of apartheid in 1994 and finally the seeming new dawn which it heralded was scrutinised. It assessed the effects for Gaborone and Pretoria of the global economic recession and the regional shortage of electricity from 2008 to 2014.

Botswana's quest for economic development was seemingly given a major boost by the discovery of diamonds in 1969, just three years after independence. As cited in De Beers group reports, on the eve of Botswana's independence, a South African journalist, Charles King, had vividly summed up status of Botswana for the whole world. He wrote:

Bechuanaland, an impoverished, arid and hungry land without hope of achieving economic stability makes its debut this week among the community of national. The new blue, white and black flags are flying everywhere in Gaborone, its incongruous capital city but elsewhere in the vast trackless wasteland that will take the name of Botswana, there's little to celebrate.⁴

He was one of many people who never thought that Botswana might prosper. Like Neil Smith of *The Evening Post*, discussed in Chapter Two, (p.24) King painted a bleak picture. He emphasized

⁴ As cited in, Turning Finite Resources into Enduring Opportunity: The Economic Contribution to Botswana of the Partnership between the Government of the Republic of Botswana and De Beers, <https://www.debeersgroup.com/~media/Files/D/De-Beers-Group/documents/reports/botswana/deb081-impact-botswana-single-low-res.pdf>, accessed 10 November 2018.

past disasters that Botswana had endured, including the disastrous drought and crop failure between 1961 and 1965, which had brought famine to Botswana's widely scattered pastoralists and farmers. King further stressed that more than one fifth of the population had depended on emergency food supplies during the drought period.⁵ However, all this was turned around by the discovery of minerals coupled with a track record of good governance. This was the focus of Chapters One and Two.

Economic links between Botswana and South Africa have a long history. When hut tax was introduced early in the colonial period, Tswana men were forced to migrate to seek employment in South Africa. Yet, labour migration, as discussed in Chapter Two, seemingly had both negative and positive effects on the economy of Botswana. Young able bodied men left their homes to seek employment on the South African mines which could impact negativity on agricultural production (p.28). Moreover, as Barbara Brown argued, women were forced to assume roles previously reserved for men, which consequently led to disruptions in family structures.⁶ But unlike Brown, Morapedi's regional focus on migration from southern Botswana to South Africa revealed a positive dimension to the process. He argued that labour migration contributed greatly to well-being of households in that area.⁷ Similarly, this thesis found that remittances sent by migrants made a significant contribution to Botswana's economy. Migrants moreover, contributed to the beef industry by investing significantly in pastoral farming. Building on Morapedi in particular, this thesis acknowledges the economic contribution made by Botswana labour migrants, even as it noted its often negative social impact. Nonetheless, it is worth noting that although labour migration formed the basis of economic relations between the two countries, it drastically declined over the years. By 1990 only 15,000 Botswana worked in the South African mines. This number fell again to a little over 4,000 men by the end of apartheid,

⁵ Ibid.

⁶ Brown, 'The Impact of Male Labour Migration on Women in Botswana', 369-370.

⁷ Morapedi, 'Skills Acquisition and Investments by Botswana Migrants from South Botswana to South Africa', 130.

mainly because of the mining industry's "Internalization Policy" which sought to reduce dependence on foreign labour.⁸

Chapter Two showed how the beef industry initially underpinned Botswana economic links with South Africa. Although the industry then faced major challenges, amongst them, drought and foot and mouth disease, it continued to play an important role in Botswana's economy. As Darkoh and Mbaiwa argued, increasing globalisation made it possible for Botswana to expand its beef markets. For all that intensified commercialisation of the cattle industry caused socio-economic and environmental problems,⁹ globalisation nonetheless opened up other markets for Gaborone's products, notably in the EEC. The European market became the most important for Botswana's beef products, allowing the country to reduce dependence on South Africa. However in 1974, beef imports were restricted by the EEC as it sought to protect European beef markets. The ban forced Botswana back to depending on South Africa (p.40).

The dissertation highlighted the paradox for Botswana arising from the discovery of the diamonds. On the one hand, by generating significant revenues for the government, it made possible other developmental projects, as well as better social security. Scholars such as Acemoglu, Johnson and Robison applauded the Botswana Government's use of sound economic policies, their argument buttressed by Armah who praised Gaborone's ability to use revenue accruing from diamonds to transform its economic fortunes (see p.50).¹⁰ Yet on the other hand the development of diamond mining sale deepened Botswana's dependence on South Africa through its need for De Beers expertise in both production and marketing. The need for capital investment from South Africa and at least initially for expert management all pointed up dependence, albeit arguably of a different kind. Minister of Commerce and Industry, Moutlakgola Nwako acknowledged the need to partner with De Beers was mainly for its technical expertise and capital investment.¹¹ Moreover Botswana's geographical location made it even harder to

⁸ Scholvin, *The Geopolitics of Regional Power: Geography, Economics and Politics in Southern Africa*, 106 and 'Enough Jobs May End Migrant Labour', *Botswana Daily News*, 31 January 1980.

⁹ Darkoh and Mbaiwa, 'Globalisation and the Livestock Industry in Botswana', 160-161.

¹⁰ hillbon

¹¹ 'Botswana- SA Relation Cordial', *South African Digest*.

reduce its dependence on South Africa because Pretoria was its only major channel for reaching overseas markets.¹² Chapter Two underscored the point that the discovery of minerals did not render Botswana economically independent from South Africa. On the contrary it demonstrated that even after the discovery of diamonds Botswana could not loosen its ties with South Africa; indeed in some respects they intensified.

Nonetheless economic growth after the discovery of minerals contributed to Botswana's exit from the Rand Monetary Area. Leaving the Rand monetary area gave Botswana a heightened sense of economic independence, (p.60). A commission of enquiry was set up prior to the decision concluded that it was economically viable for Botswana to leave the Rand Monetary Area, this move significantly moved Botswana away from the shadow of South Africa, although they were still intimately connected.

For all Botswana's close economic links with South Africa, Gaborone made it clear that it opposed the apartheid government. Its foreign policy would not compromise over racial discrimination.¹³ The ensuing tensions were traced through several chapters in this study. The thesis demonstrated how South Africa tried to control the BLS states when they were part of the PTA treaty. Botswana, however, successfully resisted this pressure. Furthermore, Chapter Three examined the importance of SADCC as a counter-grouping to Botha's idea of forming a Constellation of States in Southern Africa, and the additional room for maneuver this gave Gaborone (p.70). Pretoria's attempt to control the Southern African countries through a constellation of states failed because of resistance by the Frontline States. For Graham and Evans CONSAS was one aspect of South Africa's Total Strategy,¹⁴ and building on to their arguments, this thesis emphasized that CONSAS was designed to dilute the mounting international pressure, especially as regards economic sanctions, faced by South Africa. SADCC's plan to reduce economic dependency on South Africa was challenged by Pretoria, Yet prompting South Africa to

¹² Hillbon, 'Diamonds or development? A Structural Assessment of Botswana's Forty Years of Success', 201.

¹³ Oitsile, 'Botswana and the Liberation in South Africa and Zimbabwe: The Government and People against White Racist Rule', 23.

¹⁴ Graham, *The Crisis of South African Foreign Policy*, 50 and Evans, 'The Frontline States, South Africa and Southern African Security: Military Prospects and Perspective', 1-19.

destroy any infrastructure place to divert dependence from it. Pretoria's actions destabilised the entire region.

Other scholars too, notably Hanlon, de St. Jorre, Dale and Dzimba, all of whom wrote in the 1980s, saw the destabilisation campaign as part of Botha's total strategy.¹⁵ And while not disputing this argument, Chapter Three emphasized that destabilisation attempted to combat a range of regional challenges, not least any support for sanctions by South Africa's neighbours. Specifically, destabilisation in the Southern African region was South Africa's plan to disrupt the economies of independent black states' and make it harder for them to challenge apartheid. The ensuing fallout between the Gaborone and Pretoria was exacerbated by Botswana's open door policy for South African refugees. As discussed in Chapter Three, when Botswana refused to sign a non-aggression pact, Pretoria took it as signal of support for the ANC. Skillful diplomacy by Gaborone steered Botswana away from further clashes with apartheid South Africa.

Despite the challenges that the two countries faced in the 1980s, their economic relationship became even closer following South Africa's first democratic elections that led to majority rule in 1994. Matlosa amongst others concluded that even after ending apartheid, Pretoria continued to dominate the Southern African region economically.¹⁶ This argument was supported by Molomo and Tsie who emphasized Botswana's heavy dependence on South Africa.¹⁷ Indeed, as Chapter Four demonstrated, there were mixed feelings amongst the politicians and the business community in Botswana about the changes that were taking place in South Africa, Gaborone was anxious about the changes that were coming and wondered if these new changes were going to be positive or negative for their economy. The major fear in Botswana was that investors would consider relocating from Botswana to the new South Africa. Even though South Africa's much larger population and geographical location were tempting for businesses, the potential

¹⁵ Dale, 'Not always so placid a place: Botswana under attack', 82; de St. Jorre, 'Destabilisation and Dialogue: South Africa's Emergence as a Regional Superpower', 6; Spray, 'Botswana: Cautious but Outspoken', 220 and Dzimba, *Destabilisation of Zimbabwe, 1980-89*, 1-2.

¹⁶ Matlosa, 'South Africa and Regional Security in Southern Africa', 106-111.

¹⁷ Molomo and Tsie, 'Botswana's Security and Development Needs in the 1990s', 140.

for instability after such a significant political and economic shift encouraged investors to wait. Botswana's international reputation as a country characterised by peace and tranquillity was also an advantage, and therefore, a relatively stable place to invest was an important asset during the transition from apartheid to democracy. More importantly this study showed that under the new dispensation in Pretoria, new forms of economic cooperation now became possible. This was exemplified by the President of Botswana's invitation to South Africa to join the SADC.

Yet when South Africa joined the SADC, some observers saw it as way of trying to dominate the region. For this reason, Amos Saurombe concluded that despite the fact that South Africa and its neighbours depended on each other for intra-regional trade, Pretoria would find it difficult to satisfy its domestic, continental and global commitments never mind regional economic integration. It would not be constrained by other SADC members whose economies were very much smaller and unsophisticated. In fact these countries were supposed to use South Africa's position to their advantage so as to upgrade their economies to that of Pretoria's standard.¹⁸

By contrast to Saurombe's beliefs, the thesis argued that the impact of South Africa joining SADC and the renegotiation of the SACU in 2002 were largely positive. Chapter Four suggested that when South Africa joined SADC, it understood its mandate not so much to stop behaving as the regional hegemon but rather to create sound relations with neighbours seriously bruised by the old regime's destabilisation campaign. Not only that, the 2002 SACU agreement brought a sense of democracy when compared to the previous 1969 agreement. South Africa agreed to remove the unfair privileges it had enjoyed within the Union. Arguably the 2002 agreement involved all member states in the decision making processes, which was a positive development in relations between countries of Southern Arica (see pp. 115-116).

Poteete and Gramajo argued that Botswana's undiversified economy made it vulnerable to exchange rate fluctuations.¹⁹ Certainly, as Chapter Four demonstrated, the Pula continued to be affected by the Rand, as these two currencies remained closely tied together despite Gaborone's

¹⁸ Saurombe, 'The Role of South Africa in SADC regional integration', 130.

¹⁹ Poteete and Gramajo, 'Overlapping Sectors: Botswana's Inoculation against the Dutch Disease', 2.

departure from the Rand Monetary area. On occasion, the weaker Rand forced Botswana to devalue its currency. The Botswana government took measures to keep the economy afloat by devaluing the currency when necessary. A Crawling Peg System was introduced to avoid major fluctuations of the currency, and these measures restored a degree of competitiveness to local products and services. Overall, this study argued that the 1994 transition of South Africa to a black majority rule had some features making for positive economic relations between Botswana and South Africa. Destabilisation ended and relations were conducted with a degree of mutual understanding over political matters. Trade relations initially became smoother and easier. But the degree to which dependency had changed was still a moot point.

Botswana and South Africa's location to the global economy meant that they could not escape the economic recession of 2008, as discussed in Chapter Five. For all that the two countries initially maintained sustainable economic policies from the time of their independencies, their deepening integration into global markets left them vulnerable to external forces. More specifically, Botswana and South Africa's economies were linked in such a way that when fuel and food prices rose in South Africa and the world, inflation in Botswana went up too.²⁰ Botswana's heavy dependence on diamonds meant that when the global economic recession hit, the mining industry was badly affected, which in turn severely impacted on Botswana's GDP. Although scholars such as Motseotsile Marumoagae and Keith Jefferis examined the effects of the global economic recession, they focused on Botswana and South Africa individually. While Marumoagae limited his study to one aspect of the South African economy, the labour market, assessing the effects of job retrenchment consequent on the global economic recession, even as he looked at how the South African government responded to job retrenchments.²¹ Jefferis on the other hand focused only on the effects of the recession in Botswana.²² By contrast, Chapter Five of this thesis scrutinized a range of economic activities that were affected in both countries, in this way drawing a clearer picture of the effects of the global economic recession in the region. By historicizing the 2008 global economic events and effects, this study, unlike Jefferis,

²⁰ Ganetsang, 'Global Economic Slowdown Could Affect Botswana's Economy'.

²¹ Marumoagae, 'The Effect of the Global Economic Recession on the South African Labour Market', 382, 384.

²² Jefferis, 'The Impact of the Global Financial and Economic Crisis on Botswana', 1-9.

demonstrated how Botswana's long standing economic relations with South Africa assumed greater importance during the recession as they compensated to some degree for the loss of overseas markets.

The latter part of Chapter Five examined the shortage of electricity in the region, a problem that threatened the economic stability of the Southern African region. Ackson Kanduza's assessment of the challenges that Botswana went through in trying to develop electricity, during the colonial period and the early years of independence,²³ were taken into consideration by this thesis when suggesting that negligence and poor planning by the government contributed immensely to the shortage of electricity in the country. As discussed in Chapter Five, even with 200 billion tons of coal reserves, Botswana was still obliged to import electricity from South Africa. It goes further to show that even when voices in South Africa urged Pretoria to stop exporting electricity, it decided not because it needed to keep on good terms with its neighbours. But as Chapter Five demonstrated, not all the problems in this period were externally generated. The crippling shortage of electricity was to a large degree self-inflicted.

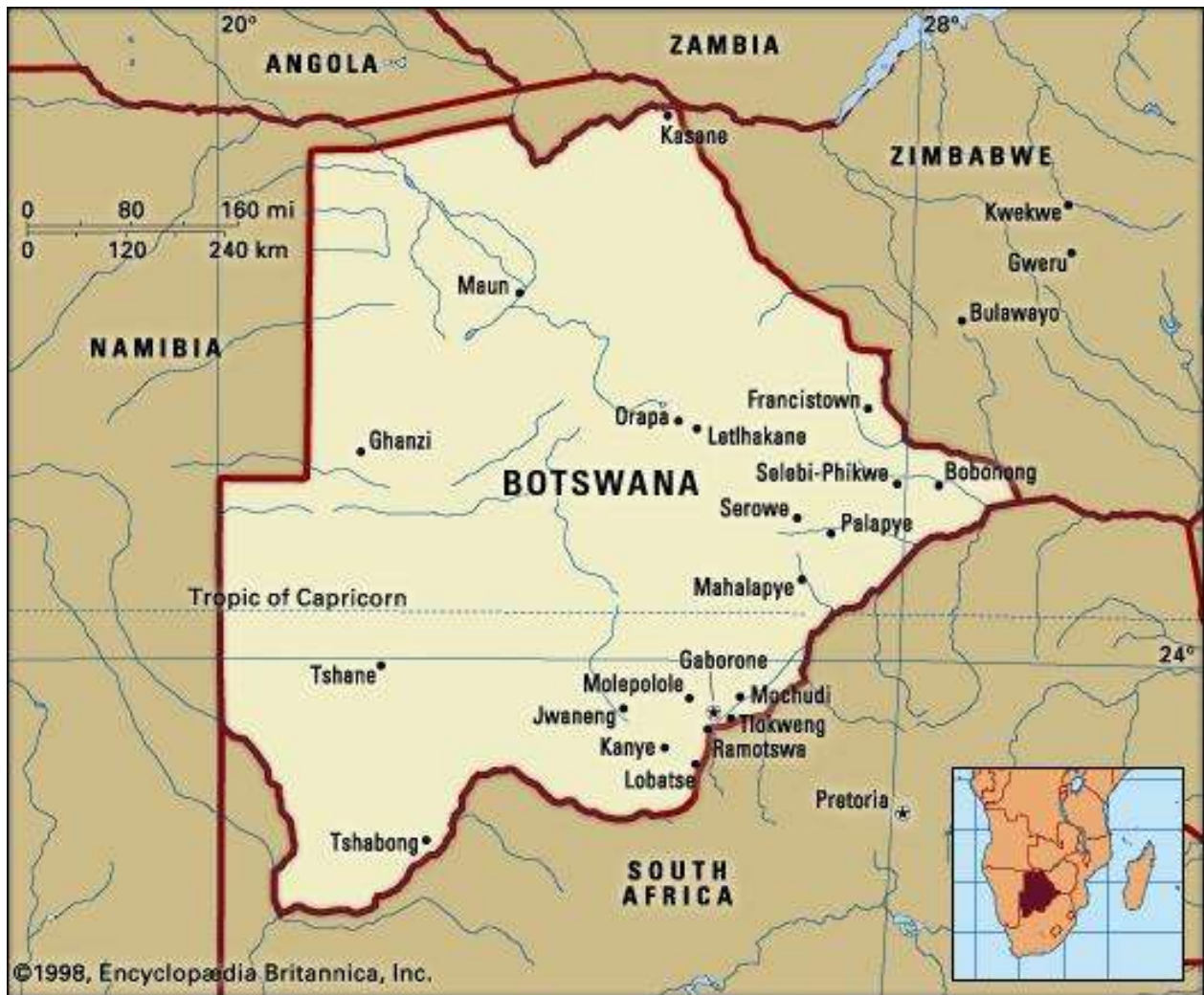
In tracing the economic relationship between Botswana and South Africa over the period 1966-2014, this thesis has found, not entirely surprisingly, that it continued to be one of dependence by the much smaller Botswana on the very much larger South Africa. This dependence took the form of labour migration, exports markets, capital and skills imports, and energy supplies, amongst others. But the nature of such dependency clearly changed over time, as repeatedly demonstrated by this thesis. Moreover, by examining economic ties from Botswana's perspective, this study revealed the extent to which Gaborone had room to manoeuvre. While limited, this did mitigate the worst of Botswana's dependency on South Africa. At the heart of this unequal relationship as it currently stands, is the discovery of diamonds in Botswana in 1969, and the advent of majority rule in South Africa in 1994. Both promised to transform the economic

²³ Kanduza, 'Let There Be Light': The Struggle for Developing Electricity Supply in Botswana, 1950—1970'.

relationship between the two countries, yet the more things changed, the more they stayed the same.

APPENDICES

Appendix 1: Map of Botswana showing Major Towns



Source: <https://www.britannica.com/place/Botswana>

Appendix 2: Conversation with Seretse Khama on relations with South Africa

President Seretse Khama Conversation with Mr Colin Eglin, Leader of the Progressive Party of South Africa- September 28, 1971¹

FOREIGN POLICY IN GENERAL:

The basic aim of our foreign policy is of course to safeguard our national interests and to strengthen our independence. We intend to work towards this goal by diversifying our international relationships and making friends with as many nations as are well disposed towards us, and to do this without sacrificing or betraying any of our basic principles. Our policy of non-alignment, which has led us to the establishment of diplomatic relations with countries like Russia, Czechoslovakia and Yugoslavia should be looked at in this context.

Our foreign policy is also aimed at promoting such universal principle as self-determination, peace, racial harmony etc... which we share with other nations. Hence our membership of the O.A.U, the Commonwealth and the U.N.

SOUTHERN AFRICA: Botswana-South Africa Relations

We co-exist with South Africa to the extent that our geographical situation makes such co-existence necessary- and again we do this without sacrificing any of our fundamental principles. This is also how we envisage our future relationship with South Africa. The South African authorities do not need not approve of everything we do. However we are confident that they recognize the fact that we are an independent nation and that we are therefore at liberty to conduct our affairs we see fit.

So far as the question of whether South Africa ought to be isolated from the rest of the world, Botswana has observed with interest how over the last few years South African have been reconsidering their policies as a direct result of their growing isolation from international sport.

¹ BNA, OP/13/86, Brief of the President's Conversation with Mr Colin Eglin, Leader of the Progressive Party of South Africa- September 28, 1971.

We believe that a dialogue on the racial situation in S.A must take place between the South African government and the oppressed people of the country.

Appendix 3: 1969 SACU Revenue Sharing Formula

$$R = \frac{i + p}{I + P} \times (C + E + S) \times (1.42)$$

Where R= revenue received by peripheral country

i= total value of all imports (c.i.f plus duties) (not only dutiable imports) into BLS (include imports from South Africa)

I= total value of imports (c.i.f plus duties) into entire SACU area.

p= total value of dutiable goods produced and consumed in BLS

P=total value of dutiable goods produced and consumed in total SACU area.

C + E + S= total collection of customs, excise and sales duties within SACU area (excluding general sales tax)

1.42= a special compensation factor

Source: TNA, FCO 105/772, Report from Alan Coverdale, British Development Division in Southern Africa, to Barry Jones, British High Commission, Swaziland, 17 December 1981.

Appendix 4: Re-adjusted shares for Debswana¹

Re—Adjustment of Shareholding in Debswana

The parties record that the present issued share capital of Debswana consists of 9.5m shares of R1 each (fully paid) all of which rank pari passu in all respects and are held as follows:

Dehold	8 075 000
The Government	1 425 000

The parties have now agreed that the Government will acquire Dehold and Dehold will transfer to the Government as soon as reasonably possible after the signing of this Agreement 3 325 000 of the shares in Debswana free of cash consideration so that the share capital of Debswana will there upon be held by the parties in the proportion of 50/50, i.e. :

Debhold	4 750 000
The Government	4 750 000

Any stamp duties or other charges in relation to the transfer shall be for the Government's account.

SOURCE: BNA, OP 23/13 Note on Status of Government – De Beers Negotiations, 9 April 1975

¹ This appendix was recreated from a faded archival document word for word.

Appendix 5: South African Foreign Minister, Pik Botha and Botswana's External Affairs Minister, Gaositwe Chiepe, in Pretoria.



Source: NASA/ SAB- SRA 19325-19469

“The Minister of Foreign Affairs, Mr R. F (Pik) Botha (left) with Botswana Minister of External Affairs, Dr Gaositwe Chiepe (centre) and Mr Ponatshego Kedikilwe, Botswana Minister of Presidential Affairs, (right) at a press conference after their talks at the State guest house in Pretoria.”

AFRICAN ECONOMIC DIGEST INTERVIEW: – BOTSWANA’S PRESIDENT MASIRE- (31 August – 6 September 1985)¹

Botswana is in the frontline of the escalating crisis in South Africa. It is also one of Africa’s few economic success stories, with a political stability to match. It has just released its new development plan, and in an exclusive with AED, President Masire gives his thoughts on South Africa, sanctions, SADCC and the future of his country.

QUESTION: On the impact on Botswana of economic sanctions against South Africa?

MASIRE: The economic impact of sanctions by the international community against South Africa is difficult to estimate. It will depend to a large extent on whether the international community will still supply goods that are directly transhipped to Botswana via South Africa, and whether Botswana can obtain other sources of supply for those goods that are imported into South Africa and processed there before shipment to Botswana. Botswana is in no position to impose sanctions on South Africa. Therefore, South Africa should not retaliate against Botswana for something Botswana has not done and in in no position ever to do. If the South African government adopted retaliatory measures, as it has said several times it would do, the impact on Botswana would significant. Botswana favour’s discussion, diplomacy and persuasion to settle disputes, and hopes that its example of a working non-racial democracy on South Africa’s borders might have some small effect in showing the whites of South Africa that they have nothing to fear in a non-racial society.

QUESTION: On the problems expected over the next five years

MASIRE: The reliance of the economy on the mineral sector renders it very vulnerable to external market forces. In addition, our economy is subject to recurring droughts and critical water shortages. Our geographic position is such that we are very dependent upon our neighbours for transportation routes and instability in neighbouring countries can have serious and unpredictable repercussions on the domestic economy...

QUESTION: On SADCC’s contribution to Botswana’s economic priorities

MASIRE: SADCC’s priorities in all sectors it co-ordinates for the region are also Botswana’s priorities. Its influence on our efforts is very positive. SADCC, as you know, provides for a regional plan of action which blends national efforts. This is very important because through this plan of action the region is made aware of mutually beneficial opportunities which exist in each country.

¹ BNA, BNB 9520, African Economic Digest, 6, 34 (1985).

Appendix 7: Nelson Mandela Speech in Serowe, Botswana

NELSON MANDELA SPEECH IN SEROWE²

Honourable Ministers Blackbeard and Chiepe;
District Commissioner Kgosi Kgamane;
Council Chairman;
Brothers and Sisters.

I am greatly honoured to be invited to join you in this kgotla.

We have come to your country to have discussions with President Masire and to talk with your Government. Our meetings have borne fruit and both our nations will benefit from this friendship between our countries. But my visit to Botswana would not be complete without an opportunity to join you, the people, in such a gathering. The people of Botswana and the people of South Africa have so much in common. We share a long history. And yet this is the first time in that history that a South African Head of State visits your country on an official state visit. This is not my first visit to Botswana. I was here as early as 1962, when the armed struggle for liberation was just beginning. Then too, we were received with warm hospitality, although I could not stay long. The apartheid regime hoped that through kidnappings, bombings, armed raids and assassinations that violated the sovereignty and peace of your country, they would intimidate you. But they were wrong. They were deceiving themselves! Today we can stand before you as the representative of a democratic country, and say, on behalf of the people of South Africa; Thank you for what you did for our country during the long and lonely years of struggle. Despite the pressures from the apartheid regime, you stood defiantly on the side of freedom, peace and democracy. You made our struggle your struggle. Today we can celebrate our victory together. The liberation of South Africa has opened a new era, def can now address the legacy of apartheid and destabilisation, and attend to the socio-economic needs of all our peoples. We are free to contribute to the reconstruction and development of our whole region. Free to join hands as equal partners with our neighbours to bring peace and prosperity to our peoples. In doing so we will be making a living reality of the vision that moved that great son of Serowe and Botswana, Kgosi Seretse Khama, when he became the founding chairman of the Southern African Development Co-ordinating Council (SADCC).

Brothers and sisters; Botswana has a proud history as a successful democratic country and as a model of economic success. Democratic South Africa is eager for close relations with Botswana. We have a lot to learn from you. With the planting of a tree today, our prayers will be that this

² <https://www.sahistory.org.za/archive/nelson-mandelas-speech-kgotla-serowe-serowe-6-september-1995>, accessed, 8 November 2018.

tree will remain a symbol of growing co-operation that will bind our two countries together in years to come. As a tree will blossom only with care and attention, so our countries and our region will blossom and grow from strength to strength, if we care and work hard. As this tree reaches for the heavens, let it encourage us always to aim higher and higher in meeting the new challenges which face us. As its branches spread, so may the co-operation between us spread out and embrace our whole region and our continent of Africa. For South Africa, co-operative relations with our neighbours on the basis of a partnership of equals have the highest priority. This is because we know that the reconstruction and development of our own country depends on development throughout our region. No country in our region will achieve prosperity unless we all do.

Dear friends; Allow me in conclusion to thank you for this the opportunity to attend the kgotla, for your hospitality and warm welcome. May the peace which freedom has brought endure forever.

Kgotso! Pula!

Issued by: Office of the President

Appendix 8: SADCC Founding Fathers



Source: <https://www.sadc.int/about-sadc/overview/history-and-treaty/>

Appendix 9: Masire Condemns South Africa's Acts of Violence in Botswana

STATEMENT BY HIS EXCELLENCY DR Q. K. J. MASIRE FOLLOWING A SOUTH AFRICAN MILITARY RAID IN GABORONE ON 14TH JUNE 1985.¹

I received the news yesterday morning in Karakobis of the wanton and unprovoked act of aggression and violation of the territorial integrity of my country with horror and indignation. In this attack on us, twelve innocent lives were taken and six people were seriously injured. The six injured people are in hospital fighting for their dear lives.

I regret deeply the loss of lives and injury to people. I consider perpetration of this brutal act premeditated murder. I therefore condemn it as a blood curdling act of murder of defenseless civilians. The dead are nine South African refugees including three women and a child, two Botswana girls and a Somali national. Among the injured are Botswana and a Dutch citizen. On behalf of the people and Government of Botswana and my own behalf I wish to express heartfelt condolences to the bereaved families. This is the third incident of violence in Gaborone this year. The first was in Gaborone when a bomb demolished a house and cars at Jinja. The second was in May when another bomb blast killed a South African refugee, destroyed a car and caused extensive damage to a block of flats and house in Extension 9 in Gaborone. No one claimed responsibility for the two bomb blasts. On our part we did not rule out South African involvement for the placing and detonation of those bombs. The South African Government has now acknowledged responsibility. In their statements they boasted of a successful operation. We are therefore in no doubt that the previous attacks were also actions of the South African government. In doing so, it committed an act of aggression against Botswana without any provocation.

I would like to recall at this juncture a statement made by the Minister of foreign affairs of South Africa in February 1985. He had warned that South Africa reserves the right to invade Botswana. I must now point out that the Government of South Africa must have been planning to attack Botswana in the manner it did yesterday, as early if not earlier than when the threat to do so was made. On the heels of the threat to invade Botswana my Government sent a delegation to Pretoria in February 1985, headed by the Minister of External Affairs, Hon. Dr. Gaositwe Chiepe. The delegation reported to me that the South African government had accepted our assurance that Botswana policy on refugees had not changed. We had submitted to the South African, our well known refugees' policy providing sanctuary to people fleeing from oppression in accordance with international law as prescribed by the Geneva convention. We also submitted that in

¹ BNA, OP/13/113.

accordance with our well-known policy of good neighbourliness, we did not allow refugees to use our territory to attack South Africa.

The acceptance by the South African Government was, as it has now turned out to be, a short-lived relief to our anxieties about its contemplated course of action. I must accept that the South African Government never meant a word of what it said when it accepted our assurances. It obviously continued to harbour sinister intentions, plotted murderous bomb attacks, and finally executed in gangster fashion, in the dead of the night, a murderous raid on our capital. The South African Minister of Foreign Affairs and the Commander of the South African Defence Force have referred to people killed in Gaborone by their armed forces as ANC freedom fighters. They have not however produced any tangible proof of this. They have failed to uncover, in and around the places they destroyed any military hardware belonging to the dead people they have not displayed any such loot with their night raiders who are reported to have escaped unharmed back to South Africa. We have also inspected the scene of destruction and the remains of carnage. There are no caches of arms and ammunition. The so-called freedom fighters the South Africans murdered were in fact defenseless persons sleeping in their beds. Among those shot at and injured were innocent Botswana driving their motor vehicles No one fired a single shot or wielded a weapon in their own defence.

It becomes quite clear to any reasonable person, listening to the boasting, watching the mirth and death in South Africa over what it says it considers to be prized trophy of game, that it did not meet any resistance, as none of the murders was killed. The only injuries the murderers could have sustained would only have been a result of their own making. This is in itself proof that the people the night raiders killed were defenceless victims. We have taken note of previous South African provocative military attacks on other countries in the region in which it has used the same tactics. I am convinced that the countries it has attacked were like ourselves, innocent victims of the so-called South African total onslaught. The stated objectives of the South African strategy on neighbouring countries, is expressly cower them into submission to its will as a regional power. The purpose is to convince themselves that the wrongs they are perpetrating in their own country and Namibia are made right by the innocent blood they spill to justify them.

The Government of Botswana rejects with contempt the South African claims that it attacked Botswana because it harbours ANC freedom fighters. I would like here to note that ANC has denied that it neither maintains freedom fighters on our territory nor direct operations for attacks against South Africa from Botswana. Not long ago South Africa also said so and made what has turned out to be empty promises that it also accepted our assurance that it was to. The Government of Botswana further rejects South African allegations that it is responsible for chaos and wave of violence that prevails now in South Africa. We categorically deny any involvement

in the planning and execution of acts of violence in Langa in Cape Province, in Transvaal and the damage to power plants wherever they may be in South Africa. We were not accomplices before or after any acts of sabotage or violence in South Africa. We are totally and completely innocent of all the allegations that have been levelled against us by South Africa. I therefore appeal to the Government of South Africa to desist from further acts of aggression against Botswana. I further wish to appeal to the international community to persuade South Africa to see reason and desist from contemplating, planning and executing barbarous acts of international banditry against Government of Botswana.

Botswana are peace loving and God fearing people. We have, in spite of South Africa developed a system of good government, based on the consent of the people. We are moreover an organised and civilized society that believes in the rule of law. We do not only cherish our achievements, but we are also proud of them. We pray that someday South Africa will copy our ways and practice them. It will be a good thing for South Africa as good as it is for us. I appeal to them that they should stop trying to destroy us because of what we stand for, because of the principles we believe in or the civilization we represent. It is not possible, in spite of all the military power South Africa possess and may unleash on us, to destroy our belief in the rule of law or traditions, customs and our civilization. Botswana will neither waver nor compromise its principled position of safeguarding innocent lives that are jeopardized and providing a sanctuary for refugees. We will also never allow refugees to abuse our policy of good neighbourliness by engaging in military acts against any of our neighbouring countries, South Africa knows that we cannot afford to do otherwise.

In this hour of crisis I would like to appeal to Botswana to remain calm and go about their daily chores with dignity and self-respect. I know that we shall overcome this crisis if only to face new challenges that will come in future. It is during trying times such as we have today, that unity and resolve of a nation is put to the test. There is nothing greater, nothing more honourable, than safeguarding the unity and independence of one's country when its very survival and sovereignty are being challenged. I am confident that given our unity of purpose we shall pull through.



Source: Botswana Power Cooperation Annual Report, 2012.

Appendix 11: Newspaper Headlines Emphasis on the Power Crisis



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