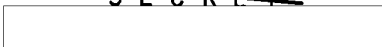


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Washington, D. C. 20505


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DIRECTORATE OF INTELLIGENCE

25 April 1984

BOTSWANA: President Masire's Visit

**Summary**


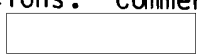
Botswana President Quett Masire probably hopes that his visit to Washington 7-10 May will cement his status as a worthy successor to Botswana's revered first president, Seretse Khama, prior to the parliamentary elections set for this fall. Masire almost certainly will want to discuss the status of the South African-Angolan disengagement and prospects for Namibian independence. Like the leaders of other Frontline States, Masire is skeptical about South Africa's sincerity in the Namibia negotiations, and is likely to urge the US to keep pressing on Pretoria to abide by its public commitment to implement the plan for Namibian independence embodied in UN Security Council Resolution 435. 

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Masire can also be expected to discuss the pressure Pretoria has been applying to Botswana for a formal security accord to control anti-South African groups, and he may appeal to the US to intercede and urge South African restraint. Masire might also mention the border problems Botswana is having with Zimbabwe stemming from anti-Mugabe dissidents' use of Botswana as a staging area and refuge. Masire probably

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[redacted]

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fears that Harare would demand a similar security accord if Botswana signed one with Pretoria. [redacted]

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Masire could also use the occasion of his visit to appeal for continued US support for the Southern African Development Coordination Conference, a nine nation regional group formed to alleviate economic dependence on South Africa. [redacted]

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The Setting

Quett Masire, Vice-President for over 14 years under Botswana's first president, Seretse Khama, has firmly established his control since assuming the presidency after Khama's death in 1980 and has continued his predecessor's moderate, pragmatic policies. Botswana, one of Africa's few stable democracies, has favored free enterprise, respect for human rights, and multiparty democracy in a parliamentary system. External relations have been characterized by a delicate balance that reflects Botswana's willingness to join fellow African states in criticizing South Africa's racial policy while maintaining extensive unofficial contacts with Pretoria. [redacted]

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The Domestic Political Scene: Masire's Reelection Prospects

Parliamentary elections set for this fall will be the first electoral test of Masire's presidency. [redacted]

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[redacted] neither Masire nor his ruling Botswana Democratic Party (BDP) is likely to face a serious challenge. The BDP has dominated all four of Botswana's general elections since 1966 and currently holds 29 of the 32 seats in parliament. [redacted]

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[redacted] signs have appeared of internal factionalism in the BDP--primarily centering around tribal and personal loyalties--but in our view these will have little effect on the election. Masire, a member of the minority Bangwaketse tribe, has been alert to the sensitivities of the majority Bamangwato tribe that has historically played a major role in the BDP. Seretse Khama was a Bamangwato, and, [redacted] some Bamangwato leaders have been dissatisfied with what they view as their minor role in the Masire government. Masire has so far been able to balance these

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competing loyalties, however, and to keep the internal rifts in the BDP from becoming serious. [Redacted]

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All but one of Botswana's half dozen or so opposition parties have extremely narrow constituencies and ill-defined programs, and present no real alternative to Masire's BDP. Only the Botswana National Front (BNF) appears to have a definite base of support--primarily among young, urban Batswana\*--but its Marxist, pro-Soviet rhetoric has made it unattractive to most dissatisfied BDP supporters. The BNF currently holds only two seats in Parliament, and in our judgment it will do poorly in the coming election. [Redacted]

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Masire seems to be coping effectively with occasional public criticism of the government's handling of Zimbabwean refugees, most of whom are Ndebele tribesmen ethnically related to the northern Batswana. The northern Batswana resent even the limited efforts that Botswana security forces have mounted against their brethren--some of whom probably are dissidents--in response to pressure from Harare. Opposition parties have been unable to exploit this resentment, however, and Masire has been careful to limit his cooperation with Harare even at the risk of antagonizing Zimbabwean officials. [Redacted]

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A nagging concern for Masire is the political future of Ian Khama, son of the late President and Deputy Commander of the Botswana Defense Force. Khama's political plans are the subject of intense speculation within Botswana. Khama, in addition to having the family name, also is Paramount Chief of the Bamangwato. Since 1981, Khama has made no secret of his desire to enter politics and most observers are convinced that his ultimate goal is the presidency. [Redacted]

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A major impediment to Khama's political aspirations, however, is a constitutional amendment that makes a tribal chief ineligible for political office until five years after relinquishing his tribal position. [Redacted]

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[Redacted] For the time being, Khama appears to be weighing his options: whether to renounce his chieftanship, work within the BDP, join an opposition group, or even form his own opposition party. [Redacted]

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\* Citizens of Botswana refer to themselves as Batswana rather than Botswanans. [Redacted]

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Foreign Policy IssuesA Regional Focus

Masire has generally supported US initiatives seeking peaceful solutions to southern African disputes. He probably hopes that the agreement between South Africa and Angola for a disengagement of forces can serve as the basis for a broader regional settlement. Along with other Frontline State leaders, however, Masire is skeptical about South Africa's sincerity in the Namibian negotiations and is likely to urge the United States to keep pressure on Pretoria to abide by its public commitment to implement the plan for Namibian independence embodied in UN Security Council Resolution 435.

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Masire's major foreign policy concerns stem largely from Botswana's extremely vulnerable position in the region. Caught between its two more powerful neighbors, South Africa and Zimbabwe, Botswana has recently come under growing economic and military pressure to make politically unpalatable concessions to both. Pretoria and Harare are demanding that Gaborone more actively restrain opposition elements residing in Botswana--Ndebele dissidents in the case of Zimbabwe and ANC insurgents in the case of South Africa--and have implied that failure to do so could invite military intervention.

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Relations with South Africa. Masire probably is concerned that South Africa's recent success in reaching a formal security accord with Mozambique will encourage Pretoria to step up pressure on Botswana for a similar agreement to control anti-South African groups. He may appeal to the United States to intercede and urge South African restraint. Pretoria has already used a recent attempt by the South West Africa People's Organization (SWAPO) to infiltrate Namibia from Botswana as an opportunity to urge Gaborone to enter into a formal nonaggression agreement.

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In our judgment, Masire is especially fearful that South African pressure will take the form of military retaliation should the ANC--in the wake of the South Africa-Mozambique agreement--make greater use of Botswana territory as a staging area for attacks into South Africa. Although Botswana is resisting South African pressure to sign a formal pact, Botswana will, in our judgment, continue to crack down on ANC and SWAPO activity as best it can. Because of Botswana's small defense force and vast, desolate border areas, however, it is unlikely the government could control either of these groups should they make a determined effort to use Botswana's territory.

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Masire is undoubtedly well aware that Botswana's vulnerabilities also extend to its heavy economic dependence on South Africa. Most of Botswana's exports and imports are transported on South African roads and

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railways. Some 40,000 Batswana work in South Africa as migrant laborers--half of them in South Africa's mines. These workers help relieve Botswana's growing unemployment, and the wages they remit are a source of valuable foreign exchange for the Gaborone government. [redacted]

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Botswana also is dependent on South African corporate investment and other forms of economic cooperation vital for continued growth. One promising project requiring Pretoria's cooperation is development of soda ash deposits. British Petroleum has begun the initial phases of an investment of over \$300 million in this project, but Pretoria has attempted to link its cooperation in the venture--as a market and possibly as a partner in costly transport development--to Botswana's willingness to sign a security accord, according to Embassy sources. Gaborone's eagerness to proceed with the project, however, and Pretoria's interest in obtaining a low cost source of soda ash for its glass, aluminum, and paper industries, probably will open the way for compromise. [redacted]

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Botswana's membership, along with Lesotho and Swaziland, in the South African-dominated Southern African Customs Union (SACU) has provided Pretoria with another source of leverage that it appears to be willing to use. South Africa collects duties on the imports of these landlocked countries and distributes shares based roughly on the members' percentage of total SACU imports. Pretoria also provides a hidden form of foreign aid by allowing the other SACU members to overstate their imports. Recently, however, Pretoria hinted that it will reduce members' shares in September unless they accept South Africa's four so-called independent tribal homelands as new and equal members of SACU, something we believe Botswana will strongly resist. SACU receipts provide over 30 percent of Botswana government revenues, and Gaborone would feel the pinch if they were reduced. [redacted]

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Relations with Zimbabwe. Masire has wrestled for over two years with the problem of Zimbabwean dissidents whose use of eastern Botswana as a staging area and refuge has bedeviled relations with Harare. Botswana's strong commitment to protecting the rights of legitimate Zimbabwean refugees has been particularly irritating to Harare. Despite Masire's assurances that Botswana is doing all it can with its limited security resources to control Zimbabwean dissidents, Harare is dissatisfied and has continued to blame Botswana publicly for its dissident problem. [redacted]

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Masire is especially concerned that if Botswana were to sign a security pact with South Africa, Harare would demand a similar pact. The Zimbabwean Army already has conducted repeated, albeit small, cross-border operations against suspected dissidents in Botswana, and we believe there will be more such incursions despite Gaborone's protests. [redacted]

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Other Regional Concerns. We believe Masire may well use the occasion of his visit to appeal for continued US support for the Southern African Development Coordination Conference (SADCC), a nine nation regional group formed to alleviate economic dependence on South Africa. Despite extensive commitments of financial support from Western donors, SADCC has made little progress toward its goal. Its members, battered by recession and drought, have so far met with little success in their efforts to escape from Pretoria's economic stranglehold.

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Relations with Communist States

Masire has had few dealings with the Soviets since their unsuccessful attempt to make major inroads into Botswana in 1980, when Gaborone signed a \$4-7 million arms deal with Moscow. The equipment, consisting primarily of 32 armored personnel carriers and 64 SA-7 antiaircraft missiles, and a few Soviet advisers arrived in August 1981. According to US Embassy reporting, however, maintenance and performance problems with the Soviet equipment soon soured relations, and Gaborone declined to renew the initial one year contracts for the Soviet advisers.

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Masire probably has suspected, and in our view rightly so, that Moscow has provided direct financial support to opposition elements in Botswana.

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[Redacted]

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Botswana has modest economic and technical assistance agreements with other Communist states. China has funded an agricultural development project, provided small arms and ammunition, and is now providing a team of medical doctors.

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[redacted] China also agreed recently to carry out a \$14 million refurbishment of Botswana's main rail line. [redacted]

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The Economy\*

As he begins his reelection campaign, Masire probably is relieved by Botswana's strong economic rebound since early last year from a brief but sharp recession. Production and sales of diamonds, the country's principal export, spurted sharply upward, resulted in record earnings, and made Botswana the largest diamond producer in the world. Foreign exchange reserves have risen dramatically, and the balance of payments is a record surplus. Botswana's external debt is low, with debt servicing absorbing less than 6 percent of export earnings. Despite these improvements, however, Masire recognizes that the recent recession underscored the ways in which Botswana's narrowly-based, export-led economy, which is dependent on diamonds, cattle, and metals, is vulnerable to events that are beyond its control. [redacted]

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While in Washington, Masire probably will express his appreciation for the economic development and food assistance Botswana has received in the past from the US, about \$160 million since 1970 and an appeal for an increase in annual commitments of such aid. He has already requested additional emergency food relief to cope with the effects of drought this year, and probably hopes for a favorable response that will coincide with his visit. The drought has devastated southern Africa since 1981, aggravating Botswana's already chronic food deficiencies (even under normal weather conditions Botswana cannot feed itself because of limited arable land and water) and raising its dependence on imports of food from South Africa and international food relief. More than half of the nearly one million Botswana are now dependent to some degree on government distribution of food, according to Embassy reports. Masire is a rancher and is keenly interested in Botswana's important cattle industry, which also has been seriously damaged by drought. Nonetheless, recent high levels of beef production and exports probably can be sustained for one more year, in our judgment. [redacted]

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\* See Annex for a detailed discussion of Botswana's economic prospects. [redacted]

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Masire may also hope that his visit to the United States will enhance Botswana's tourist potential, a relatively untapped area for foreign investment and economic development. The country has some of the last great unspoiled areas in Africa, centered around the Okavango Delta in the northwest, but there has been little development of tourist facilities, nor has an effective international marketing effort been mounted. Botswana plans to send a trade/investment mission to the US in 1985 to spur interest in this and other areas of potential investment.



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## ANNEX

Economic Performance and Prospects

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Past Successes

Botswana has had one of the most impressive development records in Africa. At the time of independence in 1966, Botswana was heavily dependent on foreign assistance and per capita national income was about \$50, one of the lowest levels in Africa. Today Botswana finances all of its operating budget and much of its development spending from its own resources. Per capita national income now tops \$900, according to the US Embassy, and prospects are good for moderate gains in real growth for the rest of the decade.

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The 1970s were a decade of rapid, export-led economic growth, and of stability for the budget and the balance of payments. The mining of diamonds and of nickel and copper, begun in the early 1970s, boosted real national income by an average of about 10 percent annually during the decade. Increased customs receipts and mineral royalties led a 33-percent annual rise in government revenues, while Gaborone maintained its traditionally conservative approach to fiscal management and enjoyed regular budget surpluses. Mining investments accounted for the bulk of large inflows of private capital that, together with rapidly rising exports, generated balance of payments surpluses.

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Fundamental Weaknesses

The economy's good performance last year may have marked the beginning of its recovery from the 1981-82 recession. Nonetheless, Botswana's economy is fragile and extremely vulnerable to changes in the diamond market, drought, and recurring outbreaks of cattle diseases.

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Diamonds, for example, are Botswana's best friend but also its greatest potential vulnerability. Diamond sales account for up to two-thirds of all exports. Slumping world demand for diamonds in 1981--especially for the gemstones that account for over one-third of Botswanan production--combined with a weak metals market to trigger Botswana's first decline in real national income. The diamond collapse has compelled Gaborone to carry a massive stockpile of unsold output now valued at more than \$500 million, according to press reports. Moreover, output from a massive new Australian mine, scheduled to begin production next year, probably will have a depressing effect on the diamond market.

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The cattle industry, the country's second largest foreign exchange earner, has been a major factor in economic growth and is still the main activity of about 80 percent of all Batswana. With nearly 3 million head of cattle the country has the highest cattle to people ratio (about 3:1) in the world. Beef exports--primarily to South Africa and the European Community--were just recovering from two devastating bouts of hoof and mouth disease in 1979-80 when the drought hit. Some losses have been prevented by maintaining a high slaughter rate, but average animal weights are down. According to Embassy and press reporting, the combination of slaughter and drought has reduced the national herd by some 800,000 head since 1981. The US Embassy reports an additional 500,000 to 1 million head may die from drought before the next rains in October. [redacted]

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The creation of new, nonagricultural jobs is likely to remain an intractable economic problem, exacerbated by Botswana's rapid rate of urbanization. The unemployment rate probably exceeded 12 percent last year, hitting young people hardest and creating potentially fertile ground for recruitment by opposition political parties. Botswana's high rate of population growth is outpacing both the economy's ability to provide jobs and Gaborone's ability to expand education and training. Only about 30 percent of the labor force is employed in the modern sector; mining provides less than 10 percent of all such jobs. [redacted]

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The largest single private employer is the troubled nickel and copper mine at Selebi-Pikwe, owned jointly by the government, Anglo-American of South Africa, and a US firm that is the only significant US investor in Botswana. The mine is considered by experts to be one of the most technically efficient in the world, but because of weak world demand has experienced a prolonged financial crisis since opening in 1974. Because of the mine's political importance as a source of employment, however, the government has persuaded its partners to keep the mine open through a series of financial bail-outs. [redacted]

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### Limits to Growth

Although Gaborone has demonstrated sound economic management and, with the recent firming of diamond prices, has been cautiously optimistic about the near term, there are serious and persistent obstacles to economic diversification and growth over the longer term. The limited availability of arable land and recurring drought will continue to be major barriers to improved crop production. Moreover, impediments to a significant expansion of manufacturing are unlikely to be overcome any time soon. They include the small domestic market, severe shortages of skilled manpower, limited raw materials, underdeveloped infrastructure--especially water, power and transport--and formidable competition in the regional market from well-established producers in Zimbabwe and South Africa. [redacted]

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[REDACTED]

As a result of these obstacles, Botswana's wide range of financial incentives for domestic and foreign private investment, and the inducement of duty-free access to the South African market, have been largely ineffective in attracting new investment. The few promising investment prospects between now and the end of the decade are limited to capital-intensive development of steam coal and soda ash deposits in eastern Botswana. Plans call for coal exports to begin by the end of the decade under an agreement with Royal Dutch Shell for a substantial expansion of output. South Africa will be the major market for a soda ash project just getting underway. [REDACTED]

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A less practical project that Botswana has nonetheless proposed is a rail line to transport coal across the Kalahari Desert to the port at Walvis Bay in Namibia. Such a line would for the first time open up western Botswana to commercial development. The government has already contracted for feasibility studies, but in our judgment and that of most observers the project is fraught with technical and financial difficulties as well as political uncertainty associated with negotiations for the independence of Namibia. [REDACTED]

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