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Botswana - Zimbabwe trade : cooperation and conflicts in bilateral trade relations 1956 to 1993

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BOTSWANA - ZIMBABWE TRADE: COOPERATION AND CONFLICTS IN BILATERAL TRADE RELATIONS, 1956 TO 1993

by

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DECLARATION

I hereby declare that this Thesis is original, and has not previously been submitted to this or any other university for a degree in the same or different form.

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Preface

Compared to the preceding decades, Botswana and Zimbabwe's post 1980 bilateral trade substantially increased to become the leading trading pair in the whole of SADC. This increase, under the 1956 Trade Agreement, still fell short of peoples expectations as there was greater potential for further growth of the bilateral trade. Its full potential was not realized because the trade interaction was, for the most part, marred by persistent disputes and conflicts. At one stage the conflicts threatened to disrupt the entire trade by closing borders. This study has therefore been written in the hope that it will advance the general study and understanding of why cooperation in Africa, by means of bilateral and even regional agreements, has been unsuccessful with its tangible benefits being very limited.

By using the Botswana-Zimbabwe trade interaction as a case study, this thesis is particularly intended to shed light on the problem of lack of growth in inter-African trade and how this has continued to be the case without any remarkable positive change. The causes for this are so numerous that they cannot all be exhausted in this study. Those that are treated in this study are chosen on the basis of their direct relevance to the phenomena of cooperation and conflicts in the Botswana-Zimbabwe trade.

The failure of cooperation and growth in inter-African trade can be attributed to the general lack of identity of purpose and genuine interests by the cooperators to devise trade arrangements which guarantee equity in the distribution of costs and benefits. African governments tend to enter into bilateral and regional trade pacts for a variety of reasons. The dominant motivation is not some altruistic assessment of the contribution which can be made to both or all countries which are signatories to the pact. Rather, it is a hard-headed calculation of the short, medium and long term benefits which are likely to flow directly to the individual countries. This is the phenomenon where states are guilty of the inward-looking, selfish attitude. This says that we must look after our own interests first, even if we do support bilateral or regional cooperation agreements.

Another cause of problems and the lack of tangible benefits in bilateral and regional trade arrangements is the failure to base these agreements on harmonized economic policies. The governments rush into signing these trade pacts while ignoring the fact that the creation of a real, efficient economic cooperation is based on harmonized economic policies of the interested cooperators. This is prerequisite which should not be ignored. It ensures that bilateral and regional trade agreements are predicated on economic and political realities of African countries. That way trade agreements will reflect the national interests of the cooperating countries since the national, bilateral and regional strategies and programmes would be devetailed to be mutually supportive and reinforcing. Once this is obtained, the problem of trade conflicts arising from conflicting national aspirations and policies will be greatly reduced.

Examples of African realities which need to be considered in formulating bilateral trading arrangements include serious balance of payments problems experienced by most African countries. There is also the weak and truncated production structures based on a few raw materials which are often not immediately usable in the signatory countries. Added to that is the problem of small markets arising from small populations in some countries. There is also the reality of newly independent countries still realizing the novelty of nationhood. They jealously guard their newly found sovereignty and interests - which often run counter to bilateral and regional efforts at cooperation in trade.

Throughout this work, the emphasis is on a historical approach to the study of trade in Africa so that we can better understand how things are and why. For this reason, this writer traces the Zimbabwe-Botswana bilateral trade interaction from its cradle in the colonial era. Indeed, as a result of this approach, the study discovered that the post 1980 trade conflicts were partly a result of the colonial legacy of the 1956 Agreement. Therefore, solutions to the conflicts partly lay in updating the trade agreement to reflect the post independent conditions of both Botswana and Zimbabwe.

As is usual in any lengthy empirical study, the number of institutions and people who deserve thanks for assistance is very great - too great for all to be acknowledged. I am grateful to the History Department of the University of Botswana for its financial assistance and generous hospitality to me as a research student. The Council for the Development of Social Science Research in Africa (CODESRIA) timely chipped in towards the end of the research with finance and books that I needed to finalize this project.

My utmost gratitude goes to my committee of supervisors. Dr. B. Mokopakgosi remained more than an intellectual friend. His patience, kindness, and appreciation of my work has been an energizing source of personal encouragement, intellectual challenge and growth. Dr. K. Darkwah was more than one could conventionally expect from a veteran university educator. His criticism and evaluation of my research project and academic work in general, which sometimes I did not understand, forced me to deal with important issues which I would have otherwise neglected. I am particularly grateful to him for helping me learn to tone down my predilection for verbose and strong statements; although I still think that I have a long way to go before I can completely kick the habit. The comments of Dr. Tsie on the earlier drafts of the first chapter are greatly appreciated.

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Finally, my deepest appreciation goes to my dear wife and closest friend, Piri. Her consistent encouragement and support made this thesis possible. In recognition for her loving support, and in celebration of the joy we both derive from the company of our beloved son, Nicky Majaira (Jr), I dedicate this work to her with love and admiration.

Jones A. Nyamupachitu

Gaborone, May 1994

GLOSSARY OF ABBREVIATIONS

ATRD	Africa Trade Relations Desk
BCU	Botswana Cooperative Union
BCL LTD	Bamangwato Concessions Limited
BLS	Botswana Lesotho Swaziland
BOCCIM	Botswana Confederation of Commerce, Industry and Manpower
BNC	Bindura Nickel Corporation
BP	Bechuanaland Protectorate
CDC	Colonial Development Corporation
CSC	Cold Storage Commission
EEC	European Economic Community
ENR	Express Nickel Refinery
ESAP	Economic Structural Adjustment Programme
FMD	Foot and Mouth Disease
GATT	General Agreement on Trade and Tariffs
HC	High Commissioner
HCO	High Commissioner's Office
HCTs	High Commission Territories
IMF	International Monetary Fund
IS	Import Substitution
LDCs	Less Developed Countries
MECC	Ministerial Economic Coordination Committee
MFN	Most Favoured Nation
MVA	Manufacturing Value Added
NR	Northern Rhodesia
OGIL	Open General Import Licence
PTA	Preferential Trade Area
SA	South Africa

SACU	South African Customs Union
SR	Southern Rhodesia
TERC	Trade and Economic Relations Committee
UDI	Unilateral Declaration of Independence
UK	United Kingdom
WB	World Bank
ZANU (PF)	Zimbabwe African National Union (Patriotic Front)
ZSS	Zimbabwe Sugar Sales

A NOTE ON CURRENCY

The currency of both Botswana and Zimbabwe from the beginning of colonialism to 1965 was the pound. This was kept at par with the pound sterling. Zimbabwe under Ian Smith, created her own currency, the Dollar, after she was expelled from the sterling area as part of sanctions against UDI. Botswana, on the other hand, joined the Rand Monetary Area in 1966 which meant that she adopted the Rand as her currency. This continued to be the situation until 1976 when Botswana inaugurated her own currency, the Pula. However, because of her membership of SACU, Botswana's external trade unit of Account continued to be the South African Rand. For these reasons money values in this study are given in two forms: The pound ( ) for the period up to 1966 and the Rand (R) for the later period. An attempt has not been made to convert one currency to the other or give equivalent values.

BOTSWANA - ZIMBABWE TRADE: COOPERATION AND CONFLICTS IN BILATERAL TRADE RELATIONS 1956-1993

Abstract

Botswana and Zimbabwe's current bilateral trade relations date back to the now revised Untied Kingdom brokered 1956 Customs Agreement between the British High Commission Territories and the Federation of Rhodesia and Nyasaland. This Agreement provided duty free-entry of goods originating in either country provided the local content totalled 25% or more of the total invoiced value. The Agreement also include an Open General Import Licence (OGIL) clause whose implication was that all goods put onto the list could be imported with guaranteed access to foreign exchange. Since the political forces in these territories sought the same objectives there was no conflict of interests which worked to undermine the 1956 Agrement. Under this Agreement the Botswana-Zimbabwe trade interaction seems to have gone on smoothly without problems.

This generally smooth trade interaction with greater potential for further growth in the 1980s experienced a dramatic change at the end of 1982. It become characterised by disputes and conflicts which led to the lack of sustained growth in the Botswana-Zimbabwe trade. Attempts at finding solutions between 1982 and 1992 proved difficult. With this problem the research set out to investigate the reasons for the change from conflict-free trade to disputes and conflicts; attempts at resolving the disputes by negotiating to update the 1956 Agreement and the difficulties which attended these attempts. Interviews, Archival sources and Library research formed the core of this research.

The major research finding was that, the emergence of two competing development strategies by the two countries was the cause of conflicts in the Botswana-Zimbabwe trade relations. In 1982 Zimbabwe adopted the inward looking development policy while Botswana maintained her outward oriented policy. From these different policies also emerged different degrees in the way both countries regarded national interest vis-a-vis bilateral and regional interests. Zimbabwe's actions became more nationalist than Botswana's thereby worsening the situation.

In these circumstances of conflicting development policies and the resultant conflicts, the negotiation process of a new Trade Agreement by the two countries became tortuous. Its Amended Agreement of 1988 did not bear fruits as it did not fully address the real problems that had dogged the bilateral trade relationship. As a result the problems and conflicts persisted until 1993 when Zimbabwe's IMF sponsored ESAP was in full swing. The latter policy returned Zimbabwe to her original free market policies - policies that have been in conformity with those of Botswana.

It was following this uniformity in policies that views on trade started to be consensual resulting in the two states agreeing on common solutions to their problems and conflicts. This evidence was confirmation of the study's general finding that cooperation in the Botswana-Zimbabwe trade was obtained by the pursuance of similar and unantagonistic economic policies which are market oriented while different and antagonistic policies led to conflicts.

CHAPTER 1

INTRODUCTION

Trade within the Southern African region has occurred over the last hundred or so years within the context of a number of Agreements, some of which are bilateral and others multilateral. Despite these Agreements, inter-state trade in the region did not appear to grow at a very high rate. Desirous to understand the constraints and obstacles that have militated against the rapid growth of intra-regional trade, scholars have focussed on the regional multilateral organisations and ignored in depth study of the bilateral Agreements as will be seen from the literature review later in this chapter.

This study focuses on the Botswana-Zimbabwe trade interaction. The two countries' bilateral trade relations date back to the now revised 1956 Customs Agreement, signed in Cape Town.[1] This was a United Kingdom brokered pact between the government of the then Federation of Rhodesia and Nyasaland and the High Commission Territories (HCTs): Basutoland, Bechuanaland and Swaziland. The Agreement provided for duty-free entry of goods originating in either country, provided the local content was 25% or more of the total invoiced value. The Agreement also included an open general import licence (OGIL) clause whose implication was that all goods on the list could be imported with guaranteed access to foreign exchange.[2]

The initial involvement of many Southern African countries in the

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[1] D.J. Hudson "Botswana's Membership of the Southern African Customs Union" in C. Harvey (ed) Papers on the economy of Botswana, London, Heinemann, 1981. p. 133.

[2] Ibid

G. Maasdorp, "Trade", A paper presented for Southern Africa Foundation for Economic Integration Conference, Sheraton Hotel, Harare, 3-4 December, 1992, p. 12.

Agreement was largely determined by the shared colonial heritage. Zimbabwe, then Southern Rhodesia, was part of the British Central African Federation. On the other hand, Botswana, like Lesotho and Swaziland, was administered from the High Commission's Office (HCO). These British colonies were further linked by a uniform monetary system since they all used the British pound sterling. The determining motive for the 1956 Agreement was the provision of cheap raw materials for British Industries and of preferential markets for British capital and manufactures in other colonies in the region.[3] Hence the Agreement's provision that there be a free flow of goods between the said British colonies.

Imperial Britain made sure that both parties to the Agreement complied with these free trade provisions.[4] Thus, to the extent that both colonies maintained free trade across their border, there emerged no conflicts in the trade interaction. However, there were times when problems and conflicts surfaced. This was when settlers in the Federation wanted to assert their autonomy from Britain by establishing their own independent nation. These "nationalist tendencies" by the settlers were expressed in various ways, for example the passing of protectionist trade policies which were aimed at developing a self reliant settler state.[5] Because such actions violated the Free Trade Agreement with Botswana, they resulted in conflicts. These conflicts were, however, not serious and prolonged, as they were solved by the intervention of the British which ordered white settlers to comply with the Agreement and to desist from protectionist tendencies. Thus with British checks on the Federation

[3] M.A.R. Ngwenya, "External Economic Links of Southern Rhodesia" in Zimbabwe Towards a New Order: An Economic and Social Survey, United Nations, Vol.1, 1980,p.12.

[4] Botswana National Archives (BNA)S, 639/5: Henry Clark (MP) to F Errol President, Board of Trade 15th November 1962"; Tor Skalnes The Political Basis of Industrialisation in Zimbabwe, Programme of Human Rights Studies, Working Papers, No.19 CHR, Michelsen Institute, Bergen, August, 1989,pp.20,29.

[5] Ibid p. 29.

tendencies, the Botswana-Zimbabwe trade interaction under the 1956 Agreement was generally conflict free. Even when settlers in Rhodesia undertook a Unilateral Declaration of Independence (UDI) in 1965 and Botswana became independent in 1966, the Agreement was not changed. The insignificant flow of trade resulting from sanctions against UDI may not have warranted the revision of the Agreement. Alternatively, if the two countries decided to secretly continue with their trade at previous levels, it follows that they compromised a lot in order to avoid conflicts which would have made their defiance of sanctions known.

This generally smooth trade interaction experienced a dramatic change at the end of 1982 when it became characterised by disputes and conflicts. These arose from the emerging conflicting economic and political interests which were expressed in trade controls by the newly independent Zimbabwe. Botswana's outward-oriented development path was averse to these trade barriers. What worsened the situation was the absence of an arbiter to deal effectively with such problems, unlike in the past when imperial Britain would normally intervene in times of such conflicts. In the new circumstances of trading as sovereign states, the governments of independent Botswana and Zimbabwe did not give the negotiations effort a chance to succeed. They allowed emotions and suspicions to dictate the pace. Evidence of this is the retaliatory measures they exchanged during and after negotiations for an amended Agreement. The end result of such negotiations was a non consensual Agreement. This stalemate continued until mid 1993 when Zimbabwe's liberalization of the economy made the country's policy market-oriented and, therefore, similar to Botswana's free trade regime. The two began to view trade from the same angle which was a good basis for consensus. Hence, serious negotiations started with a political willingness to compromise on some hitherto contentious issues.

The research therefore sets out to investigate the reasons for the change from conflict-free trade to disputes and conflicts;

attempts at resolving the disputes by negotiating to update the 1956 Agreement, and the difficulties which attended these attempts. The search for answers to these questions is predicated on the premise that, besides South Africa, Botswana and Zimbabwe are currently major trading partners in Africa.[6] In addition, as fellow SADC member states which aim to increase regional self sufficiency and cooperation at all levels (trade included), it was unseemly that differences had arisen. However, that hey did so, is no discredit to either country. These differences were to be expected, considering that the Agreement dates back to the colonial period when the trading environment was geared towards white settler or imperial interests. After the attainment of independence by the two states, both countries no longer shared common interests of European and or imperial concerns. Each country now had obligations and new interests which created the need for some changes to the existing 1956 Agreement.

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The evolution of bilateral trade between Botswana and Zimbabwe is to be analysed within the general theoretical framework relevant to the field of South - South trade. The nature of inter-state trade between countries, particularly the less developed countries (LDCs), has been found to be largely determined by the development policies they follow[7] and whether or not the goods are complementary. Accordingly, it is the contention of this study that the phenomena of "cooperation and conflict" in the Botswana-Zimbabwe bilateral trade relations can be explained with reference to the set of development policies pursued by both countries as well as the degree in the

[6] "Review of Export Performance" Prepared by Exporters Information Service, Exporters Information Service Library, Harare, 1987,p.9.

[7] J. Weiss "Alternative Industrialization Strategies" in 1983 Industrial Projects course for Project Planning, Centre for Developing countries, 11 January, 1982, pp. 1-4.

complementarity of the goods traded since 1956. The policies to be considered here are those pursued by both or either country in the course of the evolution of their trade. These are the outward-and inward-oriented development policies, or a mixture of both. These two policies correspondingly give rise to a free and export promotion trade regime on one hand, and an inward-oriented and restrictive trade regime on the other hand . In addition, alongside these different strategies were the different degrees in the way both policies regarded national interest vis a vis bilateral or regional interests.

The outward-oriented and free trade strategy is much less nationalistic in outlook than the other strategy. The inward - looking and restrictive trade policy is attractive to a country that tends to be more nationalistic. If these different development policies are pursued by trading partners simultaneously, they may present serious obstacles or constraints to their trade cooperation. The constraints to trade by these divergent policies can be reduced or increased depending on whether the goods are complementary or competitive if the goods are basically competitive then there would be really no basis for trade as the countries do not supply each other's needs, but if the goods re complementarry, the constraints of the divergent policies are reduced. This is because the unsatisfied demand in the market will compel some import of goods to continue.

The degree and extent of divergence in the trading partners' industrial and trade policies, combined with the degree of complementarity in goods, determine the extent of the constraints to trade. In turn the constraints determine the degree and level of the potential conflict or friction that can be caused in the trade interaction. In addition, this divergence in policies also determines whether or not these conflicts will be manageable. If the policies are too divergent it follows that any trade relations between the two countries will be non consensual and thus will be prone to endless friction. The opposite is also true because it would mean views on trade will be consensual.

Earlier as British colonies, both Botswana and Zimbabwe pursued the export led growth policy.[8] Since both countries pursued the same policy, their views on trade were generally consensual. It was as a result of this that the 1956 Agreement was conceived. Predictably, as long as the export led development policy which is against trade controls was complied with, the bilateral trade interaction was generally free of conflict. Whenever conflict emerged during the period before UDI in 1965, the blame lay with the white settler "nationalist" tendencies in the then SR. At times these settlers sought to protect some of their key agricultural products from external competition [9] of goods from other colonies like Botswana which they had free trade Agreements with. This action threatened to bring about a dissimilar and antagonistic economic policy to the one pursued by Botswana and other colonial trading partners in the region. This resulted in friction each time the settlers adopted some protectionist policies. However , the trend was checked by Britain. Although self governing the white settlers autonomy did not extend to the level where they could contradict imperial interests. As such, Britain continuously blocked the white settler regimes from using any restrictions as a barrier against competing imports from other British colonies in the region.[10]

The 1965 white settler regime's Unilateral Declaration of Independence from Britain caused the adoption of a different development strategy in the then Rhodesia. Britain, backed by the UN, cut the country off from many of her former export markets. Only South Africa and Portugal publicly refused to join in imposing sanctions, thereby ensuring that significant evasion

[8]Tor Skalnes, op cit p.27; National Development Plan 1985-91: " Industry and Commerce" Ministry of Finance and Development Planning, Gaborone, Botswana, 1991, p. 245.

[9] BNA: S,639/5 Bechuanalnd Protectorate/Southern Rhodesia Customs Agreement, Consultation in Salisbury, 12 December, 1958.

[10] Tor Skalnes, op cit, p. 14.

of sanctions and redirection of trade could take place.[11] The Smith regime responded with a major programme of import substitution and diversification of the economy, an inward-looking development policy. Because this policy largely depends on the domestic market as its main source of demand for domestic industry, it forced Rhodesia towards large-scale protectionism .[12] As a result, her policies were in direct contravention of her 1956 Free Trade Agreement with Botswana. This meant that if the two countries were to defy the UN and continue to trade at previous levels, differences were bound to arise because of the white settler regime's protectionist policies. Conversely, if they decided to secretly trade they might have had to compromise a lot to avoid the potential conflict that could be created by the antagonistic trade policies.

In 1980, Zimbabwe sought to liberalize foreign exchange allocations and other economic controls. This was done in anticipation of increased exports following the lifting of sanctions and promises of external assistance as well as the sudden domestic demand for imports particularly of intermediate and capital goods.[13] These actions freed competition from suppression which had been caused by tight controls on foreign exchange in the sanctions period. As these measures moved the country's policy in line with Botswana's liberal strategy, there were no longer any fears of antagonism arising in the bilateral trade. This is because the adoption of a policy similar to Botswana's meant that the two countries' views on trade were both anti protection and therefore consensual. Indeed, as chapter 4 will confirm, the bilateral trade was generally unhindered in its growth between 1980 and 1982.

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[11] Ibid, p. 30.

[12] Ibid, pp. 30-32.

[13] Zimbabwe Country Economic Memorandum: Performance, Policies and Prospects. World Bank Report, No. 5458-ZIM, October 28, 1985, p. 2.

At the end of 1982 this conflict free trend was cut short as Zimbabwe's problems forced her to adopt the inward-looking but modified Import Substitution (IS) development path. With its protectionist tendencies,[14] the policy immediately became antagonistic to the free trade principles upon which the 1956 Agreement was signed. The result was repeated friction in the bilateral trade between the two countries. This remained so until 1993 when Zimbabwe's IMF sponsored Economic Structural Adjustment Programme (ESAP) returned the country to her original free market policies which Botswana continued to follow.

The problems which forced Zimbabwe into this "modified" IS policy were largely those connected with the worsening of the country's balance of payments deficit between 1980 and 1982. The said 1980 liberalization of foreign currency allocations, together with an extremely buoyant domestic demand, led to an increase of 50% in the total import bill in 1980. Since exports increased in that year by 34%, the trade surplus was almost immediately eliminated.[15] In 1981, imports rose by a further 20% while exports stagnated and a trade deficit of R310 220 000 (US$270 million) emerged.[16] There was also an outflow of foreign exchange from the country in the form of factor payments, mainly dividends, profit remittances and pensions of emigrants leaving the country for Europe, South Africa and to a lesser extent Botswana, where they thought the political and economic climate was better for their capital. The total payments of those abroad rose from R96 000 000 (US$ 81 million) in 1979 to R156 000 000 (US$ 123 million) in 1981.[17]

This flight of capital was caused by the post 1980 unpredictable

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[14] Ibid, p. viii-ix; B. Tsie ,"Industrialization Policy and Regional Cooperation in Southern Africa: The case of Botswana. Unpublished Ph.D Thesis, Leeds University, 1989; p.189.

[15] Zimbabwe Country Economic Memorandum: op cit p25

[16] Ibid

[17] Ibid, p. 26.

and insecure political and economic climate in Zimbabwe. Although it was only at the level of rhetoric, the Marxist tendencies of the ZANU (PF) government scared away many European and Asian capitalists into leaving the country with their capital.[18] These capitalists could also not come to terms with the ZANU (PF) philosophy of a democratic economy whereby they sought to guarantee workers fairly secure jobs and a decent living through legislation of high wages.[19] These businessmen feared that this would put them at a disadvantage relative to other countries where such regulations did not exist.

Thus, while growth of demand and output reached high levels between 1980 and 1981 there were indictions inthe closing months of 1981 that the economy was beginning to overheat. Balance of payments pressures intensified as export growth failed to keep pace with the growing demand for imports and increasing levels of remittances. Export performance was poor, at least until 1984, mainly due to the decline in traditional mining exports, the failure of manufacturing exports to expand rapidly, and the effects of the drought on agricultural exports.[20] While the reasons for this are complicated it is clear that the expansion of domestic demand in 1980 and 1981 resulted in some diversion of production towards the domestic market. In addition, wages and a real appreciation of the exchange rate in 1980 and 1981 resulted in a loss of competitiveness in export markets. Also, the world recession had a severe dampening effect on both the demand for and the prices of Zimbabwe's exports. Lastly, the three-year drought which started in 1982 not only reduced Zimbabwe's capacity to export agricultural products, but also necessitated the import of certain foodstuffs.[21]

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[18] Ibid.

[19] Ibid; B. Tsie, op cit p. 188; L. Sachikonye cited by B. Tsie Ibid p189

[20] Zimbabwe Country Economic Memorandum: op cit, pp vii-ix

[21] Ibid p.ix.

These and other festering problems were responsible for independent Zimbabwe's re-orientation of her macroeconomic policy at the end of 1982. In putting together a comprehensive package of measures designed to restore the external balance, Zimbabwe found herself having to pursue a modified inward-oriented development path. Protection by means of a strict foreign exchange rationing system was put in place, to stop the import of goods that competed with locally produced manufactures.[22] It was in this context that Zimbabwe's policy became antagonistic to the free trade principles upon which her trade with Botswana was founded and conducted.

This could not have been avoided. Because of her competitive advantage, Botswana was seen as contributing in her own small way, to the deindustrialization of the Zimbabwean economy through relocation of companies to that country. In addition, Botswana had become a "highway" of companies from South Africa and Taiwan which wanted to export into the rich Zimbabwean market. These companies established shell companies in Botswana and abused the 1956 Free Trade Agreement by claiming that all their export goods were locally made.[23] This resulted in an unprecedented dramatic increase in cheap exports from Botswana between 1980 and 1982,[24] the years when Zimbabwe had liberalized the allocation of foreign exchange. Zimbabwe linked this abuse of the free trade pact to her mounting balance of payments deficit.[25] For these and other reasons Botswana became a target of Zimbabwe's protectionist policies, a thing that caused conflicts.

Against this background, it is important to note that post

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[22] Ibid,

[23] `Zimbabwe Trade Relations with Botswana:' Confidential Internal Memo, Ministry of trade and Commerce, Harare, 1992, pp 1-4

[24] G. Maasdorp, SADC: A Post-Nkomati Evaluation The South African Institute of International Affairs, 1984, p.63.

[25] Zimbabwe Trade Relations with Botswana: op cit pp 1-4.

independent Zimbabwe's modified inward-looking policy was not so much influenced by the writings of the advocates of the inward-oriented development policy. Zimbabwe's policy was rather a direct result of attempts at finding solutions to the peculiar problems which confronted the newly independent nation. However, as Zimbabwe's actions were similar to those advocated by these writers it became difficult to say whether or not Zimbabwean planners were uninfluenced by them. Hence, a brief discusssion of the main characteristics of the inward-oriented development policy and its antithesis will do to help in the judgement of how Zimbabwe's policy approximated the idealized version.

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The inward-looking strategy which is also linked with import substitution, views trade controls as an indispensable part of LDCs development strategies, despite the dangers involved.[26] Its advocates, sometimes referred to as "development economists", view trade controls as caused by foreign exchange problems resulting from IS mode of industrial development.[27] LDC's foreign exchange problems are usually conceptualised in three ways. First as an export deficiency, second as an adverse tendency in the terms of trade, and thirdly, as an excess of import demand. Some causes of foreign exchange deficiency are not subject to dispute. Over valuation of currency may cause both export deficiency and excess import demand.[28] Supply problems may be at the root of a poor export performance, and an "overheated" economy becomes the cause of excess import demand. These advocates however go a step further by pointing out that structural reasons may exist for the "chronic" foreign exchange pressures in LDCs. They think that the price as well as income

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[26] R. Luedde-Neurath, Import Controls and Export Oriented Development: South Korean Case, Boulder, Westview Press, 1986, p7.

[27] Ibid

[28] Ibid p8

elasticities for primary exports from LDCs are low and in view of the fact that most Third World countries' exports consist precisely of such primary products, export pessimism sets in.[29] Thus the scope for export expansion in LDCs, naturally or through devaluation, was regarded as limited. Against this background, LDCs were seen as having only two choices for solving their exchange problems.

The choice was between diversifying their export structure away from primary products (export substitution) or to adjust their economy so as to lower its dependence on imports (import substitution).[30] In either case, some form of industrialization in LDCs was considered necessary. Between these two choices, the "development economists" recommended the inward looking industrialization over the outward-looking strategy.[31] As already pointed out, the trade policies associated with this industrial policy are normally a mix of import tariffs and quantitative quota restrictions on imports, sometimes accompanied by export subsidies. The exchange rate is controlled by the monetary authorities and often some form of rationing of foreign exchange is in force.[32] Part of the reason for these oppressive trade policies follows from the fact that this strategy looks to the domestic market as the main source of demand for domestic industry. In addition, it is also predicated on the grounds that domestic industry is not yet sufficiently competitive to be able to sell its products in export markets. Hence, because of its high cost nature, domestic industry is felt to require a period of protection from outside competitors.[33] This is exactly

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[29] Ibid, .

[30] Ibid.

[31] G. Myrdal, An International Economy: Problems and Prospects, New York, Harper and Row, 1956, pp260-275

[32] Tor Skalnes, op cit, pp3-6.

[33] M.L.O. Faber, 'Tariff Policy in an Underdeveloped Economy with Special Reference to the Federation of Rhodesia adn Nyasaland,' Occasional Paper No. 1, Department of Economics,

what Zimbabwe came to believe about her industries, particularly the clothing and textile ones which she protected against competitive Botswana imports.

Unfortunately, the inward-looking industrial strategy has not always succeeded in solving the LDC's foreign exchange problems. This is because the process of economic development "creates a whole series of new and additional demands on foreign exchange resources, particularly, but not exclusively, in the form of imported investment goods."[34] Thus at the end of the day, LDCs continue to be confronted with serious balance of payments difficulties. Indeed, despite the suppression of imports, Zimbabwe continued to experience problems with her balance of payments deficit.[35] It was the realization of this difficulty that the 'Development economists' argued that, although the distinguishing feature of inward-and outward-looking strategies is the relative emphasis each places on the domestic and external markets, it should not be thought that the inward looking strategy ignores the role of exports. Thus it has been argued that: "the expansion of export production had to occur alongside the creation of import substituting activities". [36] In other words: "Export industry must be fostered to complement import substituting policy".[37]

Any country wishing to overcome a balance of payments constraint on growth cannot afford to ignore the export side of its trade equation, since controls on imports alone are unlikely to be sufficient to generate the foreign exchange savings to allow

University College of Rhodesia and Nyasaland, Salisbury, 1961, pp24-30

[34] R. Luedde-Neurath, op cit, p10

[35] Zimbabwe Country Economic Memorandum'; op cit p66; Tor Skalnes, op cit, p9

[36] G. Myrdal, op cit, p274

[37] J. Park cited in R. Luedde-Neurath, op cit, p12.

further growth. Thus the "development economists" emphasised the simultaneous cutting down of imports of consumer goods with import substitution and pushing up of exports. The need for this was not ignored by Zimbabwe. Efforts to implement it put Zimbabwe in a dilemma. While she wanted to suppress imports from Botswana by removing OGIL and duty free provisions in the 1956 Agreement, she herself needed these provisions to maintain and increase her exports to Botswana in order to earn the much needed foreign currency. As a result, Zimbabwe sought to legitimize other means of suppressing Botswana's exports without risking hers.

It is fair to sum up Zimbabwe's "modified" inward-looking policy as in favour of shifting import patterns so as to prevent balance of payments problems. Priority notions with respect to foreign exchange use were thus accepted as part of the policy response to foreign exchange deficiencies.

The protective tendency of the inward-looking policy has been criticised as a permanent rather than a temporary measure. This has been to the extent that, protected domestic industry which does not have to compete with imports has no incentive to improve its efficiency.[38] If competitiveness between domestic firms is not improved either by gradually reducing the protection they receive or by measures to stimulate domestic competition, there is no guarantee that costs will fall.[39] Sometimes the net foreign exchange saving effect of such a policy has been small. Imports of consumer goods have been replaced, but it is much more difficult to substitute capital or intermediate goods as they are technically more complicated to produce. Finally, where domestic markets are small it may not

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[38] W.M. Corden Trade Policy and Economic Welfare, Oxford, Claredon Press, 1974, p8.

[39] T. Murray and I Walters `Quantitative Restrictions, Developing Countries and Gatt' Journal of world trade Law, Sept-Oct. .. 1977 p399

be possible to produce goods at an economically efficient scale of production unless one can sell on the export market.[40] This explains why some LDCs like the BLS countries did not find the inward looking model attractive. The alternative to the inward looking policy is the outward-looking policy, referred to as the "export-led growth oriented strategy". The main aspects of this policy have been followed by Botswana since the days of colonialism. The policy is recommended by the neo-classical economists and revolves around import liberalization, devaluation, export promotion and incentives to industry. The basic position taken is that tariffs should be low and on the whole, uniform in nature. The intention is to minimize the interference with market forces caused by such measures. By "low" the neo-classicals have in mind tariffs of around 20 percent,[41] 25 percent[42] or below.

In contrast to the advocates of inward-looking policy, this school maintains that balance of payments difficulties are largely the result of protectionist policies in LDCs. The School argues that protection is less a solution to such problems than their root cause. Balance of payments problems are viewed not as structural, but as either due to supply problems, to over-valuation of the currency, or to "people living beyond their means."[43] Devaluation is reputed to be the most appropriate measure to combat balance of payments pressures, given that at an equilibrium exchange rate, no long term tendency towards imbalance should arise. Instead of responding to such problems by import restrictions and/or exchange controls, the problem can be better solved, however, through a deliberate large

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[40] J. Weiss, op cit, p3

[41] Ian Little, T. Scitovsky and M. Scott Industry and Trade in Some Developing Countries: A Comparative Study, London Oxford University Press, 1970, p159

[42] D. Keesing,, `Outward Looking Policies and Economic Development' Economic Journal, 77, June 1967, p305

[43] R. Luedde-Neurath, op.cit p37

devaluation or even successive devaluations[44]

As earlier intimated, the arguments usually advanced in favour of export oriented strategy include the belief that the policy orients production towards more secure and faster-growing markets than do primary commodity exports or import substitution, which reach their limits fairly quickly.[45] The export promotion policy, it is also argued, allows economies of scale to be exploited since production runs are not limited by the often small domestic market.[46] To LDCs with very small markets the export promotion policy is particularly attractive if the country concerned has privileged access to rich markets. It is in this context that Botswana valued her privileged access into the Zimbabwean market through the 1956 free trade Agreement, into South Africa via SACU and into EEC via the Lome convention.

Limitations to this strategy are also noteworthy. To break into export markets at an early stage, developing countries would have to produce goods which involve their only abundant resource - unskilled labour, and there may be a limit on the growth potential of such labour-intensive goods. The role of this strategy may be limited to small developing countries, since their absolute requirements of foreign exchange will be much smaller. For example, to grow at a certain percentage rate, Hong Kong will require much less foreign exchange earnings than will India.[47] It is partly because of this logic that Botswana and Zimbabwe ended up with different trade policies. Zimbabwe, unlike Botswana, may have realized that, because of her population size - her need for foreign exchange could not be matched by her

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[44] D. Keesing, op.cit p319

[45] B. Belassa Export Incentives and Export Performance in developing Countries: Comparative Analysis World Bank Staff Working Paper, No. 248, 1977, p55

[46] ibid. pp 55-65

[47] J Weiss, op cit, p.3.

export performance alone. To that extent she decided to combine limiting of imports with selling of exports.

Inseparable to the effect of these competing development policies above, is the question of the extent to which both regard national interest vis-a-vis bilateral and regional interests. The inward-looking strategy tends to appeal more to people and countries which are more nationalist in outlook than the outward oriented policy. This explains why the white settlers in the then Rhodesia tended to drift towards protection of their economy against others like Botswana. However, it is undeniable that politicians all over tend to concern themselves with their national constituencies, taking relations beyond their borders as "beside the point".[48] They only try to influence their governments to pursue regional or bilateral policies that suit their particular national interests. In the context of the Botswana-Zimbabwe post 1980 trade interaction, Botswana viewed Zimbabwe's policies as being too nationalist. Indeed, Zimbabwe had been affected most by the process of finding her national identity to the extent that she strongly guarded against any sacrifice however minimal, of her newly won sovereignty. On Botswana's part, it suited her to pursue a less nationalistic policy, because, as a country with a small domestic market, her export promotion strategy was particularly attractive if she had privileged access to rich markets. This explains Botswana's liberalism and desire for the formation of Customs Unions and free trade Agreements in which governments have little interference.

The foregoing theoretical background has made it clear that different national development policies by trading partners may represent obstacles to regional and bilateral trade cooperation. This therefore calls for a willingness to compromise by both sides in order to make their inter-state trade mutually

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[48] Ernest Haas cited by Tom Ostergaard, Development in Southern Africa and the role of SADC" CDR Working Paper, 89.4, Centre for Development Research, November 1989,p.37

beneficial. This is of paramount importance because high level protection in south-south trade is concentrated on items that a developing country is in a position to produce, which are also likely to be those most suitable for other developing countries to export.[49]. Because the nature of goods produced are competitive and not complementary, trade between such countries, at generally similar levels of development, is likely to be particularly severely restricted.[50]. This may be part of the explanation why, relative to the pattern of developing country trade as a whole, trade among developing countries is increasingly concentrated in "Ricardo goods": minerals, food and non food raw materials such as cotton, rubber and timber.[51] In these primary based goods, protection is very minimal and thus does not generate hostilities between trading developing countries. This situation typifies the Botswana-Zimbabwe bilateral trade relations as is to be discussed in this study.

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Although the bilateral trade under study fits within the preceding theoretical framework, very few works have been written on this trade interaction. On the pre 1980 trade, writers tended to be very brief mentioning that there was no trade between Botswana and Zimbabwe owing to the UN sanctions against UDI. For instance D.J. Hudson briefly discussed a few provisions of the 1956 Customs Agreement as well as noting that the pact remained in force until the 1980s.[52]. He is silent on the content and directions of the trade. Yet, as a writer who had worked in

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[49] G. Hughes cited in Oli Havrylyshyn Trade Among Developing Countries: Theory, Policy Issues and Principal Trends. World Bank Staff, Working Paper No. 479, August 1981.p.14.

[50] Ibid, pp. 14-16

[51] Oli Havrylyshyn, Trade Among Developing Countries: Theory Policy Issues, and Principal Trends", World Bank Staff, Working Paper No. 479, August 1981, p.14.

[52] D.J. Hudson in C. Harvey (ed) op cit, p.133.

Botswana for a long time, he should have known of the existence of some statistics pertaining to this trade.

P Hartland-Thunberg is more useful for she sheds light on the reasons why trade between Botswana and Zimbabwe in the pre 1980 period has not been written on despite some evidence in the form of statistics. She argued that although the trade was allowed under a special dispensation from the UN sponsored embargo against Rhodesia, trade remained unreported for security reasons. Hartland - Thunberg pointed out that prior to UDI, Botswana imported primarily food products from Zimbabwe "and may still be doing so, [53] referring to the period of the 1970s. Her work is useful in as far as it forewarns researchers that the pre1980 trade relations, particularly in the UDI era, were not an easy subject to investigate because of the said reasons. C. Colclough and S. MaCarthy expressed the view that if there was any trade worth mentioning between the countries in the pre1980 period, it was that which occurred before Ian Smith declared UDI. Otherwise during the sanctions period against the UDI there was a diversion of some trade and banning of the transport of oil and arms through Botswana. Thus in their view, the Zimbabwean railway service remained as the only item of trade between Botswana and Zimbabwe between 1965 and 1979.[54]

J. Spence and R Dale, like Hartland - Thunberg pointed out that some trade did continue between the two countries especially to provide for the northern districtso f Botswana. Spence gave some evidence of trade a year after UDI was declared. In sapport of his view, he cited estimated trade figures for 1966. Total Botswana imports were worth 9.38 million pounds, 65 percent of

[53] P. Hartland-Thunberg: Botswana: An African Growth Economy, Colorado, Westview Press, 1978,p.62

[54] C.L. Colclough and S.J. McCarthy, The Political Economy of Botswana: A study of Growth and Distribution, New York, Oxford University Press, 1980,p.50.

which came from South Africa and 27 percent from Zimbabwe.[55] Spence also mentioned that a certain proportion of Botswana's beef was sold to Zimbabwe.[56]

Richard Dale alluded to Botswana's selective application, UN sanctions which allowed some trade in important goods for the provision of some of her northern districts. He argues that in the late 1960s or early 1970s, Botswana ended its import of Zimbabwean beer, cigars, cigarettes and tobacco for the whole of the country except for the Chobe area and that she also forbade the sale of dairy products from Zimbabwe in most of the country except for Francistown. This was expected to make some dent in the Rhodesian (Zimbabwe) economy, for Botswana is estimated to have purchased $2 ,38 million worth of tobacco, beer, and non-alcoholic beverages from Zimbabwe in 1968, for example.[57] Thus the impression created by some writers of almost no trade in the UDI era is inaccurate, as this study will also confirm.

Compared to the decade of the 1970s trade in the post 1980 period grew rapidly. However, writers who briefly referred to it were primarily focussed on SADC's industrialization, cooperation and dependence on South Africa. Joseph Hanlon mentioned some limitations which are relevant to the Botswana-Zimbabwe trade: the lack of foreign currency with which to import goods and bureaucratic delays in processing documents, specialization on similar primary commodities and a few manufactured goods for export.[58]

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[55] J.E. Spence, "The implications of the Rhodesian Issue for the former High Commission Territories in Journal of Commonwealth Political Studies 7 July, 1969,p.105.

[56] Ibid

[57] BNA 90.39: R. Dale, "Botswana and the Rhodesian Regime, 1965 - 1980.

[58] J Hanlon: SADCC: Progress, Projects and Prospects, Trade and Investment Future of the Southern African Development Coordination Conference, Special Report, No 182, Economist Intelligence Unit, 1984, pp.67-72.

P. Takirambudde and B. Tsie also briefly touched on the post 1980 bilateral trade relations between the two countries in their separate works. They however concentrate mostly on the period up to 1985 leaving the remaining years of the decade unmentioned. For instance they did not write about attempts at resolving the disputes by negotiating to update the 1956 Agreement and the difficulties which attended these attempts.

Takirambudde wrote about the growth of the manufacturing sector in Botswana, particularly the textile and clothing industry. He proceeded to write about the Zimbabwean response to Botswana's entry into the Zimbabwean market and its effect on the said manufacturing units. He pointed out, without elaborating, that the Zimbabwe government's actions were meant to please domestic audiences. Thus without caring to examine the underlying causes of Zimbabwe's actions Takirambudde concluded by stating that Zimbabwe's actions were "undesirable, non-optional and counter productive in the context of SADC.[59] His paper thus did not examine Zimbabwe's actions within the context of her situation vis-a-vis 1956 Trade Agreement, an aspect this study will investigate.

Tsie briefly mentioned some of the reasons that led Zimbabwe to call for a revision of the 1956 Trade Agreement, a call that became the basis of the differences over what provisions to amend and the methodology of doing it. The reasons he mentioned are, scarce foreign currency and problems with the balance of payments in Zimbabwe.[60] Added to these was de-industrialization through the flight of Zimbabwean companies to Botswana and some unfair business practices by some Botswana based companies exporting to

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[59] P N Takirambudde, "Preliminary Reflections on Prospects and Constraints for Regional Trade Exchanges: The Botswana-Zimbabwe Interaction", Unpublished Law Seminar Paper, University of Botswana, 1985/86,p.3.

[60] B. Tsie, <u>op cit</u>, p.191.

Zimbabwe.[61] On the unfair business practices, Tsie said very little yet his source, Mercer and Irving, mentioned that the practice could not all be enumerated in their survey for the Botswana textile and clothing industry.[62] This demanded more investigation which Tsie did not carry out but which this study sets out to do.

Tsie's chapter on the growth of the export oriented clothing and textile industries in Botswana lends support to part of my thesis or contention that the conflict in the bilateral trade relations between Botswana and Zimbabwe was to a considerable extent rooted in competitive goods which Zimbabwe thought were harming her domestic industry. The phenomenal growth of textile and clothing exports to Zimbabwe between 1980 and 1984 was initially met by quantitative restrictions. This was followed up by the tightening of the rules of origin which barred some Botswana based companies from exporting to Zimbabwe. It was from these oppressive trade policies that conflicts in trade between the two SADC states emerged.

[61] Ibid

[62] Mercer and Irving, cited by B. Tsie, Ibid

CHAPTER 2

HISTORICAL ANTECEDENTS TO THE 1956 CUSTOMS AGREEMENT

The 1956 Customs Agreement to be studied grew out of the first Customs Agreement signed between the then Southern Rhodesia (SR) and Bechuanaland Protectorate (BP) in 1930[1]. This 1930 Agreement was a result of the two countries', particularly SR's disgruntlement with South Africa's (SA) protectionist tendencies in the existing Customs Union. This union was originally entered into in 1903[2]. Thus, it is the present writer's intention to discuss the friction between SA and SR in the Customs Union in order to set the stage for our understanding of how BP and SR came to sign their first ever Customs Agreement in 1930. This is important for it is from this 1930 Agreement that the 1956 Customs Agreement was derived.

SA's protectionist tendencies in the Customs Union seemed to have hurt SR more than they did BP, resulting in SR playing the leading role in the movement by two countries to sign a separate Customs Agreement. Although customs duties were first imposed in SR in 1899 and arrangements entered into with the Cape government and BP for the payment of a share of duties collected on goods removed from one country to another, 1930[3] may be viewed as marking the first chapter in the history of trade relations between SR, BP and SA. In August that year SR joined the SA Customs Union whose members also included the HCTs and

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[1] BNA, S 428 1/1 Customs Agreement: The Bechuanaland Protectorate-Southern Rhodesia.

[2] M.A.R Ngwenya. op cit 528

[3] S.J.Ettinger, "The Economics of Customs Union Between Botswana, Lesotho, Swaziland and South Africa." Unpublished Ph. D. Thesis, Michigan University, 1973, p.58; Official Year Book of Colony of Southern Rhodesia, No. 4, Salisbury, p 675

Barotseland. The underlying principle of the Customs Union was free exchange of most of the home grown and home produced goods between member states.

At that time all member states of the Customs Union were dependent on the production and export of primary goods which were competitive rather than complementary. SA's secondary industry was still very small while secondary industries hardly existed in SR and BP. While various amendments were made to the 1903 Customs Union between 1906 and 1910 the underlying principle remained the same, namely free exchange of goods between member states with the exception of spirits, beer and cigarettes on which customs and excise duties were charged[4].

By 1914 the SA manufacturing sector had grown and was increasingly becoming a noticeable feature of the economy. One consequence of this development was that other Customs Union member staes, particularly SR, lost revenue through the importation of duty-free SA manufactured goods instead of overseas goods which paid duty[5]. As a result of SR's complaints, a new amendment to benefit her was negotiated in 1914. This amendment to the Customs Union effected annual payment of a certain sum by SA to SR. Part of this sum was for duties collected by SA on goods from overseas re-exported to SR minus collecting expenses. The other part comprised 5% of the estimated value of SA's manufactures exported to SR[6].

The HCTs did not benefit because they had no power over the new

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[4] V.Machingaidze. " Trade Imperialism: South Africa and Southern Rhodesia, 1903 to 1960, Southern Africa Research Programme Seminary, January 14, 1987, Yale University p.2; Official Year Book of The Colony of Southern Rhodesia, No. 4. Salisbury 1952, p.675.

[5] V. Machingaidze, op cit, p.2, W.H.B Shaw " The New Federal Tariff " Paper read at a Meeting of the Rhodesia Economic Society, Salisbury, 6th September, 1955, p.2.

[6] Ibid, p.2

accessions or amendments to the Customs Union[7]. The logic presumably was that the Africans would not understand such matters, that whites should make these decisions, and that Britian, which controlled the HCTs could make her will felt through the Cape members of Parliament. Nevertheless, a dengerous precedent was set, whereby the white ruled parts of Southern Africa made all the decions concerning the Customs Unions.

Real disgruntlement about the Customs Union by SR and BP began in 1922 in the wake of the post-World War 1 depression. The agricultural sector, especially beef, was in a state of depression due to reduced demand and falling prices[8] (See appendix I). Accordingly, the SA farmers union passed a joint resolution calling on the government to impose an embargo on cattle imports from SR and BP, as well as revise existing tariffs in order to protect and develop agriculture and Industries in general[9] In addition to cattle , SR's other main export to SA was tobacco. With the collapse of commodity markets in the western countries this led to the same effect in the SA market where the commodities became oversupplied. SA's beef were also sold in the mining towns where SR and BP cattle and beef were sold. In seeking to restore profitability of her cattle indusrty , SA decided to protect it from the uncontrolled import of BP and SR's cattle. BP cattle exports to SA had been rising unevenly. Between 1905 and 1910 they were fairly stagnant, averaging about 3,000 head per annum according to official figures. After 1910 export volume increased substantially to over 12 000 head per annum and escalated rapidly to 19 000 head in 1916-17, and 31,000 in 1929-21[10]. By this time 94% of BP cattle exports went to SA. SR's cattle exports to SA were not far off from these figures.

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[7] J. Ettinger, op cit, p. 57

[8] V. Machingaidze, op cit p.3; M. Hubbard, Agricultural Exports and Economic Growth: A study of Botswana's Beef Industry, London, KPI, 1986,pp 73-75.

[9] Ibid

[10] M.H Hubbard, op cit p.71-72.

In line with the farmers resolution, SR and BP were from February 1923 excluded from the open markets of SA (i.e.. Ramatlabama and Sikwane) and only restricted to the Johannesburg market. Pressure for the total embargo continued to mount resulting in SR and BP being invited to a conference at Pretoria in October 1923. There, the two countries were told of a SA embargo on slaughter cattle below 800 lbs[11]. Later at the 1924 Customs negotiations with SR, JBM Hertzog of the Nationalist-Labour coalition government stated that the 800 lbs embargo had been quite ineffective. Accordingly, SA raised the weight restrictions on imports of oxen and cows weighing less than 1050 lbs and 790 lbs respectively at the point of departure in SR and BP[12].

For SR which was under strong settler pressure to pursue an aggressive settlement and agricultural policy, such an embargo threatened to close the SA market for her. The same effect was felt by BP as was poignantly summed up by Isang Pilane, member of the Advisory Council and chief of the Bakgatla, in an appeal to British Royalty:

> SA has stopped cattle from crossing the border, with the exception of cattle that are railed direct to the Johannesburg quarantine market, for immediate slaughter ...Union is agitating for a complete embargo on all cattle from Rhodesia and the territories... We see no hope for ourselves as a Nation and we humbly pray that your Royal Highness should avert the threatened evil[13].

The SR treasurer, P. D. L. Fynn conceded that SR had to accept the terms imposed by SA or they risked losing the whole of the Rand cattle market and above all, the imposition of duty on leaf

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[11] *bid, p 82; BNA s. 31619 S.A. weight restrictions on live cattle.*

[12] V. Machingaidze, op cit,p.3; S.D Neumark,`The War and Its Effects on Agricultural Prices and Surpluss in South Africa',South African Journal of Economics Vol 8,1940,P.432

[13] Isang Pilane cited in M. Hubbard op cit, p.77.

tobbaco.[14] S.Ettinger suggests that there may also have been a racial motive behind these weight restrictions. He observed that a significant proportion of cattle in SR and the HCTs were owned by Afrikaners, often SA citizens. Accordingly, Ettinger argues that SA could not impose straight quotas because these would have hit the SA cattle owners in SR and BP. Instead, weight restrictions were found to exclude them from the effects of the embargo because these SA citizens generally had heavier and better quality cattle than most Africans[15]. The present writer does not accept this argument because, had this been true , there would be no reasons why the European authorities in SR and BP complained about the restrictions.

The tariff policies desired by SR, SA and BP became clearly antagonistic since SR and BP remained basically producers and exporters of raw materials with hardly any manufacturing sector to protect like SA. At the end of the day, the overall effect of SA's protectionist policy was to maintain the balance of trade heavily in her favour (see appendix 2). It was in this context that in 1929 SR requested a new conference to amend the Customs Agreement. Unfortunately at these negotiations SA continued to bully her northern trading neighbour as the results of the signed 1930 Agreement show. SA drastically limited SR tobacco imports which could be admitted free of duty to 2 million lbs. of Virginia and 400,000 lbs, of Turkish tobacco per year. SA would further, each year, set a minimum average price on the duty-free quota in order to keep out the lower grades.[16]

SR however succeeded in getting out of the uniform tariff with SA.This was a pre-requisite step in SR's moves to sign a separate Customs Agreement with BP later that year, in 1930. SR felt that

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[14] V. Machingaidze, op cit p.4 NAZ; S 2461461, Customs Agreement:Embargo on Tobacco.

[15] S.J Ettinger.Botswana Notes and Records vol.4,1972, p.22.

[16] NAZ; S246/461, op cit; V. Machingaidze, op cit, p 2

so many alterations in principle were being made in the SA tariff, mostly of a protective nature and therefore wanted to have her own tariff.On goods imported into SA from overseas and later re-exported to SR, the SA government would pay SR the SA duty or the SR duty, whichever was higher, less 5% to cover the cost of of tariff collection.[17] On SA manufactured goods, SA would pay SR 12% of the value of manufactured foodstuffs and 6% of the value of other manufactures and vice versa. SA continued to give SR goods low railway rates.[18] This arrangement could still not satisfy SR because her main exports, tobacco and cattle, could not freely enter the SA market.

It is apparent from the foregoing discussion of SA's protectionist policy that no individual country in the region would singly have forced SA to stop her "intransigence". It soon became clear, particularly to SR, the main victim, that a united front to face SA on th Customs question would do the trick. SR had already begun secret consultations with BP who also suffered at the hands of SA's protectionist policy. BP had continuously complained that "the Union has not treated us too well and has not respected our Customs agreement with them notably in regard to cattle."[19] Viewed against SA's accustomed and unchecked unfriendly attitude over cooperation on issues of Customs, especially on the cattle embargo, BP found the SR offer as an alternative worth trying. BP therefore agreed to the signing of a separate Customs Agreement with SR. It should not be forgotten that this was before SR had withdrawn from the Customs Union and established her own Customs. However, because of the rate of her conflict with SA over trade policies, SR had forseen her

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[17] Ibid, p 9.

[18] Ibid, p.9.

[19] BNA, S428/1/1 Customs Agreement BP-SR: Resident Commissioner's Letter to High Commissioner, 18 December, 1936.

withdrawal to be not long in coming. Against this background, it will not be an exaggeration to state that SR's signing of a Customs Agreement with BP was part of her planned preparations to leve the Customs Union with SA in protest to the latter's protectionist policies. She however wanted to first secure for herself friendly trade partners before announcing her withdrawal from the SA Agreement. In pursuit of this, NR was also consulted.[20]

SR carefully used her common grievance with BP against SA as a basis for negotiating a bilateral Customs Agreement between her and BP. Indeed both countries shared the same view against SA, that as countries that exported practically no manufactured goods, they were entitled to special consideration in respect those goods for which there was demand in SA. This meant tobacco and cattle for SR and cattle for BP. With these strong feelings, BP saw this as an opportunity to demonstrate to SA that her intransigence should be moderated because she may not be indispensable.

Hence one of the initial major objectives that drove BP to sign a Customs Agreement with SR was to frighten SA and restrain her uncooperative and uncompromising attitude towards BP. Evidence of this is not difficult to find. Following the signing of the 1930 Agreement with SR, SA suddenly changed her attitude towards BP and began to talk of cooperation and reconsideration of the weight embargo on cattle.[21] In response to this, BP unwittingly confirmed her objective for signing the Customs Agreement with SR in 1930 by seriously considering denouncing the Agreement as a way of bolstering her bargaining power in negotiations with SA:

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[20] V. Machingaidze, op cit, pp 11 and 13; NAZ; 5679/1511, Customs Agreement Between the Union of South Africa, Southern and Northern Rhodesia, 1924- 1930.

[21] BNA S 303/2 Customs Agreement BP-SR 1930: Question of Using Cancellation of this Agreement as a Bargaing Counter with Union government.

> We have just recently noticed the signs of change in their (SA) attitude to us (BP)...If therefore the wind is set for our obtaining some concenssion from the Union, we might well strengthen our position in the negotiations ...We spontaneously offer as a bargaining counter denunciation of the Agreement with Rhodesia.[22]

Thus looked at from another angle, this meant that Bechuanaland was initially pushed into the desperate situation of having to sign a Customs Agreement with SR by SA's intransigence and nothing more.

SA did not readily accept the 1930 SR-BP Customs Agreement because the simultaneus membership of BP in a Customs Union and her Free Trade Area with SR posed conflicting problems. The British government however pressurized SA and the latter country eventually, though reluctantly, allowed the 1930 Customs Agreement of SR and BP to stand. This was however on condition laid down and reflected in BP's proclamation no. 23 of 1930.[23] Perhaps SA did not seriously object because SR had not yet broken away from the Customs Union with her. Also, SA may have viewed the BP-SR pact as capable of lowering the existing tension level between them and her without adversely affecting the rest of the Customs Union Agreement. Therefore, SA may have found it necessary to allow this pact to operate but subject to enough safeguards being put in place to protect her interests.

Certainly, the 1930 bilateral Customs Agreement between SR and BP had the effect of cutting the SR tariff by allowing SR goods to enter the Protectorate at less than the SA tariff.[24] While this undermined the whole objective of the Customs Union, the SA

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[22] Ibid.

[23] BNA S428/1/ High Commissioners Notice No. 23 of 1930

[24] BNA, S80/12 Letter from D.W.Dewar, Local Secretary Francistown Tati Company Ltd to Resindent Commissioner, 8 July, 1931.

government seemed to have compromised on this one, presumably as a trade-off with her restrictive policies against BP and SR's primary goods. What, however, worried the SA government most about this Agreement was the possibility of SA's interest being undermined by BP's imports of goods from SR under a lower tariff and their re-export to SA without adjustments being made to the duties payable on such goods. It was for this reason that the SA government allowed the BP-SR Agreement to operate on the condition that BP would ensure that duty was collected on all dutiable goods from SR to SA.[25]

Not very long after the signing of the 1930 Agreement by BP and SR, the latter notified SA of her intention to withdraw from their common Custom Union and the desire to negotiate a new Agreement. This seemed to have surprised both SA and BP for the simple reason that they did not know that SR was seriously determined to proceed with the establishment of her own Customs, independent from SA. After difficult and acrimonious negotiations with the S.A. government the Customs Union Agreement between the two countries came to an end in 1935 and was replaced by the 1935 Trade Agreement.[26] The latter prohibited export by either country of wheat, maize, dairy products, eggs and vegetable oil except with the permission of the importing country.[27] In the aftermath of ending this Customs Union Agreement with SR, SA began to feel the full negative effect of the BP-SR 1930 Customs Agreement.

Consequently, SA seriously considered objecting to the renewal of concessions granted to BP by the SR-BP Agreement of 1930. It was because of the loss of customs revenue which SA suffered by

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[25] BNA, S 428/1/1 Council Meeting on Customs and Re-exports from Southern Rhodesia.

[26] BNA, S 428/1 Bechuanaland Resident Commissioner Correspondence to the High Commissioner, 18 December, 1936; NAZ S 679/15/4 Customs Conference with the Union of South Africa, 1935

[27] Ibid; V. Machingaidze, op cit pp 15-16

reason of imports coming into the territory through SR instead of through SA. BP was also seen to be receiving too large a share of SA's Customs duties at a time when her trade with SR was to the detriment of SA's Customs Union.[28] SA interests were also said to be adversely affected by the smuggling of goods from BP to SA owing to failure by BP to ensure the collection of duty on the said goods. This position was further affected by the new 1935 SA-SR Agreement which caused numerous classes of goods to become dutiable on entry into SA[29]

Meanwhile opinion was divided in BP over the ame issue of whether or not to discontinue the Customs Agreement with SR and avoid further antagonizing SA, where the bulk of BP's commercial interests lay.[30] The Agreement however quickly won supporters among the populace particularly of the northern parts of BP. This part of BP obtained a cheaper source of supply of certain commodities. The difference between the SA customs and the SR customs in some of these commodities was enormous. Blankets, rugs, shawls, hats, caps and clothing landed in BP at approximately 20 percent less than through the SA customs.[31] The people also enjoyed the benefit of cheaper sugar, flour, tobacco, soap, sweets and biscuits brought in from SR [32] This prompted D.W. Dewar, the local Secretary of Tati Company Limited to sum up the views of the northerners about the SR-BP Customs Agreement:

> nothing to my knowledge will assert more clearly the desirability for the continuance of the present

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[28] BNA S 428/1/1 High Commissioner's Office no. 60 Confidential Internal Memo of 22 January 1938

[29] <u>ibid</u>

[30] BNA S.428/1/1 Butter and Cheese Agreement Between the BP and SR, Draft General Agreement

[31] BNA S.80/12 Letter from Local Secretary, Francistown to Resident Commissioner, 8 July 1931

[32] <u>Ibid</u>

Customs Agreement which has undoubtedly proved a great boon to the Bechuanaland Protectorate as a whole.[33]

The argument for those who were for dropping the Customs Agreement with SR was that the latter was not buying to any significant extent from BP and that she (SR) could never buy BP's main export, cattle.[34] They bought the cattle but with restrictions. Thus the rationale was that at a time when SA and SR trade relations had hit their lowest ebb, BP was not to be seen by SA to be in league with SR against her. The fear was that this might spell disaster in BP's future negotiations over the cattle question.[35] This division in BP over the continuation of the 1930 Customs Agrement with SR was eventually put to rest by the High Commission for HCTs who ruled that he was against abandoning the Agreement.[36]

However, the SA authorities finally decided to raise no further objections of principle to the continuance of the 1930 Customs Agreement between BP and SR. This was on the understanding that real steps would be taken to prevent the export to SA of goods from SR via BP. To achieve this end, they agreed that a BP trader and purchaser be made liable in certain clearly defined cases that goods from SR be not removed into SA without payment of the requried duties. The SA government warned that should she find that serious efforts were not being made to comply with this provision of the law and that there were constant evasions, then

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[33] <u>Ibid</u>

[34] BNA S.303/2 Customs Agreement, BP-SR 1930 Question of Using Cancellation as a Bargaining Counter with Union Government of South Africa

[35] BNA S.428/1/1 Resident Commissioner Letter to High Commissioner, 18 December 1936

[36] BNA S.4281/1/ Correspondence from Protectorate Government House, Mafeking to Clarke on High Commissioners ruling over the Issue of Abandoning the Agreement with S. Rhodesia

BP would have to revoke the Agreement with SR.[37]

Once the uncertainty that surrounded the 1930 Customs Agreement between BP and SR was cleared in 1937, trade between the two countries, although it remained small compared to SA and other states, gradually increased with the balance of trade always in SR's favour (See table 1 below). BP immediately negotiated for the export of her cattle to SR. Cattle was a commodity widely considerd as BP's economic mainstay. Thus beginning in 1939, cattle other than bulls were exported to SR. Other exports to SR included sheep, hides and butter (see appendix 3). On the other hand SR's main exports to BP were varieties of grain, maize, sugar, cigarettes and tobacco, clothing, cement,coal and mining machinery among other things (see appendix 3).

<u>Table 1: SR and BP's Trade 1935-1951</u>

Years	SR Exports to BP (thousands)	SR Imports from BP (thousands)	Trade Balance
*1935	131.220	11.025	+120.195
1936	175.461	8.677	+166.784
1937	186.342	3.022	+183.320
1938	198.200	15.212	+182.988
1939	196.964	17.100	+179.864
1940	211.529	50.115	+161.414
1941	235.646	22.835	+212.811
1942	178.701	13.674	+165.027

[37] BNA S.428/1/1 Customs Regulations on Re-exports from Southern Rhodesia Customs Proclamation No. 66/1937, Section 1(c) and 2)

1943	193.715	31.481	+162.234
1944	257.958	13.231	+244.727
1945	536.627	39.565	+497.062
1946	524.673	38.052	+486.621
1947	334.114	54.077	+280.037
1948	336.826	58.598	+278.228
1949	451.123	130.173	+320.950
1950	718.395	158.214	+560.181
1951	627.569	277.974	+349.596

Source:- Annual Statements of the Trade of Southern Rhodesia 1935-1951. *BP's trade before 1935 was included in SA figures due to their Customs Union

At the height of the second world war, between 1942-43, SR became protective and prohibitive to the bilateral trade by introducing import and export licences for the import and export of beef and beef products, maize and maize products, pigs and pig products, butter and cheese, eggs and oil seeds. The BP's Resident Commissioner, through the HCT's office, complained that 'import and export under licence issued by the SR government does not constitute free entry and is at variance with the principle of free trade contained in the Customs Agreement.'[38] In defence, Prime Minister Huggins of SR said, the order was an emergency war time measure[39] that was subject to revision after the war. BP did not accept SR's explanations and persistently argued that she was increasing her grain, pig and poulty production with the hope of finding a market in SR. BP pointed at statistics (see table 1) showing a serious trade imbalance between the two countries.

[38] BNA S.428/1/2 High Commissioner's Office, Memo Secret No. 3148

[39] Ibid

It attributed this to BP's unrestricted and valuable market for SR produce, a thing to which the latter was failing to reciprocate.

Until after 1948, SR had continued with her quantitative restrictions on the already mentioned goods except livestock and cream. In reaction, BP threatened to retaliate by imposing levies on butter and cheese imported from SR at the rate of those obtaining in the BP and SA. BP also expressed fears that she might be forced to readjust her external trade in order to secure access to markets which would not be subject to sudden curtailment. She had in mind SA, whose market, except for restrictions on the import of cattle, was open to other products from BP.[40]

These threats by BP elicited a positive response especially because they came at a time when SR was just about to conclude an Agreement with NR and Nyasaland to form a Federation. Ideas of a greater Federation encompassing all British Central and Southern African colonies were being mooted. As SR would benefit more than other colonies in such a Federation, her government decided to stop antagonising these colonies by her restrictive trade policies. SR was also worried about the impact of the coming to power in SA of the anti British, National Party. As part of her desire to contain the Afrikaner influence from the British colonies, SR abandoned her restrictions on BP goods in order to retain her friendship and loyalty.

With British insistence, that, she would support all her colonies cooperating in areas of trade and politics, prospects of free and uninterrupted trade between her colonies in the region looked bright. Everything in place also seemed to confirm this. The Federation seemed to offer an attractive and unlimited market for any products. It was thus against this background that in 1956

[40] BNA S427/9/2 Administrative Secretary's Letter No. 2123 of 13 August, 1940

the existing 1930 SR-BP Customs Agreement was adopted with few amendments to apply between the Federation and the HCTs in Southern Africa.

From 1953 to 1963 SR did not trade under her name but as the Federation of Rhodesia and Nyasaland. After the dissolution of the Federation in 1963, the country reverted to her old colonial name, Rhodesia. Between 1964 and 1979 Rhodesia's trade with BP, later Botswana in 1966, was conducted under the 1956 Agreement. After Zimbabwe became independent in 1980, the bilateral trade continued to be conducted within the same Agreement.

In conclusion, this chapter underscores the point that, cooperation and conflict in trade is depedent on whether the parties to the bilateral or multilateral trade have consensual or non consensual trade policies. Where the former obtains trade relations are usually free of conflict while the opposite is true with the latter policy. It was largely for this reason that BP and SR's trade interaction with SA was marred by conflicts. These resulted from antagonistic policies caused by SA's drift towards protectionism. The result was that BP and SR signed a separate trade agreement in 1930. They hoped that they would have a conflict free trade since they appeared to agree on the need for free trade. This stemmed from the fact that both countries pursued an export led growth strategy. However, their expectations were not fully realized as it became clear that similar and non antagonistic trade policies can only be possible on complementary rather than competitive goods. Thus, underlying the tendency towards different trade policies was the prevalence of competitive rather than complementary goods in the commodity trade structure. A trading partner which felt that it was self sufficient in a certain commodity was tempted to protect that industry from competition. It is this temptation which continuously threatened the Free Trade Agreement that was signed in 1956.

explained in Article 6 of the Agreement:

> ...important restrictions on agricultural or fisheries products which can be directly substituted therefore, necessary to the enforcement of government measures which operate to remove a temporary surplus of the like domestic product [2]

Other restrictions were allowed on diseased goods.[3] This was meant to ensure trade in disease free animal and agricultural produce. For instance, foot and mouth disease (FMD) affects all cloven footed animals, be they domestic or game. If products from such animals were to be traded, they had to be treated or disinfected in a manner which, if the risk was not totally eliminated, at least had to be minimised. Similarly, diseases which affect birds like new castle disease, fowl pox and fowl typhoid were the conditions that could stop, at least temporarily, trade in chicken and chicken products.[4] The above restrictions were however only allowed after consultation between the parties to the Agreement . In addition, it is clear from the above provisions that there were not to be any restrictions aimed at suppressing competition in the bilateral trade under study. It was for this reason that exceptions were made clear and considered to be temporal as the above quotations explain.

However, this Agreement had weaknesses which caused problems when it came to verification of the desired 25% local content cost of manufuctured goods which were for export. There were various interpretations of what constituted local content, a thing which later led to disputes between the said trading partners. This was all because the Agreement did not have a detailed description of what it meant by the rules of origin, the means by which local

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[2] see Article 6c (ii) of Appendix 4

[3] Ibid

[4] Memo on "Importation of Pork Products from Zimbabwe to Botswana" by Director of Animal Health and Production of Botswana to the Permanent Secretary of the Ministry of Agriculture, Botswana, (not dated).

content was determined. The Rules for determining the origin of materials were left open. For instance, there were no clear definitions of key concepts such as manufacturing, local materials, cost and direct labour, yet these were important in measuring the local content of any country's goods which needed to benefit from the Agreement (see appendix 4). The failure of goods to meet 25% local content required under the Rules of Origin meant that goods would still be traded but subject to tariffs and quantitative restrictions. Thus, owing to the unclear definitions of key concepts used in measuring the local content, the 1956 Agreement's rules of origin were, as already mentioned above, open to various conflicting interpretations. Each country tended to adopt an interpretation which suited its position and interests most.[5]

Owing to the absence of definition, manufacturing could be considered by anoe country to mean packing; bottling; placing in flasks , bags, cases and boxes; fixing on cards or boards and all other simple packing operations. The other country could dispute this and argue for the " substantial transformation test".[6] This requires that for a product to be said to have gone through a process of manufucture it must have changed form and utility. But considered against the Agreement's silence on the definitions, no country could be said to be right or wrong. On local materials to be calculated to determine local content, no mention was made on whether say, water, electricity, staff benefits items such as tea, protective garments and uniforms also constituted direct local materials of manufucture. The same baffling silence applied to labour expenses (administration, salaries, fringe benefits) which do not directly relate to the manufaturing process of the product(s).

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[5] Discussion with Botswana's Acting Director of External Trade, Mrs M. K. Dambe, Gaborone, November 23 1993. Interview with Zibabwe's former Secretary for Trade and Commerce, Dr J. M. D. Saungweme, Harare, 1993.

[6] Ibid

The ause of this laxity in the 1956 Agreement's rules of origin can probably be explained by two conditions prevailing then. First, no manufacturing of considerable significance had yet taken place in the countries under investigation particularly in BP. Their concern was the marketing of agricultural produce, livestock and their products.[7] Unlike manufactured goods which may require different inputs, agricultural produce and livestock seemed to be unsophisticated goods. It was easy to verify their origin and local content. It is partly for this reason that there was lack of an impetus to pay attention to details of defining concepts necessary in the measurement of local content.

The second explanatin for the relaxation in the rules of origin could have been the leading role played by the UK's Trade Commissioners in the negotiation process for the 1956 Agreement. While the settler colonists may have preferred tight rules of Origin in order to have control over imports, the UK did not view this to be in her interests. She wanted her goods to come to BP via the Federation at imperial preferences as compared to entry via the South African Customs Union.[8] For this reason, UK Trade Commissioners did not find it important to impress on the tightness of the rules of origin. They feared that this would militate against UK's wish of unhindered flow of goods between the Federation and BP.

This dominance of the will of the imperial government in the negotiations for the Agreement between the Federation and BP later became a source of conflicts. If one was to draw conclusions from the Federation's behaviour after the signing of

[7] BNA: 639/5 Bechuanaland Protectorate-Southern Rhodesia Customs Agreement. Consultation in Salisbury, 12 December 1958

[8] BNA: 639/5 Confidential letter from M. R. Metcalf of the Office of the High Commissioner for the United Kingdom, Salisbury to Sir P. Liesching of the Uk's High Commissioner's Office in Pretoria, 25 April 1958.

the Agreement[9] one would think that during negotiations, the Settler government of the Federation had preferred protection of some industries to be allowed but failed to convince the other parties. The UK Trade Commmissioners must have backed BP in not agreeing to this. Perhaps, it could be for this reason that, after the Agreement became operational, the Federation was always tempted to institute some protection of their agricultural industries. On each occasion that this was done, BP complained to Britain and asked for her intervention.[10] Britain always prevailed on the Federation to desist from protectionism, however minimal or selective, against BP which she had a Free Trade Agreement with. This meant that the trade relations between the BP and the Federation under the 1956 Agreement was smooth as long as the imperial government ensured that the two colonies followed similar and antagonistic economic and trade policies. Otherwise, had the white settler Government in the Federation been independent from Britain, she might not have agreed to the wholesale free trade provisions in the Agreement.

To confirm that the negotiators were not concerned with the laxity in the rules of origin, the 1956 Agreement was silent on the authorities and ways of verifying the local content and origin of tradeable goods (see appendix 4). Later, the then Rhodesia, now Zimbabwe had the difficult task of carrying out periodic verification for both their own and BP (Botswana) companies until very early in the 80's.[11] The reason was that Botswana had no properly constituted Customs Department of her own. The verification of another sovereign nation's local

[9] BNA: 639/5 Informal discussions on the Operation of the Trade Agreement Between the Federation of Rhodesia and Nyasaland and Bechuanaland

[10]BNA S 639/5 Letter written by Henry Clark of the Commonwealth Parliamentary Assocaition in London to Frederick Errol, President of the Board of Trade in the United Kingdom, 15 September 1962.

[11] interview with Acting Director of External trade in the Ministry of Trade and Industry of Botswana, Mrs M. K. Dambe, Gaborone, November 1993.

manufacturing content risked provoking feelings in the latter of being unnecessarily over policed. The consequence of this would naturally lead to lack of cooperation in genuine verification of the local content of goods supposed to benefit under the Free Trade Agreement. Indeed this is what happened between Botswana Zimbabwe resulting in conflicts as chapter 4 and 5 shall show.

The above are therefore the key features and weaknesses of the 1956 Agreement which largely influenced the historical development of trade relations between the then SR and BP. Because trade between BP and SR started off as BP-Federation trade, the current writer proposes to discuss this initial period of trade in a separate section. This is because SR no longer had her own separate Economics and International Trade Department where she compiled trade statistics separately from the other two Federal territories.[12] As a result, there is no way to establish with certainty SR's contribution to Federal trade with BP., Hence, the need to be contented with Federal-BP trade to fill in the gap between 1956 and 1963 when the Federation came to an end and Rhodesia resurfaced to continue trade with BP under the same Agreement of 1956.

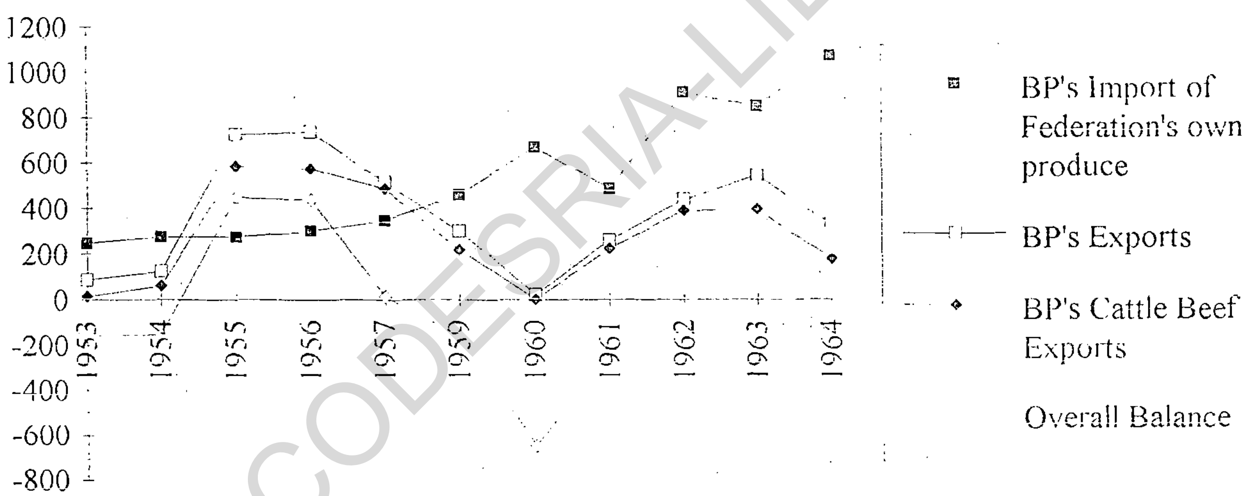
SECTION B: Bilateral Trade Relations During the Federation 1956-1963

When the Federation commenced in 1953 the then current 1930 Customs Agreement between SR and BP discussed in chapter 2, continued to operate until in 1956 when negotiations for the Customs Agreement to include the other Federal Territories and Swaziland and Lesotho were concluded. Conscious of the devious behaviour of SR in the trade relations under the 1930 Agreement

[12] Ibid

negotiators, backed by the UK Trade Commissioner Mr Snelling,[13] stressed that the export of federally manufactured goods could only be developed in the long run on the basis of two-way trade and that they were unlikely to succeed to any substantial extent unless the Federation was prepared to admit the products of those countries which, in the main were agricultural. Accordingly, during the period leading to the 1956 Agreement, prospects for the desired unrestricted trade between the Federation and BP looked bright as both countries did not institute trade controls. Consequently, the trade flows between the two countries particularly that from BP, dramatically increased between 1954 and 1956 as shown in graph 1 below.

Graph 1: BP's Bilateral Trade With the Federation (1953 - 63) & SR (1964)



The years 1953 to 1956 witnessed was the sharpest rise in exports to the Federation for BP, whose agricultural products until a few years before the Federation, had been subjected to an unfair

[13] BNA: 639/5, Confidential Letter from Mr. Metcalf of the High Commissioner for the UK in Salisbury to Sir P. Liesching of the office in Pretoria, 25 April, 1958

suppression.[14] In addition to pigs, eggs, poultry, tomatoes citrus fruits, onions and potatoes that were, until recently, freely marketed in the federation, the bulk of BP's beef exports had also suddenly found an unrestricted market there[15] - during the years leading to the 1956 Agreement. Arrangements with the Federation during negotiations for the Agreement had provided an outlet for 40 000 of the 78 000 annual production capacity of cattle. The Federation needed these for the Copperbelt area in NR.[16] Indeed as exports to the Federation steeply rose the Federal market and the Agreement under negotiation had appeared to offer a steady and permanent outlet for BP's cattle industry, an essential to the viability of her economy. At that rate, BP could not have avoided signing the 1956 Customs Agreement. It seemed to offer a basis upon which BP could base her development planning[17].

Between 1953 and 1956, the Federation's exports to BP increased though slowly. This was however not due to import restrictions by BP. Perhaps it was a deliberate result of the newly federated territories' desire to first rationalise the optimum needs of the enlarged country before committing the produce to export. But, once the Federal state was sure of the actual quantity of produce her people required, she then exported the surplus unreservedly. It was then that her exports to BP and perhaps other countries began to increase rapidly.

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[14] BNA: s 428/1/2 High Commissioner's Office Internal Secret Memo, No. 3148

[15] BNA: S 639/5 Note of Discussions held at 10.30 am on Wednesday, 3rd July, Salisbury

[16] BNA: S639/5 Advance Note of Meeting at Salisbury Between Bechuanaland and the Federation to Review the Operation of the Trade Agreement, 17 February 1959

[17] BNA: S639/5 Confidential Notes on the Development Secretary of Bechuanaland's Trade Liaison visit to the Federal Government, Salisburty, July, 1957

No sooner had the ink on the 1956 Agreement dried than the Agreement started to run into problems owing to changes in the world and regional beef economy.[18] When the pact was signed, the negotiators had not forseen that the regional marketing opportunities for BP beef which had continued their buoyant 1940s trend would be forced to decline after 1956. This was to be partly a result of the general economic slowdown of the later 1950s. Indeed, with the reduction in copper production in NR as well as the Congo, came the decline in their demand for meat. Mine meat rations were also abandoned in 1956.[19] In the mid 1950s, efforts were made in Britain to increase domestic beef production. There was also the "decontrolling" of beef prices which combined to reduce to reduce the demand of beef in Britain[20]. This had the effect of affecting South African beef exports to Britain.

South Africa, which had also decontrolled beef prices, found herself with a surplus of cattle and beef for sale. In turn, BP which exported live cattle to SA, got affected as the quota given to her was not increased in this period.[21] BP therefore turned all her hopes for salvation on her recently signed 1956 Agreement with the Federation. This Agreement had guaranteed yearly imports of 40 000 BP cattle which was half her total yearly production. Unfortunately, BP's hopes on this agreement were clouded in uncertainty. The establishment of the Federation had given the monopoly control of beef imports into the Federation to SR's Cold Storage Commission (CSC).[22] This had the effect of cutting BP almost entirely out of the NR market.

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[18] M. Hubbard, Agricultural Exports and Economic Growth: A Study of Botswana's Beef Industry, London, KPI Limited, 1986, p120

[19] Ibid

[20] Ibid, p120 and 230

[21] Ibid p120

[22] Ibid

Under the 1956 Free Trade Agreement, however, BP's beef and cattle exports could still be allowed to enter anywhere into the Federation and compete on equal terms with the Federal produce. However, this was provided the Federal government accept to correct the contradictions to the Agreement arising from such monopolies as the CSC. Unfortunately, the Federal government seems to have been reluctant to correct the contradictions and thereby stop the agricultural monopolies from barring or limiting imports from BP, in violation of the Agreement. The cause for this reluctance by the Federation government shall be discussed in later pages.

It is in the broader context of the above changes in the world and regional beef economy that the 1956 Agreement was first violated by the Federation and resulted in some friction between the two trading partners. Hardly six months after the 1956 Agreement was signed, the Federation announced her severe restrictions on cattle imports from BP. To the latter country and UK Trade Commissioners in the region, Federal actions appeared baffling. They could not understand how the Federation could have given a figure as high as 40 000 as her yearly requirement of live cattle from BP on the eve of signing the Agreement in 1956 and turn around in 1957 to announce that she could take no more than 10 000 cattle annually.[23] Although the British representatives and BP forced the Federation to raise the quota to 15 000 per annum[24] the negative effect of these restrictions were still noticed on the BP's export performance into the Federal market. As seen on graph 1, it was declining. This was because beef and cattle were the only mainstay of the economy and therefore the major export. It was for this reason that

[23] BNA 639/5. Confidential Notes on the Development Secretary of Bechuanaland Trade Liaison visit to the Federation Governmnet, Salisbury, July, 1957

[24] BNA 639/5 Letter from the Federal Office of the Prime Minister and External Affairs to the High Commissioner for Basutoland, Bechuanaland and Swaziland, 27, October 1959

following these restrictions, BP really wondered if there would be anything left in the Agreement for the Protectorate.

Considering that the Federation was a British colony as well, it appeared unseemly that her restrictions were working against the aims of the imperial power's new post war colonial policy of investment in colonial production. Manifested in the Colonial Development Corporation of 1947, this policy aimed at initiating, financing and operating projects for agricultural or other development in the colonial empire.[25] Apart from preparing for decolonization, this policy had equally been prompted by the continuing shortages of certain commodities and increasing difficulty in obtaining adequate supplies of dollars for purchases of food and raw materials from America.[26] As part of her efforts to increase commodity supplies in the sterling area therefore, Britain, through the CDC had invested considerably in the BP cattle industry.[27] Accordingly, the British government did not want to see industries in which she had invested failing.

In this instance where the BP cattle industry was threatened because of the restriction of the available market by another colony, the imperial government sympathized with BP. Thus, with the backing of UK Trade Commissioners in the region, BP called for a meeting with the Federal Government in Salisbury, in July 1957.[28] At this meeting the BP delegateion was led by Mr A. Bent, the Development Secretary, while the Federation's delegation was led by Dr Wadsworth, Director of Economics and Markets in the Ministry of Agriculture. The British government

[25] BNA S 495/3/1 Secretary of State for the Colonies, Outward telegram. Circular, Private and Personal, Secret, 15/6/47

[26] Ibid

[27] M. Hubbard op cit pp 122-140

[28] BNA 639/5 Secret Informal Discussions on the Operation of the Trade Agreement Between the Federation of Rhodesia and Nyasaland and Bechuanaland Protectorate. Note of discussions held at 10.30 a.m. on 3rd July 1957

was represented by her Trade Commissioner, Mr D. Browne.

First to talk was Mr Bent of the BP. He expressed the BP's concern at the Federation's sudden proposal to limit imports of beef and cattle. He argued that this was causing difficulties with BP's development planning considering that the colony regarded the development of beef (cattle) industry as essential to the viability of her economy. This, Mr Bent further argued, was borne out in Britain's considerable capital investments towards the realization of this industry.[29] The Federation explained her sudden limitation of the federal market to unforseen circumstances resulting from the new free marketing system of livestock, adopted after the signing of the agreement in 1956. Otherwise, Dr Wadsworth of the Federation insisted that when they had given their annual beef requirements from BP as 40 000, it was done in good faith. He explained that the new free marketing system had resulted in large numbers of cattle coming forward from African and European farmers for sale. Consequently, the Federation's 1957 production, represented by cattle coing up for sale, had very nearly met the Federation;s annual demamnd[30]. It is possible in this instance that the Federation allowed the CSC of SR to use its monopoly powers to limit BP exports to it's traditional market in NR where demand , although declining, still existed. This would have been done to guarantee the sale of SR's surplus of cattle and beef resulting from the said new marketing system. If true, this was a violation of the 1956 Agreement between the two countries.

While the Federal explanation for imposing a cattle quota for the year 1957 may have appeared acceptable to the BP, the same was not true for the subsequent years as the Federation's actions

[29] M. Hubbard, Ibid op cit pp 140

[30] BNA 639/5; Secret Informal Discussions on the Operation of the Trade Agreement Between the Federation of Rhodesia and Nyasalnd and Bechualand Protectorate Note of discussions held at 10.30 a.m. on 3rd July 1957

showed evidence of a hidden agenda.[31] This agenda was aimed at making permanent, quantitative restrictions on beef and cattle on the pretext that there still existed a surplus of these. The Federal delegation professed ignorance of the exact sources of this sudden continuous increase in local cattle surplus. Accordingly, they wanted it to be accepted that they would not be able to tell whether the local supplies would continue at the 1957 level or not. To that extent their position was that quantitative restrictions would remain at 15 000 cattle per year for an undetermined period.[32]

The Federations's argument that they were unable to determine the sources of their surplus appeared to be inconsistent with the original explanation of the new marketing system. It is for this reason that one is made to believe that there was a ploy by the powerful groups in the Federation to maintain for a longer period, quantitative restrictions which had been slapped on imports of cattle and beef from the BP. Such actions were, as already pointed out, in contravention of the 1956 Trade Agreement which was against suppression of competition through tariffs and quotas. Only temporary restrictions were allowed but in certain specified cicumstances such as the removal of a temporary surplus. In this instance, the Federations's case was no longer temporary but a permanent one. What was also doubtful was whether the said surplus in the Federation was genuinely large to deserve resriction of imports of a similar product.

Divisions within the Federation over the usefulness of their hidden agenda to maintain these restrictions for a longer time is testimony of the fact that the Federal "surplus argument" for cattle quotas was not entirely genuine.. A group of officials from the Ministry of Agriculture in the Federal delegation wanted

[31] BNA: 639/5, Confidential Notes on the Development Secretary of Bechuanaland's Trade Liaison visit to the Federal government, Salisbury, July 1957

[32] BNA: 639/5, Bechuanaland Protectorate-Southern Rhodesia customs Agreement-Consultation in Salisbury, 12th December, 1958

the BP to believe that the Federation would continue to have a surplus of cattle such that there was little hope of lifting her quotas on cattle.

The real motive of these officials was to prevent open competition in trade because the farmers they represented wanted to get their own way in the spiralling of meat prices[33]. In opposition were the Commerce and Treasury Officials who felt that there was little doubt that the Federation would need much more than the 10 000 head annually, from 1958 onwards. The Federal Commerce Secretary, Mr Bertram, had in confidence told the UK Trade Commissioner, Mr Stoodley that they did not understand why BP was not strongly pressing their right to unrestricted entry of their cattle into the Federation. As already mentioned, Federal Commerce and Treasury officials believed that the unrestricted entry of BP cattle would benefit the Federation by stopping the Farmers getting their own way through the spiralling of meat prices. They also believed that more imports of cattle would lead to more meat products processing industries.[34]

Thus, referring to the direction of BP's exports to the Federation as plotted on graph 1, the drop in exports between 1956 and 1957 is accounted for by the Federation's sudden limitation of her market to BP cattle exports. This seemed a credible explanation justifiable under Article 6 (c) (ii) of the Agreement which allowed temporary quantitative restrictions after consultation, if the receiving country, in this respect the Federation, found that it was embarrassed by over production in her own territory. These appreciable cattle marketing problems whose situational exigencies prompted the 1957 quota made BP not to press strongly about the effect of the quota on her economy. She did this with the hope that the situation would improve in the subsequent years. With this assumption, that the restrictions

33 Ibid

34 Ibid

would only be temporal for 1957, BP did not think that the 450 000 British pounds she was to get for the 15 000 heads in 1957 was all that bad. Thus, under these impressions, BP did not see any reasons to justify an uncompromising stand on the 1956 Customs Agreement.[35]

What had, however, become clear was that owing to cattle being essentially BP's main trade export, the Federation needed not to overrestrict that produce from entering her market lest there be nothing left in the agreement for BP. This is well demonstrated by the 1957 figures. Out of a total value of 596 442 pounds exports to the Federation in 1957, 450 000 (75%) was the value of 15 000 cattle sold there. The other agricultural products accounted for only 146 442 (25%). Thus any attempt by the Federation to impose quantitative import restrictions was bound to hurt BP and definitely oblige it to seek markets elsewhere, the result of which would have been the nullification of the Customs Agreement. The UK and the Federation did not want the nullification of the agreement because both Federal produce and British goods that came to BP via the Federation competed successfully against SA goods in the Protectorate.[36]

The prospect of gradually increasing the cattle quota to the Federation from 1958 onwards did not materialize. As already mentioned, the reasons for keeping the cattle quota at 1957 level were no longer justified as the exigencies of the situation that had given rise to the said restrictions were no longer there. Fears of Federal farmers being responsible for this continuation in import restrictions on cattle gradually got confirmed as the Federal Agricultural Department officials began to moot ideas

[35] Ibid

[36] BNA: 621/7 Present and Future Relationship of the Bechuanaland Protectorate with the Republif of south Africa outside the Commonwealth: Comments by Development Secretary on Notes by Finance Secretary, 13 April, 1962

that "they might not want any (cattle) at all.[37]" Their reason was that BP cattle would bring in competition which would result in the suppression of prices in the market. Before April 1958, a meeting was called with the Federation. This time the BP delegation, led by C. R. Latimer, the Deputy High Commissioner for the HCT's made it clear that "the Federation, by restricting imports of cattle and meat from BP, was not honouring the ...Agreement.[38]" Federal Agricultural officials' explanation was that they were experiencing perennial problems with an oversupply of meat. If genuine, this was acceptable under the trade Agreement but the problem was that it was not the real reason. The real reason for these restrictions was fear of competition.

The Federation's tendency to suppress free trade at one time appeared to be unstopable. Following the 1958 elections, there were also changes in the Federal cabinet which were a cause for worry given the incumbents' attitudes towards trade with BP. For instance, Mr Caldicott who had not been notably strong in resisting farmers' pressure was appointed Minister of Economic Affairs, which was to act as a sector Ministry to both Agriculture, and Commerce and Industry.[39] The only consolation however was that the secretary of the new Ministry was to be Mr Ward, who from his past Treasury and Customs experience, was strongly inclined to share the views of Mr Bertram of Commerce that there should be as little restriction as possible on BP cattle.[40]

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[37] BNA: 639/5, Confidential Notes on the Development Secretary of Bechuanaland's Liaison visit to the Federal Government, Salisbury, July 1958

[38] BNA: 639/5, Confidential Letter from M.R. Metcalf of the office of the High Commissioner for the United Kingdom, Salisbury, to Sir, P. Liesching of the UK's High Commissioner's Office in Pretoria, 25th April, 1958

[39] BNA: 639, Bechuanaland Protectorate-Southern Rhodesia customs Agreement - Consultation in Salisbury, 12th December, 1958

[40] <u>Ibid</u>

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The Federal restrictions on BP did not immediately apply to other agricultural produce: pigs, eggs, poultry, tomatoes, and citrus etc. For a while these goods (see appendix 6) continued to have unhindered access into the Federal market. The pigs were going both to the Cold Storage in Bulawayo and by agreed arrangement in some cases to the Copperbelt on the hoof. The rest of the other produce went to the open Bulawayo market. The only restrictions on citrus and tomatoes were those occasioned by disease and pest control. Even these restrictions soon stopped when the Agricultural Department of BP obtained the required certificate of origion of seed and cuttings. In order to protect the Federation against Newcastle disease, only dressed poultry was permitted to enter.[41] Trade relations over the exchange of these non beef agricultural goods appeared to be smooth and one of cooperation as was evidenced by some of the ideas exchanged in meetings. For instance, on the question of how the two countries could work together to increase the trade flows of these, the two countries arrived at a consensus. This was that, owing to some seasonal periods when there was a glut of domestic supplies in the Federation, the most satisfying development was for BP supplies to enter the Federation in periods complementary to domestic supplies.[42]

To this end, the two agreed that with climatic and irrigation conditions in the Tati and Tuli Block varying somewhat from the Federation production areas near Bulawayo, a lot could be done between the two sister Agricultural departments and Marketing Authorities. These were to guide BP production towards the favourable period and enable it to take up some of the market which was satisfied then by long distance railway imports from

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[41] BNA: 639/5, Development Secretary of Bechuanaland's Trade Liagison visit to Federal Government, Salisbury, July 1957: Marketing of Bechuanaland Agricultural Produce, Pigs, Eggs and Poultry in the Federation

[42] <u>Ibid</u>

South Africa. Federal production was said to satisfy only the Bulawayo market in the months of January and February, May and June, and August and September. During the rest of the year the Federation was the importer.[43]

Despite the fact that the trade in non cattle produce continued uninterrupted by quantitative restrictions, the impact of these goods on the overall BP's external trade by value was very insignificant as shown in appendix 6. Hence their unhindered entry of non cattle produce into the Federation did not prevent the sharp fall in the BP's export graph (see graph 1) when cattle were subjected to quotas. Even for these goods, it was not long before they were also subjected to Federal restrictions. Pigs, sheep, goats, poultry, eggs, vegetables, beans and sorghum were all from late 1958 onwards, subjected to import licences of varying nature. This is evidenced by the absence or decline of the values of these commodities in appendix 6. Citrus fruits from BP were included in the December 26th, 1958 Federal notice No. 323 of Act 11 which prohibited the importation of such fruits from any territory where citrus black spot or citrus canker was known to exist by the Secretary of Agriculture. This constituted a contravention of the Agreement with BP as there was no knowledge that the diseases had ever been found in the BP. Besides, no consultation had taken place with BP prior to the promulagation of the notice as the Cutoms Agreement of 1956 required[44]

Exporters of sheep to the Federation suddenly found themselves unable to obtain any import permits for sheep. Owing to a glut of mutton in the Republic of SA. Federal importers who had been

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[43] BNA: S 639/5 Bechuanaland Trade Agreement: Note on Discussions with Mr. Bent, Secretary for Development of Bechuanaland Protectorate, held at the Ministry of Commerce andIndustry at 11 a.m. on July 2, 1957

[44] BNA: S639/5 Interview by Development Secretary of Bechuanaland with Mr. Whellan, In charge of Pests and Diseases Section, Federal Ministry of Agriculture, 10 February, 1959

granted import permits switched to buy their mutton in SA at reduced prices thereby denying BP their export market. The Federal authorities also stopped the importation of pigs from BP citing a glut on the home market as their reason. Owing to the fact that BP was also selling Federation pork products in BP quite freely, the latter took the Federation's action as a breach of the Trade Agreement.[45] Goats were prohibited into the Federation for reasons connected with herbage preservation. In addition, the Federation argued that in the past BP goats were imported by Indian butchers who endeavoured to sell them as mutton and for this reason, the Federation wished to limit, if not to exclude them completely. BP's counter argument was that Federal authorities appeared to forget or ignore the fact that goats were much sought after by Africans for their ceremonies and own consumption.[46]

What is surprising about the historical development of trade relations between BP and the Federation is the absence of any incidents where BP imposed restrictions on Federal goods. Even when there appeared some deserving cases to invoke Article 6c (ii) as the Federation consistently did, BP preferred not to interfere with competition in trade. For instance, by 1957, BP could supply part of her own tobacco leaf needs. In this, Rhodesia leaf competed with the BP producers while a great deal of Rhodesian cigarettes and some pipe tobacco were consumed in the territory. Interestingly enough, the Development Secretary of BP announced that his government had no intention of interfering with this import, even if it meant that their producers received no protection. He found a better solution in opening the Salisbury tobacco floors to BP tobacco for sale.[47]

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[45] BNA: S639/5: Advance Note of Meeting at Salisbury between Bechuanaland and Federation Representatives to Review the Operation of the Trade Agreement, 17 February 1959

[46] <u>Ibid</u>

[47] BNA: S 639/5; Development Secretary's Trade Liaison Visit to Federal Government, Salisbury, July 1957: Entry of Bechuanaland Protectorate Tobacco into Federation Markets

The UK Trade Commissioners for the Federation and the HCTs had kept a close watch and exchanged notes on the operation of the Trade Agreement between the colonies. In the imperial interests they took a position of supporting BP particularly when Federal government had proposed amending the Agreement to enable her to determine, after consultation with BP, an annual quota of cattle or beef and a quarterly quota of pigs, sheep and goats.[48] The British Trade Commissioner in Salisbury wrote to his counterpart for BP that:

> Bechuanaland should resist this proposal. Even without the agreement the Federation would still probably take meat at thier own convenience from Bechuanaland... the free export of meat and cattle from Bechuanaland to the Federation....is the only return to Bechuanaland for the quite considerable volume of imports it takes from the Federation.... this should continue, even if it does involve some inconvenience to the Federation.[49]

The British wanted to prevent a situation whereby Bechuanaland would, in retaliation to the Federation's curtailment of the beef market, boycott the Federation goods and substitute them with similar goods from South Africa. Such actions would be tantamount to nullification of the 1956 Customs Agreement which in turn would deal a heavy blow to imperial goods which came to BP via the Federation.

> It is true that a high proportion of these goods is probably of United Kingdom origion and it would be a pity if this trade was lost to South Africa.[50]

The Trade Commissioner in Salisbury accordingly advised his counterpart in HCTs that if future BP-Federation negotiations

[48] BNA: S 639/5 Confidential Letter from M.R. Metcalf of the Office of the High Commissioner for the United Kingdom, Salisbury, to Sir, P. Liesching of the UK's High Commissioner's Office in Pretoria, 25th April, 1958

[49] Ibid

[50] Ibid

were conducted sufficiently, firmly and at a high level, the Federation would not dare take the risk of breaching the Agreement with BP. The reason cited was that the Federation was so anxious, for political reasons, to see that their influence and connections in the nothern part of BP were not impaired.

By the beginning of 1959 Federal restrictions were in varying degrees affecting almost all BP goods resulting in a continuous steady fall of her export performance curve (see graph1). This precipitated a meeting between the two colonies on 6 February, 1959, in Salisbury, to review the operation of the Agreement. The BP delegation included two high ranking officers of the British High Commissioner's office, Finance Secretary S.V. Lawrenson and H.J. Gray, the Senior Trade Commissioner, who was the leader of the delegation. Apart from the Federal Delegation, the British Trade Commissioner to the Federation, Mr Stoodley, was also in attendance.[51] It is important to note that at this meeting there was an increase in the number of UK representatives. This could be interpreted to mean that the UK was concerned at the way the Federation was undermining the 1956 Agreement.

The BP delegation made it clear that what had taken place since the signing of the Agreement in 1956 was not satisfactory from the point of view of the BP since its true objective was not being attained. The British Trade Commissioner, Mr Gray, pointed out that BP had done her part, quoting figures represented in graph 1 to show that since 1956, Federation exports to BP had continuously risen. This was contrasted with Federal imports from BP which had continued to go down since 1956. He said one of the major the cause of these unparallel trends was restrictions imposed on BP produce by the Federation. Gray went on to state that if the object of the Agreement was to be served and its nullification avoided, the Federation had to allow the

[51] BNA: S 639/5 Advance Note of Meeting at Salisbury between Bechuanaland and Federation Representatives to Review the Operation of the Trade Agreement, 17 February, 1959

free entry of all BP agricultural produce as per the 1956 Agreement. This was said to be particularly pertinent in respect of cattle, BP's main product. In this case and that of pigs, sheep and goats, Gray insisted that the Federation should see to it that her internal marketing arrangements (monopolies) did not frustrate her obligations to BP.

A frank discussion followed Mr Gray's submissions. The Federation reiterated her position in previous meetings that her import restrictions on BP's agricultural goods were largely caused by local surplus production. Indeed, the Federation was fond of advancing this reason presumably because it was legal under Article 6 of the Agreement. The truth however was that, Federal and BP agricultural goods were not complementary but competitive. For this reason, the Federation which boasted of a big domestic market tended to be protective while BP, with her smaller market could not be protective for she depended on outside markets.

It is in this context that some observations pertaining to the negotiation process of the 1956 Agreement can be made. Given the Federation's continuous tendency to want to restrict trade in violation of the Free Trade Agreement, it is possible that she may have been pressurised by the UK into agreeing to these free trade provisions. This writer is not suggesting that the Federation did not want a Free Trade Agreement. She did but not in commodities which the country felt she would be self sufficient. Unfortunately the UK and BP could not have accepted this because it would have meant the exclusion of cattle and beef, BP's only main export, from the list of goods that could be given preferential treatment. Hence the possibility that the Federation was forced into signing an Agreement which did not provide for protection against competition except for temporal measures to remove a surplus.

If the above is true, it means that the similar and unantagonistic trade policies on paper were not entirely voluntarily accepted by both trading partners. It is for this reason perhaps, that, when it came to real practice, each country behaved in a manner that epitomised what it really wanted the 1956 Agreement to be like. Evidence of this is found in what transpired at the referred to meeting of the 6th of February 1959 which was attended by three UK Trade Commissioners. Under considerable pressure, particularly from Mr Gray of the UK, the Federation promised to relax the import restrictions with the intention of allowing more BP goods to enter her market. These promises were not fufilled.[52] This is observed in the trade figures for 1959 and 1960 (see graph 1) which reveal that the balance of trade moved much further to the detriment of the BP. In 1960, the export performance of BP to the Federation reached its lowest figure while that of the Federation to the BP was quite high. In that year the BP exported goods worth 25 000 pounds to the Federation while the latter country exported 668 624 pounds worth of goods to the BP.

The reason for the sharp fall in BP's exports in 1960 in attributable to drought[53] and Federal Agricultural Ministry's tightening of its import licensing control on produce that BP could have exported that year.[54] Owing to the poor crop season in 1959-60, BP did not offer much agricultural produce for export except 234 bags of grain sorghum, 5731 bags of beans and 76 bags of millet. Unfortunately these were not accepted by the Federation for reasons already stated above. But even if these products had been exported to the Federation, they could not have any appreciable impact on the balance of trade. This is because BP had even failed to meet her cattle quota (See Appendix 6), a produce that always made a difference in value terms. The

[52] BNA: S639/5 Memorandum for Trade Talks with the Federal Government: Marketing of Agricultural Produce, other than beef, in the Federation

[53] BNA: S. 639/5; Savingram from Director of Agriculture, Mahalapye to Member for Natural Resources, Mafeking 11 March, 1963

[54] <u>Ibid</u>

corresponding sharp rise in Federal Exports to the Bp between 1959 and 1960 and the consequent wide balance of trade was partly a result of BP's misfortune of drought which resulted in a poor crop harvest. Because the Federation had a bumper harvest in the same year, BP imported maize meal of approximately 200 000 pounds (See Appendix 6).

It should also be noted that the sudden sharo drop in the Federation's exports to BP between 1960 and 1961 is accounted for by the same "maize factor" of 1959-60. BP did not buy maize of the same quantity and value after her drought was over in 1960-61 season resulting in in the value of imports from the Federation fallin to a position consistent with BP's usual imports from the Federation. Thus, the return of a good agricultural season in 1960/61 in BP had a hand in the improvemnt of her export position in 1961 (See graph 1) when the balance of trade gap was reduced to 225 000 pounds. The most important factor in the improvement of the BP's export performance starting in 1961 was the resumption of cattle exports to the Federation. This is because there were no significant increasesin exports of other agricultural produce until 1963 as indicated in Appendix 6.

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In the middle of 1962, the long standing dispute over quantitative restrictions imposed by the Federation on BP's agricultural produce entered critical and decisive moments which were to determine the future of the 1956 Agreement. In July of that year, the Protectorate businessmen sought the assistance of the visiting Commonwealth Parliamentary Association delegation which comprised Sir P. Agnew, Mr H. Clark and Mr A. Probert.[55] Some members of the Legislative Council from Francistown complained to these parliamentarians about the Federation's failure to honour their 1956 Trade Agreement

[55] BNA: S639/5; Savingram from the Resident Commissioner to the Secretary of State, London, 31st October, 1962

resulting in hardships to many northern Protectorate farmers. Immediately after these MPs arrived back in London they wrote to the President of the UK's Board of Trade, Frederick Errol, sensitising him to the difficulties BP was facing as a result of the Federation's curtailment of the market.[56] In turn, the President of the Board of Trade wrote to the UK Trade Commissioners in the region demanding a full explanation of what was going on in the trade between these British colonies. This had the effect of putting a sense of urgency to the quick resolution of the trade dispute by all concerned.

The British Trade Commissioner in Salisbury Mr D. Browne, quickly left for Francistown to attend a Chamber of Commerce meeting in late November1962. At this meeting the Francistown businessmen centred their discussion on how best the Federal Ministry of Agriculture could be stopped from manipulating certain provisions of the 1956 Customs Agreement to protect their Federal farmers.[57] At the end of the meeting a resolution was passed calling upon the Association of BP's Chambers of Commerce to take active steps to improve the balance of trade between the BP and the Federation. The spokesman, Mr Colenberg, added that while their resolution had been couched in very general terms, what they had in mind was a refusal on the part of the trading community to import goods from the Federation.[58] The meeting realised that it would not be economic to obtain goods from South Africa but the people maintained that they were prepared to put up with a certain amount on inconvenience and expense in order to "teach the Federal Government a lesson."[59]

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[56] BNA: S.639/5; Letter written by Henry Clark of the Commonwealth Parliamentary Association in London to Frederick Errol, President of the Board of Trdein the United Kingdom, 15 September 1962

[57] BNA: S639/5; Letter from United Kingdom Trade Commissioner, Salisbury, to D.A. Bryan, Minister (Commercial) 5, December 1962

<u>Ibid</u> [58]

<u>Ibid</u> [59]

On the Trade Commissioner's (Mr Browne) return to Salisbury from the Francistown meeting, he took it upon himself to push matters in order to achieve the desired objective of restraining the Federation. He phoned Mr Rusmere and Mr Cawood of Commerce and Industry in the Federal government and told them that a boycott of Federal goods by BP in favour of SA goods was to be carried out within days owing to the long standing quarrel over Federal quantitative restrictions on BP's goods. The Federal officials were shocked at this move by BP.[60] Not Doubting that this time the BP government and people would carry out their resolution, the Federal officers consulted with higher authorities and immediately dispatched a cable to their HC in Pretoria, instructing him to inform the HC for BP that the Federation was taking steps to ease the situation for farmers in the Francistown area.[61]

In this regard, the UK Trade commissioner in Salisbury played a significant role of persistently playing on the fears of the Federal government in order to influence her to speed up the easing of the trade restrictions on BP. Using his privileged position to get inside information about what was going on behind closed doors, Mr Browne leaked critical information in December 1962 to his counterparts in SA who were responsible for the well being of BP's external trade. This had the effect of weakening the bargaining position of the Federal government. For instance, the Trade Commissioner in Salisbury was told by the Federal officials in confidence that they had just realised that civil servants had been misusing the provisions of Article 6 (c)(ii) for purely protective purposes. The officials went on to tell Mr Browne that the Federation was now anxious to correct this situation as soon as possible. They further confided in him that the proposal had urgently been put before the Cabinet to permit, without restriction, imports of agricultural products other than beef, from BP to Federation, forthwith and in advance of any

<u>Ibid</u> [60]

<u>Ibid</u> [61]

proposed meeting with BP authorities.[62] Mr Browne relayed this 'secret' information to the HC for BP stressing that he should press the Federation to extreme limits at the proposed meeting to make concessions usefulto BP.[63]

Within a few days, the Federal government accepted the immediate suspension of import permits for agricultural products originating in BP, except in the case of cattle and beef , in respect of which special arrangements in terms of the Agreement applied.[64] With this suspension of import permits in December 1962, the major obstacle to the free flow of goods (vegetables, fruits, pigs, sheep etc) between the two countries was removed. This is clearly noticed when one compares BP's commodity exports in Appendix 6 for the years before 1962 with those commodities for the year 1963 and 1964. Even with respect to cattle, the Federation raised the quota from 15 000 to 20 000 or more per annum, from 1962 onwards (see Appendix 6). Accordingly, BP's export performance began to improve once again, while the Federation, having survived a major boycott threat of her goods by BP continued to increase her exports there (see graph 1 and appendix 6).

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Unfortunately at this time, 1963, when trade relations were beginning to be smooth and beneficial to both countries, the Federation dissolved. NR and Nyasaland were then preparing to get their independence in 1964. SR now referred to as Rhodesia, remained to carry on trade relations with BP under the existing

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[62] BNA: S639/5; Confidential Tel. No. 32 from H.M. Charge d'Affaires to UK. HC Salisbury, December 6, 1962 (1540)

[63] BNA: S639/5; Confidential Tel. No. 53 of UK. H.C. Salisbury to HM Charge d'Affaires, December 7, 1960 (1850)

[64] BNA; S 639/5 M.M. Cawood, Ministry of commerce and Industry, Letter on Imports of Agricultural Products from Bechuanaland to D.G.S. Browne, British Trade Commissioner, 22nd December, 1962

1956 Trade Agreement. Had it not been for UDI which brought about sanctions against Rhodesia, indications from the 1964 trade flows to be discussed below, were that trade between Rhodesia and the BP was going to grow from where the Federation had left. This is because, as later proved, the then Southern Rhodesia alone, had consistituted almost all trade between the BP and the Federation.

The bilateral trade relations of 1964 offer the only opportunity to have a rough idea of SR's real external trade potential with BP under the 1956 Agreement, in the absence of the influence of other factors such as Federation before 1964, and UN sanctions from 1965 onwards. It can be deduced from comparing 1964 stastistics on Rhodesia's commodity trade structure with BP (See Appendix 6) that SR alone, compared with the other former Federal territories, contributed by far, the largest part of trade flows between the Federation and the BP in the years 1953 to 1963. Most if not all of the commodities which were exported to BP by the Federation were the same commodities SR alone exported to BP in 1964 (compare appendix 6's statistics for 1963 and 1964). This explains why there was no major differences in the change in export figures of SR to BP brought about by the dissolution of the Federation. The same can be said about BP's exports to SR, the only exception being the reduction in the number of cattle exported. Rhodesia now only imported 8 142 cattle at the value of 175 723 pounds. Before the dissolution of the Federation, the cattle quota had risen to over 20 000 carcasses per annum at a value exceeding 300 00 pounds (See Appendix 6). Most of these cattle and beef export were sent to the NR. It is observed that the reduction in the cattle quota exported to Rhodesia in 1964 explains why the overall BP's export value of goods fell from 544 150 pounds in 1963 to 328 930 pounds in 1964.

What was striking about the BP-Federation trade, later continued with SR alone until 1979, is that, 1964 comes out with the highest recorded figures of trade flows under this 1956

Agreement. This is explained by the fact that 1964 is the year the 1956 Agreement could be said to have operated with minimum interference on its provisions. The years 1965 to 1979 disturbed the optimal operation of the Agreement owing to sanctions imposed against the 1965 Unilateral Declaration of Independence by Ian Smith of the Rhodesia Front Party.[65]

SECTION C: Trade Relations during the UDI Era, 1965-1979

Owing to UN sanctions, Rhodesia desired to treat her detailed foreign trade statistics between 1965 and 1979 as a secret. Her government did not provide disaggregated data that could facilitate an analysis of her trade relations with other countries. On the other hand, most countries that were trading with Rhodesia refused to acknowledge any trade with the Smith regime, while some traded with Rhodesia through third parties such as apartheid South Africa and Portugal.

The present writer however found some evidence pointing to the fact that Botswana and Rhodesia continued to trade under the 1956 trade pact but at a substantially reduced scale when compared with the pre UDI era. It is for this reason that an analysis of Botswana's trade with Rhodesia during this period of sanctions can be appreciated better when one has an idea of the country's foreign policy position with respect to the then white ruled Rhodesia. Like many other "progressive" countries, Botswana's position was non recognition of Unilaterally Declared Independence of 1965.[66] Botswana also publicly supported UN sanctions on Rhodesia. This was despite the fact that she had a special dispensation from the UN not to participate in the said

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[65] The declaration was made in defiance of the Imperial Government, Britain. Rhodesia wanted a status similar to that granted to New Zealand, Australia etc.

[66] Speech by H.E. Sir Seretse Khama, President of Botswana, at a Banquet in Peking, on 27 July, 1975 in South Africa Record No. 7, December 1976 p11

compulsory sanctions operations against Rhodesia.[67] This dispensation was given after Botswana had argued that while she had wanted to have no dealings with Rhodesia, this was made impossible by her geographical position. Her lifeline - the railway line-was the property of Rhodesia Railways. Botswana could therefore not close her border with Rhodesia as the effect of this on her whole economy would have threatened her survival.[68]

The other option of immediately taking over the railway line was said to be not easy considering the meagre resources of the country then. Nevertheless, Botswana made it known to the Rhodesian authorities that "they may not import oil, arms and ammunition through Botswana".[69] Also, she seems to have applied selective sanctions against Rhodesia as the percentage of her imports from Rhodesia gradually declined (see table 2 below). What is of interest is that, inspite of the UN dispensation, Botswana did not publicly acknowledge her trade with Rhodesia during this period. As a result, there are limitations in data which makes it difficult to produce a complete coherent analysis of the underlying historical trends in the inter-trade flows between Botswana and Rhodesia under UDI. The exception would be for the periods whose data has been found.

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[67] Ibid, pp 10-13

[68] Ibid

[69] Ibid

Table 2: Direction of Botswana Trade in Percentages

Year	SA	Other1 Africa	UK	Other Europe	USA	Other World	Total
Impo. 1966	67.0	25.01	8.0	-	-	-	100.0
1976	81.0	12.0	2.0	2.0	2.0	1.0	100.0
Expo. 1974	38.0	4.0	43.0	3.0	11.0	1.0	100.0
1976	15.0	8.0	41.0	1.0	34.0	1.0	100.0

Source: C.Colclough and S. McCarthy, The Political Economy of Botswana, p. 71.

1. Mainly Rhodesia

3(a) Trade Flows between Botswana and Other Africa (mainly Rhodesia)

Years	Exports to Other Africa1 (mainly Rhodesia)	Imports from Other Africa1 (mainly Rhodesia)	Balance of Trade
1973	4 338 000	12 438 000	- 8 100 000
1974	3 436 000	17 265 000	-13 829 000
1975	4 704 000	20 310 000	-15 606 000
1976	11 494 000	22 136 000	-10 642 000
1977	13 111 000	23 818 000	-10 707 000
1978	14 281 000	30 536 000	-16 255 000

Table 3(b)	Exports to Rhodesia Only	Imports to Rhodesia Only	
1979	7 548 000	29 229 000	-21 681 000

- External Trade Statistics 1973, 1974, 1975, 1976, 1977, 1978, 1979, Department of Customs and Excise, CSO, Ministry of Finance, Gaborone.
- C.Colclough and S.McCarthy, The Political Economy of Botswana, p. 71.

1 Mainly Rhodesia.

Deductions from the two tables above in conjunction with Appendix 7, 8 and 9 help to underscore the fact that trade between Rhodesia and Botswana did not end with the imposition of sanctions against UDI in 1965. Instead they confirm Richard Dale's argument that Botswana, through her special dispensation from the UN, adopted selective application of sanctions to allow her to obtain provisions for her northern districts[70] which border with Rhodesia. A comparison of statistics in 1966 and 1976 in table 2 will indicate that shortly after sanctions were imposed, Rhodesian exports (represented as Other Africa) to Botswana were approximately 25.1% of the latter's imports but that figure gradually declined to roughly 12.0 by 1976. This could be explained by the fact already mentioned that, in line with UN sanctions, Botswana was gradually limiting or entirely cutting off some imports from Rhodesia. Despite Botswana's prohibition of imports of beer, tobacco, and cigarettes from Rhodesia on March 1 1970,[71] trade in other unspecified goods continued in the 1970s as reference to tables 3(a) and (b) will show. It is instructive to note that whilst we may be uncertain with figures written under "Other Africa" other than specifically

[70] BNA: Box 8939, R. Dale `Botswana and the Rhodesia Regime, 1965-1980'

[71] BNB 2222, 22nd Annual Report-Exchange Restrictions, IMF, Washington DC 1971

Rhodesia, the 1979 figures in table 3(b) which are specifically for Rhodesia-Botswana trade may help to vindicate the case being advanced in this study.

If it is accepted that from colonization, BP's trade has always been with South Africa and other British colonies in the region (The two Rhodesias, Nyasaland, Swaziland and Lesotho), then we have something on which to base our argument. It means that the "Other Africa" being referred to in the tables above, apart from SA, are Lesotho, Swaziland, and Federation territories. It is historically undisputed that Botswana has never had any trade of significance with Lesotho and Swaziland. That leaves us with Federal territories. Our examination of BP's trade with the Federation has shown that SR alone contributed almost everything of that trade, be it imports or exports. At independence in 1964, Zambia, the only African country that had the potential to trade with BP did not renew her 1956 Agreement with BP. When she later wanted to resume trade with Botswana in the 1970s under a preferential Agreement, this was blocked by SACU's standing regulations.[72] If this argument is accepted, then it should not be difficult to accept that Rhodesia remained as the only "Other Africa", apart from South Africa, which contributed most of what is recorded under that heading. This was confirmed to this writer in confidence by senior government officials who worked in the Trade and Statistics Offices during these years.[73]

Granted that the above argument is correct, it would be clearer if the figures in tables 3(a) and (b) are read in conjunction with Appendix 7 and 9 and the 1979 Commodity Structure in Appendix 8 whilst keeping in mind the list of prohibited goods. The picture that emerges from such a simultaneous examination of these tables is not contradictory but one that helps to bridge the gaps in the post UDI Rhodesia - Botswana trade interaction.

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[72] D. Hudson in C. Harvey (ed) <u>op cit</u> p133

[73] Confidential interview with Senior Trade and Statistics Government Officials, Harare and Gaborone , July-November 1993

In value terms, Appendix 8 ranks sugar and textiles as important Botswana imports from Rhodesia by 1979. This would not be difficult to accept if one refers to Appendix 7 and 9 respectively. Botswana's import of sugar increased by nearly 75% from US$8 662 000 in 1967 to US$14 000 000 in 1979. Although appendix 9 does not show figures, it would not be an exaggeration to argue that, going by the movement of textile companies between the two countries from 1966 to 1979, textiles and clothing appeared to be very important items of exchange between the two countries. Almost all textiles and clothing companies in Botswana exported to Rhodesia. It is also important to note that most of these companies were originating from Rhodesia. Under the 1956 Trade Agreement between the two countries, this was possible.

Among factors influencing this relocation of Rhodesian Companies to Botswana was the availability of foreign exchange in Botswana opposed to its scarcity in Rhodesia which was experiencing difficulties with the war of liberation and sanctions against her. Most of the firms that relocated in Botswana tended to be small to medium scale. These were owned by mostly Asian businessmen with little prospect of generating sufficient foreign exchange to remain competitive within Rhodesia given the severe shortage of foreign exchange there.[74] It would appear that Botswana could not invoke sanctions against textiles and clothing companies in Rhodesia because experience with competitive South Africa in SACU had taught her that her textile industry could only develop on the basis of the Rhodesian market75[75] where South Africa did not enjoy the same preferential treatment. Hence textiles and clothing remained an important commodity of exchange between Botswana and Rhodesia throughout the UDI era.

Goods with high transport costs which Botswana could not get anywhere continued to be sourced from nearby Bulawayo in

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[74] B. Tsie op cit pp 176-178

[75] Ibid

Rhodesia, particularly for her northern districts.[76] These included cement, furniture, manufactures of metal and finished structural metal parts (see Appendix 8). Apart from animal related products, Botswana's only other exports to Rhodesia were textiles and clothing. The latter grew to be the most valuable item of export to the then Rhodesia. This can be ascertained from the yearly increase, since 1972, in the number of companies that settled in Botswana for the purpose of re-exporting back to Rhodesia (see Appendix 9).

There is no knowledge of any incidence of conflicts and disputes in the UDI period between Botswana and Rhodesia. The reasons for this could be more than one. First, on the eve of the UDI in 1964, both countries with the help of the British government had resolved their differences over Federation's previous on-off quantitative restrictions on Botswana goods. Rhodesia had in 1964, undertook not to violate the pact again. This spirit may have prevailed throughout the UDI period. If this is true it confirms Rhodesia's inaction to stop the relocation of her textile and clothing companies to Botswana with the sole purpose of re-exporting back into her market. Since this had the effect of deindustrializing Rhodesia, one would have expected the Rhodesian government to have invoked measures to stop this "negative" trend. That Rhodesia did not do this is evidence that the two countries honoured their Agreement and thus did not have cause to quarrel. The reason for our failure to detect any misunderstanding in the trade relations could have been a result of deliberate effort by both goverments to conceal it from the world. Documents of that nature may have been top secret and may now have been destroyed.

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In concluding this chapter it is important to highlight the main points that will also run through the entire study. One thing

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[76] S.J. Ettinger, <u>op cit</u> p142

is clear about the 1956 Agreement. Though brokered by the Imperial Government to ensure that its terms and provisions would help to integrate the two British colonies into a kind of economic and political union to the ultimate advantage of imperial interests, the pact nevertheless ran into difficulties that at times transformed into conflicts and disputes. The reason for this was a growing trend by the Federation to fight for greater independence from Britain which resulted in her tendency to adopt some inward-looking trade policies. These policies were aimed at protecting the so called "national industry" from external competition. In doing so BP became a victim as she was also considered an external competitor. However, this "nationalist" tendency by the federation was not allowed to continue at the expense of imperial interests and preferences. This is because the Federation was herself a creation of Britain which had the power to dissolve her. It is for this reason that the violation of the Customs Agreement by the Federation was only stopped with the help of UK Trade Commissioners in Southern Africa.

What is therefore learnt from this is that the 1956 Trade Agreement was not designed with the intention of developing the exclusive interests of BP or Federatrion per-se as would happen with independent nation states with national interests. Instead, the Agreement was designed to allow the use of one colony's resources by another for the benefit of both and their mother country, Britain. It is important to note that we are talking of Federation and BP not in terms of natives but colonists who were considered as British citizens. "Nationalist" tendencies like those that were showing in the Federation were certain to cause antagonism and conflicts under the 1956 Agreement. This is because each colony wanted to advance and protect its own interests, a situation that would not prevail if both colonies were concious of the fact that what went on between them did not constitute loss or gain since they both belonged to one imperial power. What therefore saved trade during the Federation from complete breakdown was Britain which constantly prevailed on the

Federation.

The Federation was watched to make sure that she followed similar and non antagonistic trade policies with Britain and other colonies. When the settler regime finally announced UDI from Britain there were fears that Rhodesia's Free Trade Agreement with BP would run into serious conflicts owing to Rhodesia's large scale protection of her import substitution industrialization. Conflicts however did not arise between 1965 and 1979. This was due to the desire by Rhodesia to secretly defy UN sanctions against her. She therefore preferred to compromise a lot in order to avoid the potential conflict that could have been caused by her protective policies which were antagonistic to the liberal trade regime followed by BP.

CHAPTER 4

POST 1980 BILATERAL TRADE RELATIONS

SECTION A : Trade patterns after 1980

In the preceding chapter some statistics were found and used to establish some pattern and trends in the pre 1980 bilateral trade relations between Botswana and Zimbabwe. Zimbabwe exported a larger variety of goods to Botswana in value terms than Botswana did to Zimbabwe. As a result Botswana had a trade deficit in her trade with Zimbabwe.

This chapter continues from where the last one left off. It presents an analysis of the post 1980 patterns and trends in the Botswana-Zimbabwe trade interaction. In SECTION A:, this writer will only describe trends and patterns and not analyze them. The analysis of the trends will be dealt with in later sections of the Chapter. Initially, the chapter will compare the Botswana - Zimbabwe trade with that of other SADC states and South Africa. This will enable a further appreciation of the indispensability or despensability of Botswana and Zimbabwe to each other in regional trade. The data presented are based on published statistics from the two countries. There has however been the problem caused by disparities in the recording of statistics by Botswana and Zimbabwe Customs departments. Botswana's external trade unit of Account , the Rand was chosen for presentation in this later part of the study for reasons of convenience.

Zimbabwe and Botswana's bilateral trade dominated intra SADC trade. It accounted for almost 50% of the total intra-SADC trade, with nearly 50% of Zimbabwe's exports to SADC going to Botswana. This is shown clearly from 36 pairings of SADC countries indicated in appendix 10. The appendix only shows two SADC pairings as having a regular two way trade of R40 million a year or more. They are Botswana and Zimbabwe followed by Zambia and

Zimbabwe. The other SADC pairings have trade in the range of R0 -R18 million a year. Thus viewed within the SADC context, the Botswana - Zimbabwe pair has been the largest in the volume regularity. Except in the case of maize and some competitive goods such as textiles, canned meat and dairy products, the bilateral trade was, even in these goods, the only inter-state trade that increased the volume of commodity imports and exports in both directions over a long period [compare tables 4 and 5 with those in appendix II]. In SADC therefore Botswana became the single most popular country for Zimbabwe exports and vice versa.

Table 4: Botswana's Major Exports to Zimbabwe (US Million Rands)

COMMODITY	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Value of Overall Total Exports	12.073	20.494	48.515	51.726	36.068	43.249	102.494	124.607	240.017	330.388	293.511	351.918	222.468
Copper/Nickel Matte	0.0	0.0	10.556	11.961	0.0	21.135	47.726	47.688	145.595	236.159	130.495	165.290	130.409
Textiles and Clothing	2.013	12.150	27.821	28.283	25.524	12.814	-	32.756	42.507	54.048	83.112	113.129	33.893
Animal and Vegetable Oils and Fats (Tallow: Margarine)	-	1.961	1.817	2.313	3.101	7.423	-	18.413	14.525	4.972	2.314	2.724	0.903
Medicinal & Pharmaceutical Products (Animal Vaccines)	-	0.0	0.0	0.0	0.0	3.222	-	2.747	4.053	6.350	6.128	4.258	1.903
Animal Fodder	-	0.0	0.0	0.0	0.0	0.0	-	1.095	1.585	2.405	3.221	3.510	2.244
Soap, Waxes and Candles	-	0.199838	0.490162	0.715441	1.455	-	-	5.597	5.613	6.606	2.594	3.258	1.408
Brake Linings and Pads	-	0.0	0.0	0.061	0.700	-	-	0.846	1.004	1.509	1.274		
Preparations of Foodstuffs (Meat and Fish)	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	0.0	1.327	1.200	3.284	2.400
Hides Skins and Leather and Articles thereof	-	-	-	0.075	0.075	.300	-	.946	3.507	6.595	6.600	6.476	3.317

Source
•External Trade Statistics, CSO. Gaborone, Botswana
•External Trade Statistics, CSO, Harare, Zimbabwe
•SADC Intra-Regional Trade Study, Chr, Michelsen Institute, Bergen, 1986 - not available

Table 5: ZIMBABWE' MAJOR EXPORTS TO BOTSWANA (UA MILLION RANDS)

COMMODITY	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Value of Overal Tatal Exports	-	-	-	56. 923	87.219	91.889	111.672	142.670	173.049	225.686	246.571	283.497	258.141
Maize/Cereals	-	-	0.28	1.17	0.0	-	-	10.502	2.046	0.039	3.000	19.372	2.029
Sugar and Confectionery	-	-	10.64	12.14	8.62	23.21	24.41	32.22	40.00	43.73	50.00	62.308	24.370
Fixed veg/animal oils (esp. margarine)	-	-	0.37	0.45	0.90	2.46	1.55	1.87	3.29	3.90	5.47	6.482	10.192
Ruber & Ruber Articles	-	-	0.46	0.45	1.04	-	-	1.62	2.21	2.85	2.83	2.939	4.811
Textiles	-	-	3.79	5.21	5.84	17.04	16.19	24.00	20.00	29..29	34.00	34.255	44.819
Lime and Cement	-	-	2.13	2.07	1.46	3.77	5.72	9.80	10.88	14.46	19.11	18.887	1.047
Iron and Steel and Manufactures	-	-	4.17	4.41	5.84	12.08	12.38	18.29	22.07	28.27	10.00	25.400	24.000
Wire and Wire Products	-	0.55	1.02	1.07	1.32	-	-		-	5.90	5.51	-	-
Road and Railway Vehicles and Accessories	-	-	1.13	1.81	1.09	15.97	-	2.70	19.60	13.81	3.00	4.160	4.160
Furniture	-	-	1.11	0.09	0/.63	1.61	1.09	1.74	2.46	3.70	3.60	4.678	7,.290
Wood & Wood Articles	- 16.205	-	-	-	-	1.28	1.38	4.03	10.77	13.67	11.44	14.338	16.205
Tea and Malt	-	-	-	-	-	3.78	4.77	14.00	3.70	7.80	12.42	14.610	8.619
Footwear & Headgear	-	-	-	-	-	1.94	-	2.20	3.41	6.19	5.00	6.383	6.500
Hides and Skins and Articles of leather	-	-	-	-	-	12.13	-	0.12	12.11	1.70	-	3.752	7.000
Plastic Articles and Packing Goods	-	-	-	-	-	3.46	-	1.28	-	2.06	3.10	4.400	5.627
Dairy Produce	-	-	-	0.69	0.41	0.0	-	0.17	0.19	0.23	0.64	1.818	2.300
Canned Meat	-	0.41	0.29	0.13	0.29	0.13	0.20	0.0	-	0.20	0.005	.189	.344

Source External Trade Statitstics, CSO, Gaborone, Botswama
External Trade Statistics, CSO, Harare, Zimbabwe
SADC Intra Regional Trade Study, Michelsen Institute, Bergen, 1986 - data not available

In contrast, Botswana and Zimbabwe's individual trade relations with most other SADC countries were highly erratic. An examination of tables in appendix II in conjunction with tables 6 and 7 below shows that these trade exchanges were not regular. Rather, these pairings are characterized by one of purchases of say beef, maize, cement, refined oil products and electricity.

Table 6: Post 1980 Botswana's Direction of Trade in Southern Africa

Country	1980 To Exp	1980 From Imp	1981 To Exp	1981 From Imp	1982 To Exp	1982 From Imp	1983 To Exp	1983 From Imp	1984 To Exp	1984 From Imp	1985 TO Exp	1985 From Imp	1986 To Exp	1986 From Imp	1987 To Exp	1987 From Imp	1988 To Exp	1988 From Imp	1969 To Exp	1969 From Imp	1990 To Exp	1990 From Imp	1991 To Exp	1991 From Imp
South Africa	25 906	467.555	57.573	608.497	58.560	643.780	58 560	680.089	85 200	793.138	90 889	951.450	110.575	1241.352	133.950	1515.368	180.890	2096 967	239.816	3205 518	280 00	4100.	253.0	4500.
Zimbabwe	12 073	35 336	20.494	42.250	48.575	45.342	51.720	56 923	36.068	87 219	48 249	91.889	103.494	119.672	124.607	142.670	230.017	173 049	330.388	225 686	314	246.	351.918	283.
Zambia	753	0.384	1.371	0.679	1,.094	0.728	1 026	2.200	.636	0 314	1.137	0.730	1.133	1.259	8.301	1.987	2.841	5.332	4 421	16.897	26.7	10.7	19 03	6 1
Malawi	.119	0 202	.143	0.623	0.78	0.555	.057	0.669	.308	1.084	.054	1.472	.229	1.180	.217	1.056	.635	1.343	1.307	4.969	4.9	6 0	15.4	3.1
Swaziland	0 23	008	0 31	.072	0.070	.206	.020	.006	.048	.044	.049	.000	.100	.148	.112	1.089	0.24	.683	.317	0 207	0 5	1.2	0 05	0.09
Lesotho	031	.094	.044	0.25	.058	.019	.006	030	029	.175	.148	.051	.027	.439	.113	.234	.284	1.087	.455	.606	0 6	2.5	0.2	0 500
Mozambique	.075	.010	7.149	.006	9.030	.004	5 295	.016	.636	.014	.490	.474	.085	.001	2.144	-	0.532	.119	5.481	.309	6 2	0.3	6.1	0.04
Tanzania	.009	.008	.026	016	.006	.025	.083	.025	.071	.042	.213	.022	.018	.149	.165	.892	.421	1.193	1 663	.573	2.7	2.8	0.8	1.0
Angola	-	-	2.594	-	-	-	-	.003	.045	-	.004	0	-	-	0	-	-	.002	.056	.001	0.1	0.002	0.1	0.0006

Source: * External Trade Statistics 1989, Trade Statistics Unit, Department of Customs and Excise, Gaborone, Botswana.
* External Trade Statistics 1992, Trade Unit, Department of Customs and Excise, Gaborone, Botswana
- Not Available

Table 7: Post 1980 Zimbabwe's Direction of Trade in African (UA Million Rands)

Country	1980 To Exp	1980 From Imp	1981 To Exp	1981 From Imp	1982 To Exp	1982 From Imp	1983 To Exp	1983 From Imp	1984 To Exp	1984 From Imp	1985 To Exp	1985 From Imp
S.A	112.906	205.756	143.566	208.913	118.095	205.183	174.249	176.094	166.545	271.753	211.091	351.091
Botswana	35.336	12.073	42.250	20.494	45.342	48.515	56.923	51.726	87.219	36.068	91.889	48.249
Zambia	5.733	8.848	26.355	18.403	13.576	21.352	29.362	20.954	32.782	20.127	37.984	22.456
Swaziland	0.358	0.814	1.075	2.229	1.0632	2.578	1.103	1.419	0.469	0.307	0.575	0.956
Lesotho		-										
Mozambique	2.502	0.363	8.334	14.1690	14.742	5.481	13.739	8.223	7.995	0.080	13.048	0.147
Tanzania	0.007	0.081	1.026	0.134	5.036	0.102	3.372	0.293	2.394	0.253	4.980	0.123
Angola	0.065	-1.735	0.000.1	0.241	-	0.454	-	0.944	0.000.2	6.862	0.626	2.408

Country	1986 To Exp	1986 From Imp	1987 To Exp	1987 From Imp	1988 To Exp	1988 From Imp	1989 To Exp	1989 From Imp	1990 To Exp	1990 From Imp	1991 To Exp	1991 From Imp
S.A	185.427	361.457	249.110	425.948	289.781	691.410	321.667	902.074	479.921	1 871.973		
Botswana	119.672	102.492	142.670	124.607	173.,049	230.017	225.686	330.388	246.571	293.511	283.497	351.9 2
Zambia	36.909	31.906	46.264	22.834						27.396		22.466
Swaziland	0.339	1.679	3.015	7.364	3.557			2.187	27.730	1.435	17.325	
Lesotho												
Mozambique	41.168	0.492	60.529	0.704	61.617				1.788	10.082		
Tanzania	3.248	0.328	6.035	0.704	7.191				30.005	4.481	7.297	5.531
Angola	0.023	4.844	-	4.386			29.118	0.159	14.340	0.013		

Source:- External Trade Statistics, CSO Gaborone, Botswana, 1988,1989,1990, and 1991

" Statement of External Trade, CSO, Harare, Zimbabwe, 1980-1984

- unavailable

It also appears from reading tables 4 and 5 and those in appendix II that, the stability, growth, reductions or fluctuations of any individual bilateral or the total SADC trade flows was a reflection of the commodity composition of these trade flows. For instance Botswana exported meat to Mozambique (1981-84). This export was somewhat unstable, depending partly on demand in this country and partly on surplus production in Botswana and the market in the European Economic Community (EEC)[1]. Mozambique's main exports to SADC have been to Zimbabwe in 1981 and 1982, when Zimbabwe was importing refined oil products. But since the re-opening of the oil pipe-line from Beira, these imports are no longer necessary. Zambia , which exports almost nothing but copper to the rest of the world, exported electric energy and some chemicals to Zimbabwe, and some small amounts of cement to Botswana[2].

The Botswana - Zimbabwe trade was an exception to this for more than one reason. Firstly, in contrast to other SADC pairings, under the 1956 Trade Agreement goods originating in either Botswana and Zimbabwe enjoyed unhindered duty free entry into each other's market. Thus, despite Zimbabwe's protectionist tendencies, Botswana's exports there continued to enjoy comparatively better preferences than other SADC exports. In addition, a number of the commodities exchanged by Botswana and Zimbabwe appeared to be more complementary[3] than those exchanged in other SADC pairings. On the basis of these advantages, Botswana- Zimbabwe trade became bigger in volume and steady in frequency than other SADC bilateral relations.

When South Africa is included in the comparative analysis of

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[1] <u>SADC Intra Regional Trade Study for Souther African Development Coordination Conference</u>, Chr Michelsen Institute,Bergen, 1986, p13.

[2] <u>Ibid</u>

[3] Examples are iron and steel, lime and cement, rubber,maize,sugar, vegetables, oils and wood.

trade relations involving Botswana and Zimbabwe, the latter two countries position and importance to each other immediately changes. To both Zimbabwe and Botswana, South Africa is their single most important trading partner in Africa as indicated in tables 6 and 7. This means that Botswana and Zimbabwe remain each others main trading partner in the SADC region but second most important to each other in Africa, after South Africa[4]. In pursuance of SADC goals , both Botswana and Zimbabwe wanted to reduce their trade with SA and increase that between themselves[5].

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In focusing on the post 1980 Botswana-Zimbabwe two way trade structure this writer starts by examining the commodity composition of their trade flows. As indicated in tables 4 and 5, manufactured or semi-manufactured goods such as textiles and clothing , cement, rubber manufactures like tires, soaps and candles, rail and road vehicles and iron and steel were all traded in significant amounts. Agricultural trade included maize, sugar, tea and malt, animal and vegetable oils and fats, wood and cotton. Among minerals were copper/nickel matte.

Botswana's exports to Zimbabwe consisted of mainly copper/nickel matte, textiles and clothing, veterinary medicines, animal oils and fats (tallow) , soap and candles. Zimbabwe in turn exported a large variety of commodities to Botswana as indicated in table 5. During the years 1981-83, Zimbabwe was exporting maize to Botswana and other SADC countries. This was particularly due to the drought in the importing country and very good crops in Zimbabwe in 1980/81. The sales were partly paid for by

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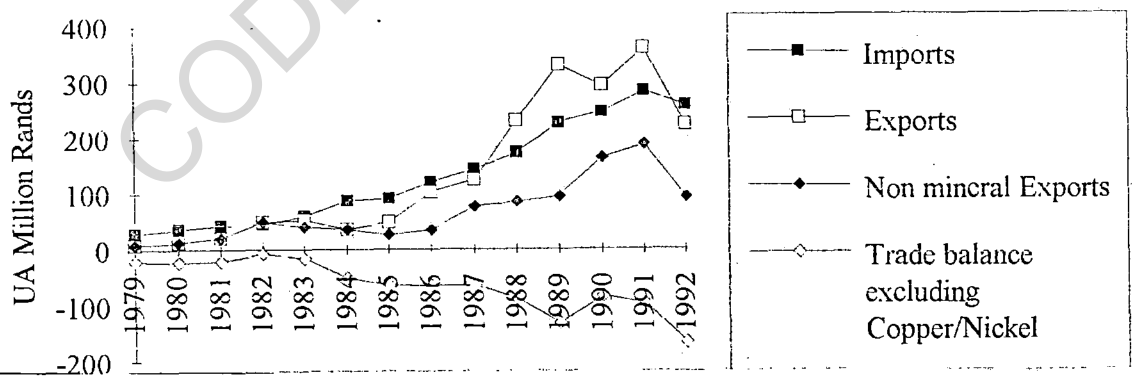
[4] "Review of Export Performance 1986/87", Prepared by Exporters Information Service, Exporters Information Service Library, Harare, 1987 p.9.

[5] B. Oden, "The Macroeconomic Position of Botswana", Research Report, No 60, p.47.

international emergency assistance[6]. In 1984, however, the stocks in Zimbabwe depleted and she could no longer supply Botswana and other neighboring countries in large quantities[7]. Zimbabwe was also exporting sugar, textiles, cement and increasing amounts of iron and steel to Botswana. A number of other products included margarine, tea and malt.

Owing to Zimbabwe's advantage in industrialization and her larger variety of export commodities, her total exports to Botswana increased substantially after independence in 1980 (see appendix 12 and graph 2 below). There was a definite upward trend with regards to Zimbabwe's exports of construction materials to Botswana as indicated in table 5. This was a result of the rapid infrastructural growth occurring in that country[8]. The same table shows that a number of consumer products such as tea , malt, sugar, margarine and textiles were also performing well. This reflected the increased purchasing power in Botswana and Zimbabwe's ability to take advantage of Botswana's liberal free trade policy. Credit should also go to Botswana which did not want to restrict Zimbabwes goods in violation of the 1956 Customs Agreement as Zimbabwe appeared to be doing. This further facilitated the growth of the latter country's exports.

Graph2:Botswana's Trade with Zimbabwe (1979 - 1992)



[6] "SADC Intra Regional Trade Study" Chr. Michelsen Institute, Bergen, 1986,p.14.

[7] Ibid

[8] "Cross Border Investment Facility : A Proposal for the SADC Secretariat. " Prepared by Merchant Bank of Central Africa Ltd, April 1989. pp178-201.

In fact from 1984 onwards, the growth in exports of Zimbabwean goods to Botswana could have been much higher than revealed in the tables above had Zimbabwe not adopted protectionist policies that resulted in retaliatory actions by the Botswana Government. For instance, exports of canned meat and dairy products to Botswana were on various occasions indiscriminately banned by Botswana for reasons related to the outbreak of foot and mouth disease (FMD) in some parts of Zimbabwe[9]. It was not by coincidence that a blanket restriction on Zimbabwe's dairy and meat products started in 1984. This followed by Zimbabwes quantitative restrictions on Botswana's textiles and tightening of the workings of the 1956 Trade Agreement to the detriment of Botswana's exports.

Judged on previous experience, Botswana's banning of dairy and canned meat products appeared to be an unprecedented departure from the normal practice whereby restrictions on meat and dairy products were only applied to supplies originating from diseases infected areas. In addition, normal practice appeared to exempt heat treatment and therefore sterile canned meats which could not be claimed to transfer FMD virus[10]. The fact that these bans were inconsistent with previous practice raised the suspicion that Botswana's actions were retaliatory. The Botswana Cooperative Union (BCU) which experienced sudden cuts in supplies of tinned meat and dairy products from Zimbabwe seemed to support the view that the total bans could have been retaliatory. The Unions reason is that these total bans started after Zimbabwe had imposed restrictions on imports from Botswana. It added that the

[9] Republic of Zimbabwe High Commission in Gaborone, Correspondence to Department of External Affairs, Republic of Botswana, Note No. 119/84, 17 October, 1984.

[10] Confidential Internal Memo from Dr Madzima the Deputy Veterinary Director, Zimbabwe, to the Permanent Secretary of Agriculture , Harare, Zimbabwe, 30 August 1990.

Botswana Government did not explain why this was so as it was not compelled to explain.[11].

The effect of these on-off total bans and restrictions made Zimbabwe unable to regularly supply orders worth thousands of Zimbabwean dollars to their Botswana customers. In 1987 for instance, Zimbabwe could not dispatch secured export orders for over R106 205 (Z$91 000) worth of canned meats[12]. Thus, had it not been for the retaliatory punitive action by Botswana it is certain that Zimbabwe's 1987 export figure to that country was going to be higher by R106 250. In fact, the figure could certainly have been more than this had Zimbabwe not lost her customers who now placed their orders with South African suppliers who were more regular and unaffected by the same restrictions placed on Zimbabwe.

As regards Botswana's trade flow to Zimbabwe, her exports strengthened between 1980 and 1990 but not to the extent of matching her imports from Zimbabwe (see appendix 12 and graph 2). The only exception was the year 1982 to be explained later on. The years 1988 to 1991 show Botswana as having a trade surplus but it will be shown in the subsequent paragraphs that this was not the real case. What is to be noted however is that Botswana's export performance in the Zimbabwean market was hindered initially by quantitative restrictions and later beginning 1989, by a combination of the said restrictions and devaluation of the Zimbabwean dollar (see graph 3) .

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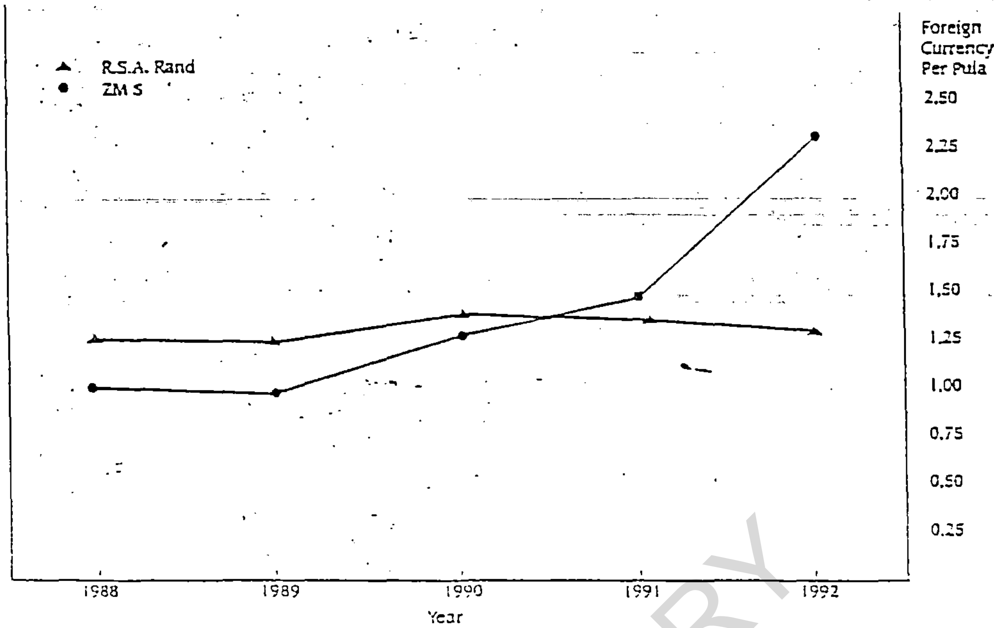
[11] Informal Discussion with Dr C. Bamhare of the Department of Veterinary services, Zimbabwe, 11-12 July 1993. Informal Discussion with a Veterinary Officer (who for security reasons wants to remain anonymous), Ministry of Agriculture Botswana, October 1993. Interview with Mr Moathodi, Purchasing Manager, Botswana Cooperative Union, Gaborone ,24 January 1994.

[12] S.J Elliot deputy General Manager of Colcom Zimbabwe Correspondence of 14 June 1988 to Dr W Mudekunye , Permanent Secretary , Ministry of Trade and Commerce. Zimbabwe.

Graph 3 Pula Exchange Rate Against the $Z and SA Rand



Source: Annual Report Botswana Development Corporation Ltd, 1992 p5

Owing to these continuous devaluations of Z$ the price of Botswana exports rose substantially and become uncompetitive. As a result Botswana manufactures, especially textiles and clothing exports declined. Even the thousands of Zimbabweans who used to get their annual holiday allowance of Z$1500 for shopping in Botswana stopped doing so. They now preferred South Africa because the difference in the exchange rate was not very big. Apart from the effect of these devaluations, in 1982 and subsequent years, Zimbabwe imposed quotas on textiles and clothing emanating from Botswana. Duty free textiles and clothing imports from Botswana were pegged at R5.50 million. Between 1985 and 1987, the quota was pegged at R7.98 million. This was further increased to R9.36 million from 1988 to the present. Botswana continuously complained that the quota was too small for all her companies' viability.

It was partly a result of these quotas that there was a marked decline in Botswana's exports to Zimbabwe in 1984 and 1985. Also, this time , in addition to quantitative restrictions mentioned above, Zimbabwe promulgated higher minimum value added requirements upon all imports from Botswana[13]. Nevertheless, what made the 1984 export figure drop so low was because in that year, Botswana had not exported copper/nickel matte[14], one of her major exports to Zimbabwe. However, in spite of these restrictions on manufactures, exports to Zimbabwe picked up again from 1986 onwards. This was solely due to the resumption and phenomenal increase in exports of copper/nickel matte as indicated in appendix 12 and graph 2. Apart from the impact of the said devaluations, the actual potential growth of non mineral exports to Zimbabwe was limited to levels that would not be harmful to local industry in Zimbabwe. Thus Botswana's no mineral exports could have been more than the figures indicated in appendix 12. It is also clear from appendix 12 and graph 2 that the phenomenal increase in the mineral exports to Zimbabwe distorts and obscure the negative effects of protective policies on Botswana's manufacturers. We have already mentioned that not all of what Botswana manufacturers wanted to export was granted free entry as per the Agreement. This was due to the imposition of restrictions already alluded to. Any exports over the above quotas were subjected to Customs duties [15] which made them expensive and uncompetitive in the Zimbabwean market. Hence, the contention by Botswana that her full potential export of manufactures to Zimbabwe was unfairly limited by Zimbabwean trade restrictions.

The most important point about the copper/nickel export mentioned above was their distortion of the real value of Botswana's exports to Zimbabwe. The nickel/copper matte export statistics to Zimbabwe did not involve any cash flow from Zimbabwe to Botswana[16]. Zimbabwe only got the minerals for

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[13] "Zimbabwe Trade Relations with Botswana," op. cit. p6.

[14] "SADC Intra-Regional Trade Study" op cit p.13.

[15] Interview with a Senior Customs Officer (who for security reasons wanted to remain anonymous) Department of Customs and excise , Harare, Zimbabwe, 21 July 1993.

[16] "Zimbabwe Trade Relations with Botswana, " op. cit. p.

refining on behalf of a Switzerland based company, Centamental, which still has a contract to purchase copper/nickel matte from BCL Ltd in Botswana. Express Nickel Refinery (ENR) and Bindura Nickel Corporation (BNC) in Zimbabwe did the refining of the matte into copper and nickel cathodes after which they delivered the cathodes to Centamental in Switzerland. The latter company in switzerland paid the Zimbabwean companies a toll refining fee for the services rendered and BCL Ltd in Botswana for it's copper/nickel export. The by-product, cobalt, from the refining process was sent back to Botswana where it was used in steel making [17].

This distortion on trade statistics is attributed to the fact that Customs officers require a full valuation on incoming/outgoing matte product and residue[18]. Thus between Botswana and Zimbabwe there was no transaction or cash flow on the copper/nickel matte exports indicated in appendix 12. Therefore, the real trade figures of Botswana's exports to Zimbabwe are those indicated in the same appendix as non mineral exports. Thus discounting the non transaction trade in copper/nickel matte, Botswana can be said to have had a continuous bilateral trade deficit with Zimbabwe in the post 1980's and even to this date (see appendix 12 and graph 2). Botswana, however, attributed these perennial trade imbalances to Zimbabwe's insatiable eagerness to sell whilst unwilling to buy from others.

When the point made about the role of copper/nickel matte is considered, 1982 becomes the only year when Botswana almost enjoyed a trade surplus. This was solely due to the unprecedented rise in her textile and clothing exports to Zimbabwe. In that year 1982, Zimbabwe imported R7 590 000 (Z$6 408 890) of clothing

[17]Ibid

[18]Ibid

alone compared to the previous figures of R3 860 000 (Z$3 262 816) in 1981 and R2 033 000 (Z$1 715 935) in 1980 [19]. Unfortunately for Botswana this phenomenal increase in clothing and textile exports to Zimbabwe became one of the many reasons which led to Zimbabwe's import suppression in 1982. As a result textiles and clothing from Botswana were severely restricted by means of quotas referred to above. This followed a bilateral trade deficit suffered by Zimbabwe in the early months of 1982. Zimbabwe, as shall be discussed in the next chapter, explained her actions as designed to protect her own textile and clothing industry against South Africa and other foreign companies, setting up subsidiaries in Botswana, mostly for marketing and not for production purposes[20]. From then on , Botswana's increasing non mineral exports to Zimbabwe were checked to the extent that they never came close to the value of imports from Zimbabwe. Botswana's response to Zimbabwe's protective policies was a cry of foul play. It's these actions , to be analyzed in the next section, which resulted in trade relations becoming characterized by friction.

SECTION B: Issues of Conflict

Unlike in the pre 1980 period, the volume of Botswana-Zimbabwe trade flows substantially increased in the years following Zimbabwe's independence. However, as section A established, there remained a potential for further rapid increase in bilateral trade flows which were not fully exploited. The "failure" to exploit the full potential was linked to Zimbabwe's protectionist policies inaugurated in the year 1982. The annual growth of Botswana's non mineral exports to Zimbabwe was affected as the exports declined or became static between 1982 and 1985 (see appendix 12 and graph 2). The situation improved slightly in

[19]Ibid p.5.

[20] Ben Kaluwa " Industrial Development Under SADC : The Problems and Prospects" Unpublished Manuscript in SAPES Trust Library, Harare, n.d

1986 and the same annual growth rate was maintained until 1990. Besides the impact of the devaluation of the Zimbabwe dollar, further increase in annual growth rates of Botswana's non-mineral exports were constrained by Zimbabwes's trade controls to be further discussed as part of the analysis in this section. Zimbabwes actions were viewed as "sabotage" of Botswana's fledging manufacturing sector. As a result Authorities in Botswana did not accept Zimbabwe's new antagonistic trade policies because they required changes to be made towards what Botswana considered a beneficial 1956 free trade Agreement. To show her dislike of Zimbabwe's policies Botswana engaged retaliatory actions against Zimbabwe's exports of sugar, maize, meat, and dairy products. The end result of these actions by both countries was repeated friction between them.

As stated in the introduction, the conflicts and difficulties which attended attempts at resolving these can be analyzed in the broad context of economic and political models which shaped the two countries' trade regimes in the 1980's. The two models were the inward-looking but modified import substitution policy followed by Zimbabwe and the outward-looking market oriented policy pursued by Botswana . These usually conflicting policies led to differences in the way both countries regarded national interest vis-a-vis bilateral and regional interests. Because the subject of how the differing national development strategies may represent an important constraint on trade cooperations between countries was demonstrated in chapter 1, it's not necessary to discuss it in detail here. Sufficient is to say that conflicts arising from these different development policies can be accentuated by goods from competitive industries. This appears to be true of the Zimbabwe-Botswana trade interaction.

Both Botswana and Zimbabwe defined the issues of conflict in their bilateral trade relations differently. Each country tended to put forward explanations which supported her own point of view. For instance, Botswana explained the issue of conflict as Zimbabwe's policy of import suppression of her goods. She mentioned quantitative restrictions of her textile and clothing exports and tightening of the rules of origin by which the 25% local content was determined[21]. According to the 1956 Agreement goods that met the 25% local content were eligible for Open General Import License (OGIL) and duty free entry into the market of the other country. The implication of the OGIL system was that all goods put onto the list could be imported with guaranteed access to foreign exchange. It also meant that such goods were not to be subjected to the import licensing system which has various weaknesses such as delays owing to bureaucracy, abuse and arbitrariness. Therefore, Botswana viewed Zimbabwe's actions as drifting towards the removal of OGIL and duty free concessions in preference to the cumbersome licensing system. She argued that this was a violation of the Trade Agreement[22] and that this had to be resisted.

In contrast Zimbabwe viewed the conflict as arising from the abuse of the 1956 Trade Agreement, particularly the not so tight and unclearly defined rules of origin[23]. She argued that this abuse of the Agreement was partly responsible for her balance of payments problems , flight of capital and deindustrialization[24]. Zimbabwe therefore maintained that quantitative restrictions and tightening of the rules of origin were not the issues of conflict

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[21] Botswana Daily News February 11, 1985.
Ibid, February 25, 1985
Informal Discussions with a Commercial Officer of the Ministry of Commerce and Industry, Botswana (who for security reasons wants to remain anonymous), Gaborone 11 March 1993.
"Cross Border Investment Facility : A proposal for the SADC Secretariat" Prepared by Merchant bank of Central Africa Ltd, April 1989 p.62.

[22] The Business Gazette (botswana) May 9 1985.
Discussions with officials of Botswana Confederation of Commerce Industry and Man Power, Gaborone , October 1993.

[23] "Zimbabwe's Trade Relations with Botswana," op. cit. pp 1-2.

[24] Ibid

but rather the safeguards[25] against abuses of the Trade Agreement. In addition , Zimbabwe viewed the tightening of the rules of origin as important in as far as it ensured uniformity in the interpretation of these rules. That way, conflicts arising from the previous differences on what constituted local content were, in Zimbabwe's view, to be prevented.

These countries' differences on what constituted the issues of conflict can be likened to the chicken and the egg debate. However, these differences should not surprise us. They were a continuation of the differing viewpoints resulting from the competing development strategies and the degree of nationalism pursued by Botswana and Zimbabwe. To an outside observer, the issues of conflict between the two countries appear to have been a combination of what both countries individually viewed as causes of conflict. The problem is, there was a simultaneous appearance of a number of economic and political problems in Zimbabwe - with instances of abuse of the Agreement by Botswana based companies. This was against the background of an unprecedented increase in Zimbabwe imports of Botswana goods which almost culminated in the first bilateral trade deficit by Zimbabwe in 1982 had Zimbabwe not imposed quotas on clothing imports in the closing months of that year. It therefore became difficult to disentangle one factor from the rest as solely responsible for the trade disputes which arose between the two countries. This will be clarified in the following analysis of the issues which were associated with the emergence of conflicts.

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Soon after independence in 1980, many former Rhodesian companies, particularly of textile and clothing manufacture started emigrating to set up factories in Botswana with the intention of

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[25]Ibid
Informal discussions with officials of the Ministry of Trade and Commerce, Harare 10 -15 december 1992

re-exporting their products back to Zimbabwe[26]. Re-export was uppermost in their minds because they were aware that Botswana did not have an equally big and profitable market, given her small population. What attracted these Zimbabwean Companies to Botswana were the stable political climate, foreign exchange position, attractive tax holidays, cheap labor, capital and training grants. Added to these were the liberal provisions governing transfers of accumulated savings [27].

By comparison , from the point of view of capital, the political and economic climate in Zimbabwe was unpredictable and insecure. The Marxist tendencies of the ZANU PF government scared many businessmen into flight[28]. Besides, Zimbabwe could not offer an equally attractive package and it seemed to be heading for severe foreign currency restrictions owing to the mounting balance of payments deficit. This had the effect of limiting the ability of Zimbabwean manufacturers from obtaining currency to acquire modern machinery and importing the required range of raw materials. The machinery and materials would enable textile companies to manufacture a greater quantity of quality fabric at acceptable prices[29].

The most decisive factor in the relocation of Zimbabwean companies to Botswana was however the guarantee provided i the 1956 free trade Agreement for companies in either country to be able to retain the same market at the same preferential rate(s)[30] when they relocate into the other member state. This trend, far

[26]" Zimbabwe's Trade Relations with Zimbabwe," op. cit. p1.

[27]Ibid

[28] B.Tsie Ibid 188

[29]"Report on a Survey of the Textile Industry in Botswana" by Price Waterhouse" , Gaborone , Botswana ,January 25,1984

[30] ibid; C. Harvey and S.R. Lewis, Policy Choice and Development Performance in Botswana, London, the Macmillan Press Ltd, 1990, p174

from being healthy, acceptable cross border investments by Zimbabwean companies was in fact de-industrializing Zimbabwe. Whilst this did not matter much when the two countries were still British colonies, the same was no longer true. This is because both former colonies were now sovereign independent states which now pursued different objectives for their respective national constituencies. Accordingly, this deindustrialization trend in Zimbabwe which benefitted Botswana made authorities of the former to feel that the 1956 Agreement was developing the Botswana economy at her expense[31]. Zimbabwe was therefore not amused by this flight of capital and entrepreneurship even though it was never sufficiently serious to destabilize the entire economy. Thus to stop the deindustrialization of the Zimbabwean textile and clothing industry and any other sector affected, the authorities sought to curtail their market from companies which were leaving Zimbabwe for Botswana.[32]

Zimbabwe's skepticism about the continued mutual benefit of the 1956 Agreement was confirmed by the discovery of evidence of abuse of the Agreement by Botswana-based companies. The effect of this evidence, to be discussed in subsequent paragraphs, was to legitimize Zimbabwe's call to tighten some of the not so tight provisions of the Agreement. Accordingly, Zimbabwe became much bolder and more militant in her pursuit to have the workings of the Agreement amended.[33] Instances of abuse which were discovered involved the re-export under OGIL by Botswana based companies, of items of non-Botswana origin. The companies mixed products genuinely manufactured in Botswana with those made in

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[31] B. Tsie " Zimbabwe's Track Relations with Botswana" op. cit, pp.1-2.; Interview with Former Senior Officials (C.E. Onyimo and J Zvemora) of the Ministry of Trade and Commerce, Harare, Zimbabwe May 1993

[32] ibid

[33] Interview with a Senior official of the Department of customs, Zimbabwe, (who for security reasons wants to remain anonymous) Harare 21 July 1993.

South Africa and Taiwan for duty free export to Zimbabwe. This was confirmed by some Botswana based textile Companies, some of which remarked that Zimbabwe had been very understanding under very trying conditions.[34] Examples of goods that were frequently mentioned in this connection were textiles and clothing, gasket products, electrical gadgets like Air Conditioners, brake pads and tallow.

As South Africa and Taiwan did not have a duty free Agreement with Zimbabwe, some of these goods were unfairly allowed into the Zimbabwean market to compete with domestic goods on equal terms. Besides, through this fraud, the Zimbabwe government lost revenue on goods it was supposed to exact customs duties. In addition, the uncontrolled import of such goods had a negative bearing on the country's balance of payments position, however minimal. As pointed out in Chapter 3 this all boiled down to the Rules of Origin which were not tight enough or clearly defined to effectively curtail such practices.

Botswana's Customs Department had been asked by the their Zimbabwean counterparts to investigate companies in their country and verify the data submitted by these companies to determine if the production capacity and the levels of local content were genuinely 25% of the total cost.[35] Botswana appeared reluctant to immediately respond to this request. The reasons for this could have been more than one. She could not be legally forced to investigate and verify her companies because the Trade

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[34] Mr. Barrie Gold, cited by B. Tsie, op.cit p193; Zimbabwe's Trade Relations with Botswana:op.cit pp 1-2; Interview with a Senior Official of the Department of Customs and Excise, who for security reasons wants to remain anonymous) Zimbabwe, Harare 21 July 1993.; Interview with Leo Anglis, Managing Director of T and T Industries (Botswana) Pvt) Ltd, Gaborone, January 14, 1994; Interview with Mr. M. Patel of Clover Industries, Gaborone, January 27, 1994.

[35] B. Tsie, op.cit pp191-192; Interview with a Senior Official of the Department of Customs, Zimbabwe ...(who for security reasons wants to remain anonymous) Harare, 21 July 1993

Agreement did not oblige her to do so - it was silent on this aspect. `For this reason Botswana Customs officials told their Zimbabwean counterparts who came to investigate their companies to do so alone without bothering them.[36]

As pointed out in chapter 3, previously, it was the then Rhodesia Customs department which had been responsible for verification. The reason was probably that Botswana did not then have a properly constituted Customs department with trained personnel in this area of verification.[37] Although this was initially a result of the colonial policies, independent Botswana might have found the situation convenient. It meant saving money which would have been used to set up the department as well as collect customs duties. Thus the existing small Botswana department could not suddenly have transformed overnight to become skilled in verification in order to positively respond to Zimbabwe's request. Besides, as later shown by the Price Waterhouse investigation of the Textile Industry, Botswana wanted an independent opinion on the alleged abuses before they could make a decision on the request. Communication breakdown was also partly responsible for the suspicion that Botswana was not cooperating in the investigation of abuses of the Agreement. As there was genuinely nothing to hide, Botswana should have told their counterparts to wait until they had conducted their own investigations. For these reasons, Botswana's response to Zimbabwe's request appeared not to be forthcoming, resulting in suspicion of complicity by her government.

Evidence of the abuse of the Agreement with respect to textiles and clothing was found by a comparison of the total Botswana

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[36] Interview with Mr S. Lekau, The Assistant Director of Customs, Botswana, Gaborone, 28 January 1994.

[37] Interview with the Managing Director of T and T Industries (Botswana) Mr. Leo De Angelis Gaborone, January 24, 1994; Interview with a Senior Official of the Department of Customs, Zimbabwe, (who for security reasons wants to remain anonymous) Harare 21, July 1993

production level for 1980 to 1982 against the manual extraction of export documentation to Zimbabwe. This revealed substantial discrepancies,[38] some of which are demonstrated in the table below. Thus, on the assumption that the manufacturers had provided correct production figures, it would appear that certain of Botswana's textile exports to Zimbabwe may have been manufactured outside Botswana (see table 8). In the consignments to Zimbabwe were found clothes made and distributed by South African Companies.[39]

Table 8

REPORTED PRODUCTION LEVELS OF COMPANIES WITH MANUALLY EXTRACTED EXPORT FIGURES

	1980		1981		1982	
	Production m2	Exports m2	Production m2	Exports m2	Production m2	Exports m2
Everest Mills (Pty) Ltd	6 000 000	8 454 091	8 000 000	13 000 132	10 000 000	14 847 451
A. I. Knitters (Pty) Ltd	1 343 958	458 988	1 445 984	761 282	1 800 572	1 010 259
Associated Industries	-	-	-	-	480 000	254 760
Infinity textiles	-	-	-	-	17 000	-
United Textile Industries	-	-	-	-	-	4 921
	7 343 958	8 913 079	9 446 984	13 761 414	12 297 414	16 117 391
Total Difference	1569 121		4 314 420		3 319 819	

Source: "Report on a Survey of the Textile Industry in Botswana" by Price Water House, Botswana, January 25, 1984, p.9.

Later, in another case, an unannounced visit was made by both customs officials from Botswana and Zimbabwe to one Botswana based Company. The Company claimed to manufacture carpets which it was exporting to Zimbabwe.

> There .... we found carpets from South Africa already packed for export to Zimbabwe. In this empty building which looked more like a warehouse were two small machines not even capable of producing such carpets. Both customs officials were shocked. The company's explanation was that all their machines had been sent for repair in South

[38] Report on a survey of the Textile Industry in Botswana, by Price Waterhouse, Botswana, January 25, 1994 p9

[39] Interview with Mr. P.R.G. Johnson, Chairman of Zimbabwe Clothing Association, Harare, June 6, 1993; Interview with the Managing Director of T and T Industries (Botswana), Mr. Leo Angelis, Gaborone, January 24, 1994

Africa....[40]

The Botswana Assistant Director of Customs could not deny this and other cases cited below but he could not give any further details. His only comment was that `in any business there are always unscrupulous persons... . Especially in a Trade Agreement which did not have safeguards such bad practices do happen. This was not only in Botswana...Zimbabwe companies were also involved.[41]

Instances were also mentioned of a `Gasket Company in Botswana which imported sheets and then cut and designed them to suit different makes of car engines. This company's gasket products were allowed to sell in Zimbabwe under the preferential provisions of the 1956 Agreement. The Company is reported to have been overwhelmed by the demand in the Zimbabwe market. It is then that it resorted to importing already made gasket products from Taiwan, mixed them with those made in Botswana and then packed them in big consignments to Zimbabwe.[42] This was discovered by the Zimbabwean Customs officials and resulted in the banning of the company. The same thing was discovered on brake pads. They were simply imported from South Africa and repacked in Botswana. There, they were labelled as though they had been made in Botswana.[43]

Tallow, the material needed for soap making was the cause of yet another incident of abuse of the Trade Agreement. Zimbabwe had always imported tallow from Botswana in quantities consistent

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[40] Interview with a Senior Customs Official of the Department of Customs Zimbabwe (who for security reasons wants to remain anonymous) Harare, July 21 1993

[41] Interview with Mr. S. Lekau, the Assistant Director of Customs and Excise, Botswana, Gaborone, 28 January, 1994.

[42] Interview with a senior Customs official in Zimbabwe (who for security reasons wants to remain anonymous, Harare 21 July 1993

[43] <u>Ibid.</u>

with Botswana's production capacity of this commodity. Suddenly, over a period of one to three months Zimbabwe found herself importing from Botswana large quantities of tallow which her production capacity could only produce in a period of six years.[44] This and the above mentioned instances of discrepancies in production and export figures, raised eyebrows among Zimbabwean Customs Authorities. They were interpreted as evidence of Botswana being used by other countries to export favorably into Zimbabwe. Hence, the Zimbabwean government, already inclined to suppress imports as a measure to control its balance of payments deficit, decided to check this abuse by tightening the rules of origin.

So when Zimbabwe sought causes and solutions to her mounting balance of payments deficit she discovered that, among other things, she had to stop or drastically limit her uncontrolled import of non essential goods. These were the goods that could be locally produced and therefore could not demand the use of scarce foreign currency. Zimbabwe thus began to pay particular attention to details pertaining to her existing trade Agreement with a view to tightening provisions which allowed uncontrolled import of goods. At the same time, Botswana was identified as the country where some of these non essential goods originated or passed through.[45]

These measures and observations compelled Zimbabwe to adopt a modified inward-looking development policy in late 1982, As a result a fairly tight commercial and industrial import licensing system was introduced. Law priority products which could be manufactured in Zimbabwe were given little chance of being imported into the country.[46] No foreign currency was to be allocated for the importation of such consumer type products.

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[44] Ibid

[45] G. Maasdrop op cit, p 63

[46] `Zimbabwe's Trade Relations with Botswana' op cit pp1-2

If they were imported they had to be subjected to licensing and customs duties. It was hoped that this would protect import substitution products in the domestic industry, from external competition. Only intermediate and capital goods were essential items which could be allocated foreign currency and be allowed in the country duty free or at greatly reduced tariffs. Because Zimbabwe saw the Agreement as an obstacle to her new inward-looking development strategy, she wanted it to be amended. This is because under the OGIL and duty free clauses of the 1956 Agreement, any goods including none essential ones, wholly grown, produced or manufactured in Botswana could be imported into Zimbabwe.[47] Thus the result of this inward-looking development policy by Zimbabwe was that there were no grounds for allowing imports from Botswana since the latter did not produce intermediate or capital goods. If anything, it was Botswana which could still import some complementary goods from Zimbabwe. The idea was to avoid trade in competitive goods, the only ones Botswana could produce at the time.

Therefore, the new development policy of Zimbabwe was antagonistic to the outward-oriented and liberal development policy upon which the 1956 Free Trade Agreement had been signed. Because Botswana still retained the same liberal development policy, she wanted the Agreement to remain unchanged. As a result of these opposed views, conflicts arose. What saved the Agreement from complete abrogation was Zimbabwe's dilemma. While she wanted to suppress imports from Botswana, she also wanted her exports to Botswana to continue uninterrupted in order to earn the much needed foreign currency. Hence, she could not talk of an outright abrogation of the 1956 Agreement.[48] She thus toyed with the idea of how to suppress imports from Botswana by amending the existing agreement without disturbing her exports

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[47]<u>Ibid</u>

[48] Interview with F. Chamba, Marketing Development Consultant, Confederation of Zimbabwe Industries, Harare 16, July.

to that country. To this end, Zimbabwe forced Botswana into accepting quantitative restrictions and tightening of the Rules of Origin.

The Rules of Origin would affect Botswana rather than Zimbabwe because the manufacturing value added (MVA) of Botswana was much smaller given the uneven levels of industrial development between the two countries.[49] Zimbabwe's argument for quantitative restrictions on textiles and clothing was that these would ensure the consistency of capacity production of companies and their export figures. These measures, Zimbabwe insisted, would prevent unscrupulous business concerns from circumventing the trading regulations of Botswana and Zimbabwe. Thus whilst the real reason for these restrictions was to protect the Zimbabwean textile and clothing industry from competition, mentioning the prevention of the abuse of the Agreement gave credence and legitimacy to the restrictions. Hence, although not in her interest, Botswana did not have grounds for opposing the restrictions. From late 1982 therefore, Botswana's textile and clothing exports were pegged to quotas.

The calculation of quotas was said to be based on Botswana companies's real production capacities minus goods for domestic consumption.[50] It was also argued that at these quota levels' the Zimbabwean textile and clothing industry would not be seriously threatened.[51] This confirms this writer's contention that the real motive for quantitative restrictions was not to check abuses but to protect the textile and clothing industry in Zimbabwe from serious competition. However, Zimbabwe had managed to effectively remove these items from the list of OGIL and subject them to import licensing. With this, there emerged

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[49]T. Ostergaard op.cit. p 77

[50] Interview with a Senior customs and Excise Official, Zimbabwe, (who for security reasons wants to remain anonymous). Harare, 21 July 1993.

[51] `Zimbabwe's Trade Relations with Botswana' op.cit p6

complaints of bureaucratic delays in the processing of foreign currency and appropriate documents for the importation of textiles and clothing from Botswana.[52] This developed to a point of friction between the two countries as Botswana believed that these delays were some of the ways Zimbabwe was using to further suppress even the quota allocated to her.

SECTION C: The Negotiation Process for an Amended Agreement

The more serious and pronounced conflicts which at one time degenerated into emotional public outbursts and retaliatory tendencies took place from 1984 onwards. This was when formal negotiations had begun with a view to concluding a new bilateral Trade Agreement with clearly defined Rules of Origin. The Zimbabwe draft Agreement proposed that calculation of local content should take into account the cost of local materials and direct labor of production workers only.[53] This excluded overhead costs of water, electricity and rentals plus the salaries of managers and supervisors.[54] Botswana objected to this proposal because the omitted overhead costs were to reduce the ad valorem value of the goods from the required 25% to approximately 18%. Her goods would thus not qualify as Botswana goods for purposes of the Zimbabwe market.[55]

The Zimbabwean draft had also proposed provisions to enable either party to take action that would safeguard industries from injury by particular imports. If accepted, this provision was

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[52] <u>The business Gazette</u> (Botswana) March 6 1985; Interview with Mr. M. Patel, Clover Industries, Gaborone, January, 27, 1994; Interview with Mr. Leo Angelis T and T Industries, (Botswana) Gaborone, January 24, 1994

[53] "Zimbabwe's Trade Relations with Botswana": op cit p2

[54] <u>Botswana Daily News</u>, February 11, 1985

[55] P.B. Takirambudde "Preliminary Reflections on Prospects nd Constraints for Regional Trade Exchanges: The Botswana-Zimbabwe interaction" Unpublished Law Seminar Paper, University of Botswana, 1985/6 p15

aimed at entirely excluding or at least limiting competitive goods to levels which would not undermine any member country's domestic industry. Aware that she heavily depended on the Zimbabwe market and that all her products except tallow were in direct competition with Zimbabwe manufacturers, Botswana did not agree to this proposal.[56]

As both sides maintained their positions, no progress towards finalizing a new revised Agreement was made for the whole of 1984. Early in 1985, Zimbabwe decided to bulldoze her way by proceeding to bring into force the new Rules of Origin on January 18, as part of her new Customs and Excise Act.[57] Along with these new rules of origin was the requirement for Botswana manufacturers, to submit their castings for consideration by Zimbabwe Customs and Excise officials. This was before they could be cleared to export goods to Zimbabwe. If the castings indicted that the commodities did not satisfy the new origin rules, the Botswana applicant/exporter was to be barred from exporting to Zimbabwe.[58] Through this measure it was hoped that companies which had been abusing the Trade Agreement would be discovered and excluded.

Botswana authorities and manufacturing concerns complained bitterly about these new rules of origin. In rage, the Botswana Employers' Federation (BEF) Director alleged that Zimbabwe's actions were in violation of the trade pact and the provisions of General Agreement on Trade and Tariffs (GATT) of which they were both members.[59] On reflection however it appears that, it was inaccurate to call it a "violation". Zimbabwe's actions in

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[56] "Zimbabwe's Trade Relations with Botswana" op cit p2

[57] P.N. Takirambudde, op cit p12

[58] Interview with a Senior Customs Official, Zimbabwe, (who for security reasons wants to remain anonymous) Harare, July 21, 1993

[59] The Business Gazette (Botswana) May 9, 1985

the 1956 Agreement could only be interpreted as an introduction of preciseness in the definition and interpretation of its provisions. That Zimbabwe violated the provisions of GATT does not seem to be supported by evidence. It would appear that Zimbabwe simply took advantage of the waivers given to LDCs and that does not seem to suggest a violation of GATT. While GATT enunciates the principle of open markets through prohibiting all forms of protection, LDCs are an exception. They are permitted to withdraw from tariff concessions for the "purpose of infant industry protection and for balance of payments reasons, and even to impose quantitative restriction."[60] The decision to allow these waivers was taken after recognizing the special situation of most LDSs. GATT viewed LDC lack of foreign exchange as the major reason that deters them from importing more. Hence their conclusion that tariffs or quantitative restrictions in LDCs are not so much an obstacle to the flow of trade but that they merely alter the pattern of imports. The result is that preference is given to capital rather than to consumer goods because of the pressing demands of development. This is what typified Zimbabwe's situation.

As Zimbabwe's trade controls caught many Botswana companies unawares there were widespread reports of massive, stockpiling of export orders, retrenchment of workers and closures of factories.[61] Many consignments could not be allowed to pass the Zimbabwe Plumtree customs border post. Following these disturbances 16 companies closed down. This reduced the number of textile companies in Botswana by roughly 33%. That is 16 out of the then existing 30 companies.[62] There were also feelings in some sections of the Botswana business community that Zimbabwe's

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[60] L.De Silvia Weighted Scales: Emerging trade issues viewed in a North-South concept. Occasional Paper no 1, United Nations Non governmental Liaison Service. Geneva p5

[61] Botswana Daily News February 25, 1985; Interview with Mr. M. Patel Clover Industries, Gaborone, January 27, 1994; Interview with Mr. G. Thomas, Tswanatex, Gaborone, January 24, 1994

[62] B. Tsie, op cit p193

new rules of origin were deliberately designed to sabotage the growing manufacturing sector of Botswana. They argued that the new rules of origin were implemented with the knowledge of Botswana's factors of production and a limited raw materials base.[63]

Zimbabwe was further accused of deliberately delaying the processing of new applications for the OGIL system. Zimbabwe objected to this claiming that delay had been infect, caused by Botswana companies that had sent inaccurate of incomplete information which had caused forms to be sent back for more detailed information on the Company's value added.[64] Zimbabwe may have indeed deliberately delayed to frustrate the Botswana Companies with the hope that some of them would give up their wish to continue exporting to Zimbabwe. On the other hand, Directors who sent inaccurate or incomplete information about heir company's value added might have been those who could not meet the 25% local content requirement. It could be these companies which depended on repackaging of goods made from elsewhere as if they had been of Botswana origin. These companies may also have hoped that the Zimbabwe Customs Department would overlook such inaccurate or incomplete data and allow them to continue exporting to Zimbabwe. Unfortunately, this was an underestimation of the resolve by the Zimbabwe government to use any little evidence as justification of her suppression of Botswana imports.

The deadlocked trade negotiations resumed with Botswana's suggestion that the impasse created by the new rules of Origin could be overcome by the inclusion of the Commulation principle in determine local content. This meant that materials of either Botswana or Zimbabwe origin which were used in the manufacture of a given product in either country would be accepted as local materials when determining the nationality of the relevant

[63] Botswana Daily News, February 25, 1985

[64] B. Tsie, op cit p193

commodity.[65] A few examples would do to illustrate how Botswana proposed the commulation principle to work. Iron and steel from Zisco in Zimbabwe could be exported to Botswana for use in the manufacture of building materials and hardware for sale to Zimbabwe. Grain produced in Zimbabwe would be exported to Botswana for milling and incorporated into flour, maize oil and animal feeds. From there they would be re-exported to Zimbabwe as 100% Botswana origin. Last but not least, cotton yarn/thread or semi-finished fabrics which were at the time exported to Botswana for processing and re-imported to Zimbabwe would have been considered 100% Botswana origin under the Commulation principle.

As a principle in use in some international trade organizations such as the European Economic Community.[66] Zimbabwe asked for time to carefully study its implications on bilateral trade interaction. In 1985 and 1986 the Africa Trade Relations Desk (ATRD) of the Zimbabwe Ministry of Trade and Commerce and their Department of Customs and Excise investigated the viability and usefulness of the commulation principle to the country's economy.

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In the meantime, the two countries agreed to negotiate interim solutions to restrictions caused by the new Rules of Origin as well as other related issues. In two days of bilateral trade talks held in Harare in August 1985, the two countries' Ministers of Trade resolved to ease restrictions caused by the Zimbabwean unilaterally imposed new rules of origin. This was to allow more Botswana products into the Zimbabwe market, particularly clothing while efforts at reaching a new revised Agreement were underway. At these talks, Zimbabwe agreed to immediately reduce the local

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[65] "Zimbabwe's Trade Relations with Botswana" op cit p2

[66] "Export Market analysis and Product Development survey for the Botswana Textile and Clothing Industry", Prepared by L. Mercer and M. Irving, January 1986, p118

content under the new Rules of Origin in respect of clothing from 25% to 20%.[67] This measure was expected to result in a significant number of Botswana clothing firms qualifying to export to Zimbabwe. At this same meeting, the Zimbabwean Minister of Trade also agreed to urgently review the level of the clothing quota which he did by raising the figure from the previous 5.50 million to 7.98 million Rands.[68] All these measures marked a truce in the "trade war" between the two countries. The expectation in Botswana was that the "truce" would provide a calling off period before further discussions announcing the remaining restrictions could be held. However, everything was to be dependent on Zimbabwe's response on the Cumulation principle which she was still studying.

At the same August meeting, Zimbabwe also raised a number of issues which it hoped Botswana would urgently review favorably. These related to the restricted access into the Botswana market of her maize meal, dairy and meat products.[69] Against this background of the meeting, it will be appropriate to discuss the issue of the retaliatory tendency in the Botswana Zimbabwe trade interaction. It is appropriate because of the belief that the manner in which some of the above restrictions were implemented did not suggest rationality but punitive action which could only be linked to revenge.

It will be remembered that soon after formal negotiations for the Trade Agreement had began and run into a deadlock in 1984, Botswana announced the suspension of some Agricultural imports from Zimbabwe.

> All companies and traders who were permitted to import into Botswana from Zimbabwe the following articles:

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[67] "Zimbabwe Eases Restriction on Botswana Products" Zimbabwe Press Statement, Ministry of Trade and Commerce, August 14, 1985 p1

[68] ibid

[69] ibid

> All dairy products, carcasses, pork and meat products excluding canned foods, are hereby notified that their permits are suspended with immediate effect.[70]

Dr. Minor, the then Deputy Veterinary Services Director in Botswana, gave the reason for the suspension as the outbreak of foot and mouth disease in Bulawayo. He advised the Botswana traders that they could "still import from South Africa"[71] Dr. Thompson of the Zimbabwe Veterinary Services authority immediately responded to this ban. He argued that the outbreak of the said disease had been completely controlled. He assured his Botswana counterparts that all cattle on the infected and surrounding ranches had been vaccinated twice with FMD vaccine made in Botswana, in addition to the 80 000 inoculations that had already taken place.[72] In view of these clarifications, the Veterinary Director of Zimbabwe asked his counterparts to partially lift the ban on products from unaffected areas. In this endeavor, the Zimbabwe Director complained of difficulties he was encountering:

> ... have three times telephone the Botswana Veterinary Authorities. Unfortunately ... not able to speak to their Director ... unavailable and has not returned my calls.[73]

Later, in a Zimbabwe-Botswana Joint Commission of 12 October, 1984, Zimbabwe raised the matter and requested ...

> that the current restrictions on the import of milk products of Zimbabwe be lifted in respect of supplies certified as having originated from disease-free areas ...that the revellent veterinary authorities

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[70] Republic of Zimbabwe High Commission in Gaborone, Correspondence to Department of External Affairs, Republic of Botswana, Note No. 119/84, 17 October, 1984 p1

[71] ibid

[72] ibid

[73] ibid

should meet as a matter or urgency and resolve the issue of disease control and associated import restrictions of animal products.[74]

Up until December 1984 no progress had been made towards the resolution of the ban as Botswana Veterinary Authorities "appeared evasive"`[75] on this matter. The Zimbabwe government felt snubbed by the actions of Botswana. What also appeared to have angered Zimbabwe was the advice given to Botswana traders to seek imports from South Africa. Zimbabwe seems not to have taken this lightly especially when she was convinced that not all her animal products deserved the blanket ban into the Botswana market. Therefore, it is in this context of Zimbabwe's anger at Botswana's actions, that the sudden introduction of the new rules of origin is believed to have began. What possibly confirms this connection is the fact that Zimbabwe linked the easing of her restrictions on the new rules of origin to her demand for access into the Botswana market for these banned animal products.

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Negotiations for the Trade Agreement resumed in mid 1986 with Zimbabwe's objection to the inclusion of the Cumulation principle in the new rules of origin. Zimbabwe argued that the adoption of the principle would obviously give Botswana an edge and swing trade one way in Botswana's favor.[76] The fear was that this would result from the significant increase in imports from Botswana which would have been merely finished there after being sourced from Zimbabwe. This would have been more pronounced in the textiles and clothing sectors.[77] Botswana insisted that Zimbabwe accept the Cumulation principle arguing that it was the

[74] ibid

[75] Informal Discussion with Dr. C. Bamhare, Department of Veterinary Service, Harare, Zimbabwe, July 11-12, 1993.

[76] "Zimbabwe's Trade Relations with Botswana: "op cit, p. 2.

[77] Ibid.

only way of strengthening existing relations by promoting a healthy two-way trade between the two countries. It added that, such a principle was compatible with the aims of SADCC where member states were encouraged to develop common industrial projects by pooling their resources together. The finished products from these projects, Botswana insisted, would help reduce imports from outside SADC.[78]

Judged by the standards of regional integration theories and objectives, the merits of the cumulation principle couldn't be doubted. Even to SADC (to which Botswana and Zimbabwe belonged) which believed that bilateral trade relations could be used to promote regional integration, the cumulation principle deserved to be tried. The opportunity had presented itself to Botswana and Zimbabwe to demonstrate their political willingness at regional integration which they talked about so much at SADC meetings. On this issue Zimbabwe opted for national interest.

Zimbabwe's inward looking development strategy seemed to have been the main obstacle to the acceptance of the cumulation principle. The strategy opposed competition hence its protectionist tendencies. On the other hand the proposed cumulation principle seemed to have no respect for barriers to trade. Accordingly, Zimbabwe objected to it because Botswana products which would have undergone little processing in Botswana would have competed with goods wholly produced in Zimbabwe.

Zimbabwe's objection could also have been predicated on her precarious foreign exchange outlay on finished goods which could be cheaply manufactured locally. She indeed feared greater expenditure on Botswana's finished goods then on imports imported directly into Zimbabwe for the manufacture of the same goods. Otherwise, her Reserve Bank officials argued that the cumulation principle would lead to wastage of foreign currency spent on non-

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[78] :progress Report: Botswana/Zimbabwe Joint Commission of Cooperation, 25th May, 1987.

essential goods which would have an adverse effect on the balance of payments position. Under the cumulation principle, part of production processes currently carried out in Zimbabwe would spread to Botswana. The reduction in manufacturing in Zimbabwe may have lead to fear the resultant loss of employment in industry. She still had fresh memories of how relocation of textile and clothing companies in Botswana in the early 1980s led to the retrenchment of some hundreds of workers in the said industry.

In addition, the big difference in the domestic market size in and natural resource endowment between the two countries made Zimbabwe to see no mutual benefits in an Agreement that included the cumulation principle. Zimbabwe has a population of almost 11 million, which is eight times that of Botswana. This meant that Botswana's finished products to Zimbabwe would have a market consisting of 11 million people while Zimbabwe's exports to Botswana would only have to content with 1.3 million people. Botswana thus could not, by virtue of her small population, absorb Zimbabwean finished products. To that extent, if the cumulation principle was intended to expand bilateral trade then it was to be of little benefit to Zimbabwe. This is because Botswana did not have the capacity to reciprocate by purchasing equal or more Zimbabwean finished products.

On raw materials which would could be incorporated into finished products, Botswana had little to offer. This was in contrast to Zimbabwe which could offer nearly any raw materials which Botswana needed for the manufacture of goods. Hence, because of Botswana's incapacity to reciprocate, Zimbabwe might have rightly feared that trade would swing one way in favor of Botswana and to her great disadvantage. On this basis, she took a position of adamantly rejecting the incorporation of the cumulation principle in the Agreement which was being negotiated.

As both sides could not be moved either way on the Cumulation principle negotiations for the new trade Agreement became deadlocked once again. For a time in Zimbabwe government circles, efforts were secretly made to search for alternatives which would not disadvantage the country in trade. After careful analysis of all available options, the Trade and Economic Relations Committee (TERC) of the Ministry of Trade and Commerce put forward two recommendations to the Ministerial Economic Coordination Committee (MECC). The first was that, in the event of Botswana insisting on the inclusion of the principle in any new pact, the 1956 Agreement would rather remain in force but on condition that goods found to be causing injury to Zimbabwe's industry would be removed from the OGIL. The second was to give notice to terminate the 1956 Agreement and negotiate to trade on the most favored nation (MFN) terms or on other preferential terms which excluded OGIL and duty free concessions.[79]

MECC agreed with TERC's options. It however noted that if Cabinet ruled that any new Bilateral Trade Agreement had to conform with the country's obligations under the PTA, the TERC's first recommendation would have to be reversed. This is because it provided for OGIL and duty free treatment which was not in conformity with Article 18 of the PTA Treaty.[80] Article 18 is briefly discussed in the paragraphs below.

Attempts at resuming negotiations and making progress towards finalizing a new Trade Agreement came to no fruition. As a result, Zimbabwe formally notified Botswana of her decision to terminate the 1956 Customs Agreement during bilateral trade talks held from 21st to 25th September 1987 in Harare. She gave a six months termination period. During this period she hoped to negotiate a new Agreement which had to be free of OGIL and also compatible with her obligations under the PTA treaty. Article 18 of the PTA treaty states that for commodities included on the common list, the PTA members must accord most favored nation

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[79] "Zimbabwe's trade Relations with Botswana": op cit, pp. 2-3

[80] ibid

(MFN) treatment to each other. It further states that "... in no case shall trade concessions granted to a third country under an agreement with a member state be more favorable than those applicable under this treaty." [81]

This paragraph clearly applied to the concessions given by Zimbabwe and also Malawi to Botswana under the 1956 Agreement. This meant that as long as Zimbabwe was a PTA member and Botswana was not, any concessions given by Zimbabwe to Botswana for commodities on the PTA common list, had to be also given to all PTA members. Also, concessions given for commodities not on the common list had to be extended to all other PTA members, although on a reciprocal basis.[82] Owing to these rules, it is clear that Zimbabwe's joining of the PTA without Botswana appeared to have put their 1956 Agreement in problems.

As already implied, existing preferential Agreement like the 1956 pact could still be retained with little modification if one of two options happened. In the case under study, one of the two options was to extend the preferences under the Agreement to Zimbabwe's other PTA members. This, Zimbabwe was unwilling to do because her development policy was already geared towards import suppression in preference of import substitution industrialization. The option preferred by Zimbabwe was to have Botswana join the PTA as well. That way Zimbabwe hoped that it would oblige her and Botswana to change their bilateral free trade Agreement and adjust it in accordance with the PTA rules. Like what happened to her 1956 Customs Agreement with Malawi, Zimbabwe hoped to also bring her agreement with Botswana to an end and sign the commodity specific preferential agreement.[83]

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[81] Article 18 of PTA Treaty cited in SADC Intra-Regional Trade Study, op cit p48

[82] Ibid

[83] Interview with a Senior Trade Officer of the Ministry of Trade and Commerce, Zimbabwe, (who for security reasons wants to remain anonymous) Harare, 11 July 1993

That way, Zimbabwe would be happy as she would be in a position to control the kind of goods from Botswana on which she would be prepared to spend the severely limited foreign currency.

Botswana on the other hand did not seem to like joining the PTA and lose the benefits she derived from the 1956 free trade Agreement with Zimbabwe. The PTA rules of origin requirements which enabled a commodity to qualify for preferential treatment appeared more difficult to attain for Botswana than those required under the 1956 Agreement. The PTA require a local value added component of 25 - 45% or an otherwise defined 'substantial transformation' of a product in a manufacturing plant.[84] In addition, the product had to be produced by enterprises which were subject to management by a majority of nationals, and to at least 51% equity holding by nationals.[85] The 25 to 45% value added requirement appeared unattainable for Botswana considering the difficulties she had in reaching the 25% required under the 1956 Agreement. Also, Botswana's human resources is still undeveloped[86] to the extent that it would be expecting too much from the country to have a majority of nationals in management. It could be for these reasons that Botswana did not want to join the PTA. The latter organization was still working on mechanisms to reduce tariffs while under the 1956 Agreement there were not to be any tariffs at all. This is the advantage Botswana seems to have wanted to protect. Unfortunately, the other party Zimbabwe, was no longer enthusiastic about the 1956 duty free provisions which gave preferences to all goods without discrimination. Hence the difficulties encountered in the trade relations as well as the negotiations to amend the Agreement.

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[84]"<u>SADC intra-Regional Trade Study</u>"op cit p.38.

[85] Ibid

[86] "SADC Report on the Investment Climate : Evaluation and Recommendation" Volume 11, prepared by Nor Consult International, A.S. January 1991.

At the referred to September meeting, where Zimbabwe had announced its notification to terminate the 1956 Agreement, two draft Trade Agreements were handed to the Botswana delegation for their consideration. There was a preferential one and the other was based on most favored nation terms.[87] Botswana's immediate response was one of hock and disappointment at the notice of termination. She also made it very clear that she was not happy with either of the two draft agreements which had no OGIL or duty free provisions.[88]

The matter had become so difficult that it now required discussion at the highest political levels. Indeed, the notice to terminate the 1956 Agreement prompted the President of Botswana, Sir Ketumile Masire, to write to his Zimbabwean counterpart, then Prime Minister, Robert Mugabe. He suggested that the notice of termination be withdrawn in the interest of expanding trade and that a revised 'Free Trade' Agreement be formulated to take care of any short comings of the 1956 Agreement.[89] The Zimbabwean leader responded to Masire agreeing that negotiations be initiated to come up with a new Trade Agreement which would eliminate the problems experienced under the 1956 Agreement. He however added and reiterated that the Agreement to be negotiated should take into account both countries' obligations under GATT Zimbabwe's obligations under the PTA.[90]

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[87]" Minutes of the Third Session of the Zimbabwe/Botswana Joint Commission of Cooperation", held in Harare, 24 September, 1987.

[88]Ibid

[89] Interview with a Commercial Officer of the Ministry of Trade and Commerce, Botswana (who for security reasons wants to remain anonymous) Harare, 11 July 1993;
Interview with a senior Official of the Ministry of Trade and Commerce, Zimbabwe (who for security reasons wants to remain anonymous), Harare, 11 July, 1994.

[90]Ibid

Following these contacts, the two Presidents led their respective delegations to the bilateral Trade Talks which were held in Gaborone on December 21, 1987. At this meeting, Zimbabwe formally extended the date of termination of the agreement from 31st March, 1988 to 30 June, 1988. Other than that, both sides expressed views and arguments supportive of their previously held positions.[91] The two leaders then directed their ministers to set up a task force to negotiate a new Agreement that would allow for increased trade between the two countries. The Ministers were to report to the leaders by April 1988.[92] This directive by the Presidents seems to have opened the way forward in negotiations as there was a new principle to follow.

The deliberations of the Task Force on the Zimbabwe side drew the following conclusions.[93] Negotiating an Agreement which would remove OGIL and duty free concessions would result in either party's goods losing competitiveness. Trade would as a result inevitably fall. In addition to that, an agreement without OGIL and duty free concessions would be contrary to the directive of the Heads of State that " any new arrangements should not be retrogressive but should facilitate increased trade between the two countries."[94] Consequently, the Zimbabwean Task Force settled for the modification of the 1956 Agreement. This was to be done by having more safeguard provisions which would enable either country to suspend or remove the OGIL provision on the items causing injury to domestic industry. Zimbabwe hoped that her acceptance to retain OGIL and duty free concessions would oblige Botswana to reciprocate by accepting the 25% local content on the basis of the new rules of origin. Botswana was indeed happy with retaining OGIL and duty free provisions but she still

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[91]Ibid

[92]"Zimbabwes Trade Relations With Botswana", op cit p.4.

[93]Ibid

[94]Interview with a Commercial Officer of the Ministry of Commerce and Industry, Botswana (who for security reasons wants to remain anonymous) , Gaborone March 11, 1993.

raised complaints about the rules of origin. She argued that she would not find it easy to satisfy these requirements unless the cumulation principle was accepted. Zimbabwe refused to entertain any further discussion on this issue.

Subsequently, a whole series of Trade Talks were held in Harare and Gaborone to draw up an Agreement before the April, 1988 deadline set up by the Heads of State. The negotiations were however more protracted than previously expected thus necessitating a further extension of the termination deadline to 31st October, 1988. The cause of the delay this time was on the definition of manufacture.[95] This emanated from Zimbabwe's insistence that for any goods to be accepted as of either origin they must have undergone a process of manufacture.

Zimbabwe proposed that the definition of manufacture should be based on either one of those used by international organizations.[96] She proposed the Tokyo convention or the EEC definition. The Tokyo Convention determines the nationality of the goods by means of the 'substantial transformation' test. In terms of this test, the country of origin is the place where the final substantial manufacturing or processing which gave the commodity its essential character was effected. It could be enforced by three ways, one of the which is a rule requiring a change of tariff heading in a specified nomenclature with lists of exception. The second is by the ad valorem percentage rule, where either the percentage value of the materials utilized or the value added reaches a specified level. Thus, when the 'substantial transformation' rule is applied, manufacturing or processing which adds little to the essential characteristics of the commodity will not qualify as substantial manufacturing or

[95]Interview with a Senior Customs and Excise Official, Zimbabwe, (who for security reasons wants to remain anonymous) Harare 21 July 1993.

[96]Ibid

processing.[97]

According to the EEC origin rules, a product is deemed to originate in 'the country in which the last substantial process or operation that is economically justified was performed. This is supposed to be done in an undertaking equipped for the purpose, and should result in the manufacture of a new product or one that represents an important stage of manufacture. The Lome Convention of the EEC explicitly makes it clear that simple assembling operations, mixing, packing, steaming, coloring, canning and such other operations do not constitute manufacture.[98] Botswana initially objected to adhering to any one of these definitions of manufacture. She argued that as this bilateral relation was 'between us' there was no need to bring in what was happening in international organizations. She wanted the two countries to adopt a definition which took into consideration the level of development which existed in their territories. Hence, Botswana argued for the return of simple operations such as assembling and repackaging claiming that, such operations were everywhere the initial stage of industrialization.[99]

Zimbabwe argued that retaining such an incomplete definition would imply that the level of development which existed in 1956 had remained unchanged. Consequently, Zimbabwe could not be moved to concede to Botswana's plea resulting in the latter reluctantly agreeing to the Lome Convention definition of manufacture. Looked at from another perspective, Zimbabwe's demand for the adoption of an international definition of manufacture could be said to have had the positive effect of encouraging the establishment of genuine manufacturing units in

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[97]Edmond McGovern cited by P. N. Takirambudde, op cit p.13.

[98]Ibid p.14

[99] Interview with a Commercial Officer of the Ministry of Commerce and Industry, Botswana, (who for security reasons wants to remain anonymous), Gaborone , 11 March 1993.

Botswana than was previously the case. Examples are Algo Industries comprising Algo Spinning and Weaving mills Classic Linens Botswana, Fantasy Creations, Quality Clothing Manufacturers R.K. Electrical and Metal Works and Sure Textiles Private Limited. Another is T and T Industries whose Managing Director gave an example of how they improved on their manufacturing plants. Previously we use to import fabrics and paste already premixed for us but now we import all components in loose form, blend and mix them and then coat the fabrics "... we employ more people and thus expanded our local content."[100] In support of this another company said " In the early 1980's we kept manufacturing to a basic minimum but we had to change basically to get the Zimbabwe market." [101]

With the resolution of this controversial issue of manufacture, the final round of talks were held in Gaborone during the period 24-27 May 1988. These were attended by Honorable M.P.K. Nwako, Minister of Commerce and Industry in Botswana and O.M. Munyaradzi, Minister of Trade and Commerce in Zimbabwe. They went through the Agreement together making sure that all differences and misinterpretations were ironed out. After this exercise, the two Ministers reported back to their Heads of State. Later this amended Agreement was signed in Harare on the 7th September, 1988 by the said Ministers. The pact became operational on the 1st of November, 1988 with the expiry of the 1956 Customs Agreement's termination notice of 31st October, 1988[102]

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In conclusion, this chapter has demonstrated that, following the

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[100] Interview with Leo Angelis, T and T Industries (Botswana), Gaborone , January 24 1994.

[101] Interview with Mr G. Thomas , TswanaTex,(Botswana), Gaborone, January 24, 1994.

[102]"Zimbabwe's Trade Relations with Botswana" op cit p.4.

adoption of divergent trade policies between Zimbabwe and Botswana each country began to see economic development and trade differently from the other. Zimbabwe no longer saw the essence of open, free international and regional business transactions as fair and mutually beneficial. Hence she viewed her government's mission as one of securing the largest share possible for her own citizens. Accordingly, she pursued protective policies which kept out non essential and competitive Botswana and foreign goods. Botswana continued to believe in the policy of economic liberalism which viewed regional and international economic exchange as ultimately beneficial to both her national and regional interest. Accordingly, she resisted Zimbabwe's attempts of instituting trade controls between them, a thing that aroused friction and conflicts. Because of the said differences, negotiations to solve the conflicts by way of having a new Trade Agreement were difficult. Hence, some of the provisions in the amended Agreement were not voluntarily accepted by both countries. Chapter 5 will demonstrate whether or not the amended Agreement of 1988 managed to solve all the problems which had previously dogged the bilateral trade interaction between the two SADC countries.

CHAPTER 5

THE AMENDED AGREEMENT AND ITS OPERATION : 1988-1993

In the previous chapter it was established that negotiations for a revised Agreement were tortuous. The cause was found in the conflicting development policies and the prevalence of competitive as opposed to complementary goods. This caused both countries to view trade differently, resulting in repeated friction between them. Accordingly, the Agreement reached was not consensual as some of its provisions seemed to have been forced on the other party, Botswana. Differences and conflicts which had disturbed the bilateral trade were therefore not brought to an end as this chapter shall show. Real consensual solutions to the problems and conflicts only began to be effected in 1993 when Zimbabwe's liberalization of the economy had got into full swing. This meant that Zimbabwe now pursued the same development policy as Botswana with the result that both countries began to view trade from the same angle. The consequence of this similarity in the development policy was the reduction and cessation of conflicts which had arisen from the different development policies.

Highlights of the amended Agreement shall be discussed to enable the reader to know its characteristics as compared to the previous Agreement of 1956. The amended Agrement of 1988 is in many ways similar to its 1956 predecessor. This is at least in as far as it retained the valued OGIL and duty free provisons. However, the new Agreement now incorporated distinct additions emant to improve the methods of implementing the said OGIL and dutry free provisions of the pact. These additions tightened up the verification procedures to meet Zimbabwe's concern that the local content requirements were too loose.

As in the previous Agreement, goods grown, produced or manufactured in Botswana or Zimbabwe qualify for duty free entry into the territory of either party. This means that they are exempted from direct or indirect imposition of quantitative import restriction. The 1956 pact had an allowance for some temporary restrictions under Article 6. These were allowed only for the purpose of removing a surplus or preventing a critical shortage of domestic agricultural produce. In the 1988 amended Agreement the scope of the allowance for restrictions was widened. Import restrictions could now be imposed on agricultural products when necessary to encourage local production, provided the restrictions were non-discriminatory in nature.[1] This clause was intended to protect Botswana farmers going into irrigation. In the short term, there was little prospect that Botswana would be able to meet her cereals requirements. To that extent, large quantities of maize would continue to be imported from Zimbabwe and other sources. In the long run, however, the Botswana government hoped that the development of irrigated farming in the northern districts would significantly boost food self-sufficiency. It is then that it may become necessary to provide the said protection against agricultural imports.[2]

The inclusion of Article 6(d) allowed either party to impose import restrictions to safeguard its external financial position and balance of payments. An example of such restrictions is the current Zimbabwean quota on clothing which was imposed to reduce the use of the much needed foreign currency on goods which could be produced locally. In the process however, this also meant the right to protect one's domestic industry from items that could cause it injury. On close examination therefore, this clause was tantamount to a check on competitive goods. However, allowances for such restrictions are made and are legal only when they are implemented after consultation between the two contracting

[1] Country Report Analysis of Economic and Political Trends Every Quarter, Namibia, Botswana, Lesotho Swaziland The Economic Intelligence Unit, No. 4, London, 1988, p32

[2] Ibid

parties.[3]

The amended Agreement incorporated an Annexure (see appendix 13) containing a detailed description of the new rules of origin requirements used in determining the 25% local content. It lends more description of such concepts like local materials, manufacturing cost, direct labour cost etc. while there is no change in the minimum 25% local content requirement of goods qualifying for duty free access under OGIL, the local content has been redefined in the new Agreement. It is now calculated by looking at the cost of materials grown, produced or manufactured, and then used for the manufacture of goods to be exported. Added to this, is the cost of direct labour involved in the manufacture of such goods by the exporting country. Unlike in the past, overheads are now excluded as local content costs.[4]

The cost of local materials include the cost of waste materials lost in the process of manufacture. Where these materials are not wholly produced in either Botswana or Zimbabwe, they count as part of the local content. Locally manufactured materials or components which are temporarily exported for further manufacture are deemed 100% imported content[5] and are therefore not included as local material cost. Water, except when it is part of the finished product, is not regarded as part of the direct materials. The same applies to consumable items, electricity, items for staff benefit like tea, protective clothing and uniforms. Direct labour cost comprise leave, except cash in lieu of leave, salaries for foremen and supervisors of workmen on th production line, overtime payments at normal rates and incentives

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[3] See Article 6 of the Amended Agreement of 1988 in Appendix 13.

[4] 'The Trade Agreement Between Botswana and Zimbabwe' Ministry of Industry and Commerce (Zimbabwe), Bilateral Trade Relations, Africa Section, Harare, 1988

[5] Ibid

and bonus if pre-determined.[6] Direct labour here refers to the labour involved in the process of manufacture of the product from the time the input materials get into the hands of the 'workforce' up to the time the finished product is put in a retail package.[7]

In Zimbabwe's view, the previous treatment of overheads as a local component allowed the duty free entry into Zimbabwe of imports from SA or Taiwan. This was made possible by adding salaries for administrative staff, electricity and water costs as local materials, hence the exclusion of these indirect costs. In addition to the above precaution against the abuse of the duty free provision, the Agreement specifies that the manufacturing process must not involve th assembly of items. The same applies to the adding of colourings to food or mixing in new ingredients.[8]

Unlike in the previous Agreement, the Customs Authorities of each country are now the competent authorities to verify the origin of goods exported to the other party to ensure that the local content rules are met. The importing country has the right to verify the origin of goods imported under the Agreement. Information and documentation necessary for verification purposes shall be forwarded by the exporting company to the Customs Authority of the importing country via the exporting country's Customs Department.[9] This information includes, name of company, names of Directors and their nationalities and factual cost analysis based on actual production for a period of at least three months. These should be supported by the documentary evidence of all costs, charges and expenses as listed in Appendix 13. Failure to adhere to this provision may lead to the

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[6] Ibid

[7] See Appendix 13 of the amended Agreement of 1988

[8] See annexure of the Amended Agreement of 1988 in Appendix 13

[9] See the Amended 1988 Agreement in Appendix 13

suspension of the exports in question from enjoying the Agreement's concessions.

This clause introduced the element of cooperation in verifying costings submitted by companies.[10] Previously, since 1956, Zimbabwe had the difficult task of carrying out periodic costings for her own and Botswana companies. This was because the 1956 pact did not have a 'joint verifiation clause' as stated in the previous chapter. Also until the 1980s, Botswana did not have a properly trained Customs Department of her own. She depended on the South African and the Zimbabwean Customs Department with whom she had duty free Customs Agreements. Following the 1988 Agreement, therefore, each Customs Department now carries out the costings for Companies in her country. Joint visits are only necessary in the event of misunderstadings arising. It is emphasized that only those goods verified and countersigned by both Customs Authorities shall enjoy OGIL and duty free privileges in the market of either country. For Zimbabwean importers of Botswana goods, import licences, through which foreign exchange has been granted, are only given after the said goods have been certified by Customs as of Botswana origin.[11] Thus Botswana and Zimbabwe-based companies which met the 25% local content requirement had to register under the Agreement to benefit from the preferential treatment.[12]

The information demanded for the verification of local content in Appendix 13 calls for some comments. Not all of it is for the purpose of verifying the 25% local content of a company. Some of the information seems to investigate much more than what is required. This is evidenced by the detailed and confidential nature of the questions. This observation stems from the fact

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10 'Zimbabwe's Trade Relations with Botswana, op cit p5

11 'The Trade Agreement Between Botswana and Zimbabwe' op cit

12 ibid

that some of the information demanded is unrelated to the Company's ability to export, hence the question as to why such information is required. When linked with Zimbabwe's insistence that such information be given to Customs Authorities of both countries, it sheds light on the likely purpose of this information. The question which requires documentary proof of names of companies, Directors and their nationalities could be aimed at South Africans and 'unloyal' Zimbabweans who opened businesses in Botswana, but with the intention of exporting into the Zimbabwean market under the preferential Botswana-Zimbabwe free trade pact.[13] This observation finds support in that Zimbabwean officials had always raised the issue of Botswana-based companies simply repackaging non Botswana goods for re-export to Zimbabwe.

At a political level, the complaint was that Botswana was being used by SA to evade sanctions.[14] Unfortunately, where this was true, it was not originally with the Botswana government's express assistance and intention. Her policy of luring foreign companies through joint ventures was not only targeted at SA but all countries. The policy was, instead, intended to augment Botswana's productive capital and to improve on technology, skills , ideas, management techniques and knowledge of foreign markets which such policy often embodies. To attract such foreign companies, the Botswana government did not believe in detailed administrative controls[15] which involved frequent policing of the activities of these companies. It was this

[13] Interview with F Chamba, Market Development Consultant, Confederation of Zimbabwe Industries (CZI), Harare, 16 July 1993; Interview with Mike Humphreys, Zimtrade Director of Export Development, Harare, 31 July 1993; Interview with Keith Atkinson, Trade Development Executive Consultant, Imani Development (Pvt) Ltd, Zimbabwe Harare, 15 July 1993

[14] G. Maarsdorp, 'Trade' Paper presented for Southern African Foundation for Economic Research at a Regional Economic Intergration Conference. op cit p10

[15] 'Industrial Development Policy' Republic of Botswana Government Paper No. 2 Gaborone, 1984, pp62-65

principle which was unfortunately exploited by some unscrupulous foreign companies to abuse the Botswana-Zimbabwe free trade Agreement. Hence Zimbabwe's insistence on the provision of names and nationalities of Company directors could have been intended to clamp down on SA companies which were operating on Botswana soil for the sole purpose of wanting to get into the Zimbabwean market.[16] Similarly, this information identified Zimbabwean companies which closed or scaled down their operations in order to open business in Botswana while still wanting to retain their Zimbabwean market. It is partly for these reasons that Zimbabwe suppressed competition in her dometic market from Botswana based companies. This is because she deeply detested the reality of facing up to competition in her own market by apartheid South African companies and companies which were previously based in Zimbabwe.

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Repeated friction in trade relations between Botswana and Zimbabwe continued under the amended Agreement of 1988. Each side accused the other of violating the provisions of the Agreement and taking unilateral measures against companies of the other country on allegations of breaching the Agreement.[17] The result of this chain of actions was a deceleration in trade. Thus the goal of facilitating the increase in the volume of trade between the two countries remained elusive because the amended Agreement had not honestly and effectively solved three real issues of conflict discussed in Chapter 4 as having held back trade since 1982.

Soon after the amended Agreement of 1988 came into operation,

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[16] Interview with F. Chamba, Market Development Consultant, CZI, Harare, 16 July 1993

[17] 'Zimbabwe's Trade Relations with Botswna' op cit, p8' Interview with Mr. S. Lekau, the Assistant Director of Customs and Excise, Botswana, Gaborone, 28 January 1994.

Zimbabwe complained about the 100% protective duty imposed by Botswana on all soap imports into that country as a violation of the Agreement. The duty had effectively stopped Zimbabwe's soap exports to that country.[18] Zimbabwe thought that this was unfair since Botswana's soap exports were enjoying the OGIL and duty free concessions under the agreement. Botswana argued that as members of SACU, BLS countries were allowed to impose protective duty on a particular item in order to protect an infant industry from competition.[19] Accordingly, Botswana could not lift the duty on Zimbabwe alone as that would have discriminated against her Customs Union members. Botswana therefore advised that the protection duty on soap would end on 6 September 1993 after the expiry of the 8 year period of protection granted under the South African Customs Union (SACU) Agreement. Zimbabwe then refused Botswana's request for an increase in her soap exports to Zimbabwe under the Agreement, saying this would be so until the protective duty was removed.[20] Botswana perceived Zimbabwe's action as tending to seek revenge.

The interpretation of the Annexure to the 1988 Agreement, particularly the definition of 'manufacturing process', immediately became another sore point. This was in as far as it related to some Botswana companies that intended to export to Zimbabwe under the Agreement. Botswana tried to push for registration to export under the Agreement, companies whose production processes Zimbabwe believed did not quite constitute manufacturing as defined in the Agreement.[21]

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[18] ibid

[19] Ibid; Interview with a Commercial officer of the Ministry of Commerce and Industry, Botswana (who for security reasons wants to remain anonymous) Gaborone, 11 March, 1993; Interview with a Senior Trade Officer of the Ministry of Trade and Commerce, Zimbabwe (who for security reasons wants to remain ananymous) Harare, 11 July 1933

[20] Ibid

[21] Discussion with Mrs. M.K. Dambe, Acting Director, Ministry of Commerce and Industry, Botswana, Gaborone, 22 November, 1993; Interview with a Senior Trade Officer (wants to

One such case which continued to appear on the agendas of bilateral trade meetings was that of Ensign Canners of Selibe Phikwe in Botswana. This company canned imported fish after steaming and mixing it with tomato sauce and Botswana was convinced that this process constituted manufacturing.[22] Botswana also believed that Ensign Canners met the 25% local content required by the new rules of origin. Zimbabwean negotiators argued that the tins used for canning were manufactured in Zimbabwe[23] but Botswana is said to have insisted that under such trade arrangements the tins should be considered as local content.[24] Granted that the tins were taken as Botswana products, Zimbabwe still objected to the qualification of such a product. She argued that under the same rules of rigin, steaming was excluded as a manufacturing process. As already discussed, the annexure of the 1988 Agreement defined manufacturing as substantial transformation performed in an enterprise equipped for the purpose, that is to sufficiently change the nature of the product and give it new essential and distinct charaterstics. As a result, the final product should represent a completely new product or an important state in the manufacturing process. This is expected to result in each type of article qualifying separately in its own right.

Citing the above definition, Zimbabwe insisted that the process of canning imported fish after steaming and mixing it with tomato sauce, did not lead to a change in the form or shape of the product. Botswana still objected arguing that the fish changed and tasted differently after the cooking and adding of

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remain anonymous) Harare 11 July 1993; Interview with S. Lekau, Assistant Director of Customs, Botswana, Gaborone 28 January 1994

[22] Southern African Economist. SADC Press Trust, Harare, December 1992/January 1993 p40; Interview with Mr. M. Patel Clover Industries (Botswana) Gaborone, January 27, 1994; Discussion with Mrs. M.K. Dambe, Acting Director, Ministry of Commerce and Industry (Botswana) Gaborone, 22 November, 1993

[23] Southern Africa Economist op cit

[24] Ibid

preservatives.[25] In various meetings held in both Harare and Gaborone between July 1989 and December 1992, both countries maintained their previous posisitions. The signed Agreement appeared not to support Botswana's position. Because the cumulation principle was not incoporated in the Agrement, tins could not be considered as part of Botswana's local Content. Tension rose as Botswana began to call for a review of the annexure on the interpretation of the amended Agreement.[26] Zimbabwe resisted the move arguing that it was tantamount to a return to the old order under the 1956 Agreement .[27]

Zimbabwe later allowed Ensign Canners to export tinned fish to Zimbabwe as an exceptional case which was not to be regarded as a precedent. Botswana refused to be accorded exceptional treatment as she wanted similar cases to be treated the same.[28] These included a company which wanted to assemble sunglasses and spectacles for export to Zimbabwe.[29] Yet another case was that of a Company which wanted to import pop korn, mix and freeze it

[25] See Appendix 13 for the Annexure to the Amended Trade Agreement of 1988; Interview with Mr. M. Patel Clover Industries, Botswana, Gaborone, January 27, 1994; Interview with Mr. S. Lekau, Assistant Director of Customs, Botswana, Gaborone 28 January 1994

[26] 'Zimbabwe's Trade Relations with Botswana' op.cit p9; Interview with a Commercial Officer of the Ministry of Commerce and Industry, Botswana (Who for security reasons wants to remain anonymous) Gaborone, 11 March 1993

[27] Interview with a Senior Trade Officer, Ministry of Trade and Commerce, Zimbabwe, (who for security reasons wants to remain anonymous) Harare, 11 July 1993

[28] 'Zimbabwe-Botswana Trade Brief' Confidential Internal Memo, Ministry of Industry and Commerce Harare, 11 June 1993

[29] Interview with a Senior Customs and Excise official, Zimbabwe, (who for security reasons want to remain anonymous) Harare, 21 July 1993; Interview with a Commercial Officer of the Ministry of Commerce and Industry, Botswana, 11 March 1993 (who for security reasons wants to remain anonymous) Gaborone 11 March 1993.

into different colours before exporting it to Zimbabwe.[30] In view of the fact that Zimbabwe did not want Botswana to be used as a transit country of similar goods which could not meet the rules of origin and constitute manufacturing, she was unable to allow all such cases. Botswana preferred that the case be closed. Following this impase, Ensign Canners was reported to have been liquidated as it had hoped to survive on the export of tinned fish to Zimbabwe under the Trade Agreement.[31]

The above wrangle is yet another case which calls for comments. The bickering on the definition of 'manufacturing process' and the use of the cumulation principle in calculating the 25% local content underscores the fact that the amended Agrement of 1988 was a failure. This is because parties continued to raise the same issues that were presumed to have been thrashed and solved under the Agreement. That Botswana continued to push for the registration of companies whose production processes did not quite meet the definition of manufacturing is evidence of the fact that the Agreement was forced upon her. This means that the rules of origin Zimbabwe insisted on were not consistent with the level of development obtaining in Botswana. As a result, this raised problematic questions about whether or not the object of the Agreement was realy to help the two countries to develop and industrialize.

On the one hand it could be argued that the agreement discouraged the process of industrialization in Botswana. This was in respect to those companies rejected on the ground that they did not quite meet the 25% local content requirement or on the ground that they did not constitute manufacturing as defined in the 1988 Agreement. This is because the rigid adherence to rules did not

[30] Interview with Dr. J.M.D. Saungweme, Executive Chairman, Zimbabwe National Chamber of Commerce, Harare, 20 July 1993

[31] Botswana Daily News, May 19, 1993; Interview with a Commercial Officer of the Ministry of Commerce and Industry, Botswana (who for security reasons wants to remain anonymous) Gaborone 11 March 1993

help in nurturing the companies to a position where they could be said to be properly constituted manufacturing plants. On the other hand, from a macro-economic perspective, the enforcing of rigid definition of local content encouraged or contributed to some form of industrialization in Botswana, however minimal.[32] As demonstrated by examples given in chapter 4, companies were forced to open genuine production operations in order to be considerd for the Zimbabwean market under the duty free provisions. For instance, industrial sewing machines were bought and the process of cutting and designing started in earnest. Thus in contrast to repackaging, some companies developed proper factories especially in the clothing and textile sector.

However, the fact that both countries continued to quarrel over the same issues that were presumed to have been solved under the amended Agreement of 1988 reflected failure of the said agreement and its negotiators. This should have been foreseen and avoided had negotiations been held in an atmosphere of honesty, trust and political willingness to arrive at an agreement that would benefit both countries. The negotiators rather seemed to harbour hidden agendas against each other. At times their personality differences combined with exaggerated nationalism were allowed to assume importance over the real issues of mutually beneficial trade. As a result, the two sides could not easily believe the honest story of the other as they were pre-occupied with thinking that the other party had hidden intentions. Hence this attitude to negotiations hindered the formulation of positive regulations that were supposed to facilitate trade.[33] As a result, on the insistence of Zimbabwean negotiators, emphasis was misguidedly

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[32] Interview with Keith Atkinson, Trade Development Executive Consultant with Imani Development (Pvt) Ltd, Zimbabwe Harare, 15 July 1993 Inerview with Leo Angelis, T and T Industries (Botswana) Gaborone, January 24 19994; Interview with S. Lekau, Assistant Director of Customs, Botswana, Gaborone

[33] Interview with Keith Atkinson, Trade Development Executive Consultant with Iman Development (Pvt) Ltd, Zimbabwe, Harare, 15 July 1993; Interview with Leo Angelis, T and T Industries, Botswana, Gaborone, January 24, 1994

put on the erection of bureaucratic checks against the suspected abuse of the Agreement. The result was that this was over-done to the detriment of the trade.[34]

Zimbabwe cannot, however, be wholly blamed because her actions were partly a result of some circumvention of the trading regulations by Botswana based companies. Added to that was Botswana's reluctance to cooperate in investigating and bringing such companies to book. However, despite that, Zimbabwe's, blame appears much bigger. This is because in her endeavour to create checks on fraudulent activities by companies in Botswana, Zimbabwe lost sight of the fact that the solution should not hamper genuine trade flows between the two countries. She insisted on some regulations which favoured her. When these were put into operation, Botswana realized that almost every rule in the Agreement worked against her exports to Zimbabwe. She immediately complained and requested a revision of some aspects of the amended Agreement or the incorporation of the Cumulation principle in order to enable her to meet the 25% local content under the new rules of origin. This was an indication that problems and conflicts had not been solved. It also implied that the two governments had wasted the tax-payers' money and time in negotiating a pact which did not bear fruit.

The continuous strict enforcement of the calculation of local content and maximum capacity production in the face of Botswana's call for flexibility resulted in Zimbabwe Customs department becoming more suspicious of her trading partner. Zimbabwe intensified her random checks on Botswana companies to ensure that they complied with the rules.[35] This suited Zimbabwe because her import substitution policy discouraged all imports of goods which could be manufactured locally in order to save foreign currency. As long as her exports were not similarly

[34] Ibid; Interview with F. Chamba, Market Development Consultant, CZI, Zimbabwe, Harare, 16 July 1993

[35] Ibid

affected, Zimbabwe seemed not to care about the important principle of reciprocity in trade.[36] Her actions unsettled Botswana companies and fuelled mistrust between the two countries.

Although Botswana did not clamour to register an equal number of companies as Zimbabwe to trade under the Agreement, she felt that she could register more were it not for Zimbabwe's strict application of rules. By January of 1993, she had only managed to push for the registration of 70 companies compared to Zimbabwe's 700.[37] As Botswana failed to persuade Zimbabwe into relaxing the rules of origin in order to enable more of her companies to qualify, she adopted a similar tough stance. Retaliatory measures became her weapon of taming Zimbabwe.

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Botswana's first move was stopping sugar imports from Zimbabwe with effect from 30 April 1991 in preference to sugar from South Africa.[38] No reasons for the termination of the contract were officially given to Zimbabwe. However, in a press release, Sugar Industries of Botswana gave some reasons. One of them was that, owing to the droughts which affected the Zimbabwean sugar crop the country may be unable to supply Botswana with her sugar requirements. Besides, Botswana believed that South African sugar was cheaper.[39]

Zimbabwe objected to the argument that these were the real reasons for the cancellation of their contract to supply Botswana with Sugar. Zimbabwe alleged that Botswana never replied to their proposal to supply her with sugar for an indefinite period

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[36] Business Herald Herald (Zimbabwe) 11 March, 1993 p5; G. Kgoroba, President of Boccim, cited in Mmegi/The Reporter, volume 10. No. 34, 27 August, 2 September 1993 p9

[37] Southern African Economist, op cit p40

[38] ibid; Business Chronicle (Bulawayo, Zimbabwe) 12 October, 1991

[39] Sugar Industries (Pty) Limited, Botswana, Press Release: 23 September, 1992

starting in May 1991. This was corraborated by Zimbabwe Sugar Sales (ZSS) company which argues that it was not invited to tender for the supply of Sugar to the new plant relocated in Lobatse from Francistown. If this is true Zimbabwe was not given a fair opportunity to make a bid for the contract. it also shows that a decision had already been made to stop the import of Zimbabwean sugar.[40] ZSS said 'this discriminatory action can be linked to the wrangles between the two countries in other areas of trade'.[41]

The loss of sugar market in Botswana adversely affected Zimbabwe's exports to that country as sugar was probably the single most important export to that market. In addition, Zimbabwe's request to export fresh pork products to Botswana was rejected for the reasons that the stringent measures needed against FMDs could not be easy to fulfil. The Botswana Veterinary Department insisted that the fresh pork products be trasnported in sealed trucks from Zimbabwe to Botswana.

> Colcom (the Company) should find cold room facilities in Botswana for its sole usage. The Veterinary Department would inspect the premises each time there is a truck load to be off-loaded.[42]

Zimbabwe thought that Botswana was deliberately putting up these difficult conditions knowing full well that Colcom could not meet them. Thus the thinking in Zimbabwe was that these conditions were merely to justify Botswana's refusal.

Botswana followed this up with a hefty surcharge of 0-60% on all

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[40] Interview with a Senior Official of Trade in the Ministry of Trade and Commerce, Zimbabwe (who for security reasons wants to remain anonymous) Harare 11 July, 1993

[41] Interview with N.F. Vincent, Director, Zimbabwe Sugar Sales, Harare, June 23, 1993

[42] Zimbabwe-Botswana Trade Brief op.cit p5

imports from Zimbabwe, starting 1 April 1991.[43] This was in retaliation to Zimbabwe's 20% import surcharge on Botswana goods. The Botswana Assistant Customs Director Mr. Lekau objected to calling it retaliation preferring to call it a reciprocation.[44] Botswana argued that she had requested Zimbabwe to review the surtax on Botswana imports as far back as 1988 when they signed the 1988 amended Agreement. This request was made in view of the fact that Botswana had herself waived surcharges on Zimbabwe imports. Between 1988 and 1990 Zimbabwe had dragged her feet on this issue, arguing that her surtax was not meant to discourage imports but that it was a revenue generating measure. Zimbabwe therefore complained that the Botswana surcharge of 0.60% was imposed without prior consultation and that it was a duty.[45] What can perhaps be accepted as a violation of the Agreement was the failure by Botswana to consult Zimbabwe before slapping the surcharges on the imports. That Botswana's surcharge were a duty whilst Zimbabwe's surtax was not is difficult to comprehend. Both were one and the same thing. Only their implementers knew their exact motives, for revenue generation or for purposes of restricting imports. Otherwise, in as far as this study is concerned, they were both barriers to trade between the two countries.

On paper this retaliation with surcharges by Botswana brought in tougher restrictions on Zimbabwean exporters. As a consequence, Zimbabwe immediately asked for an urgent meeting to resolve the crisis. In practice however, the Botswana surcharges on various Zimbabwe company exporters were not as high as feared (see table 9 below) Nonetheless, the volumes and revenue realized from Zimbabwe exports to Botswana were adversely affected by these

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[43] The Financial Gazette, (Zimbabwe) 5 November, 1992, p2

[44] Interview with Mr. S. Lekau, Assistant Director of Customs, Botswana, Gaborone 28 January, 1994

[45] Interview with F. Chamba, Market Development Consultant, CZI, Harare, 15 July 1993. 'Zimbabwe's Trade Relations with Botswana' op cit p8

surcharges. Some of the companies affected and their lost orders for the year 1991 are shown in the table 9 below.

TABLE 9: EFFECT OF BOTSWANA'S SURCHARGES ON ZIMBABWE'S EXPORTS (1991)

COMPANY NAME	SURCHARGE RATE	LOST ORDERS		EXPECTED LOSSES FOR THE YEAR 1991 DUE TO CANCELLED ORDERS	
		Z $	RANDS	Z $	RANDS
Cyvern Clothing Manufacturing	15%	868 200	1 598 617	1 801 000	3 316 181
Boart Zimbabwe (Pvt) Ltd.	10%	120 000	220 956	120 000	220 956
Blooms furnitures	15%	218 863	402 992 44	-	-
CAFCA (Pvt) Ltd.	-	165 000	303 814	1 500 000	2 761 950
Indian Ocean Export Company (Pvt) Ltd.	-	-	-	800 000	1 473 040
Wood Industries (Pvt) Ltd.	15%	100 000	184 130	100 000	184 130
BICC Ltd	-	150 000	276 195	1 500 000	2 761 950
Negondo Chemicals Pvt Ltd.	-	4 786	8 812	31 000	57 080
Irvine Day Old Chicks	-	-	-	14 000	25 778
Maxwell Clothing	15%	-	-	450 000	828 585
Arenel Sweets and Biscuits	-	350 000	644 455	700 000	1 288 910
Lobels Biscuits	-	-	-	50 000	92 065
Cairns Foods	-	18 000	33 143	-	-
Vaida Chemicals	-	44 000	81 017	100 000	184 130
Olivine Industries	-	140 000	257 782	240 000	441 912
TOTAL	-	2 178 849	4 011 915	7 406 000	13 636 668

- not known

Source: Compiled from Correspondence on "Negative Effects of the Surcharge/Tarrifs Introduced by Botswana on Zimbabwe Exports" From Republic of Zimbabwe High Commission, Gaborone, to the Secretary of Industry and Commerce, Zimbabwe, 23rd May 1991, Zimtrade Library.

By 1991 there were about 500 Zimbabwean companies registered to export to Botswana. Therefore, since the sample in the table above was only 3.2% of the total, losses for that year could have beenvery high. It should be noted that losses incurred due to a reduction in prices by the same level of surcharge were not shown. This meant that losses to companies were more than actually shown in the table. Most companies said they continued to export to Botswana out of fear of losing established markets.[46] Otherwise they were making losses on exports as

[46] Correspondence on 'Negative Effects of the Surcharge/Tariffs Introduced by Botswana on Zimbabwe Exports 'from the Republic of Zimbabwe High Commission, Gaborone, to the

stated above. They promised to endure for a shortwhile while their government normalized the situation with Botswana by addressing the problem which had given rise to the surcharges.[47]

Vaida and Negondo Chemical Companies of Zimbabwe had consignments worth R81 017 (Z$44 000) and R8 812 (Z$ 4 786) respectively returned at the border as a result of the surcharges.[48] Most of the business lost by Zimbabwean companies in Botswana was taken over by South African Companies. Treger Industries which had established a lucrative Botswana export market for its wide range of travel goods and domestic appliances lost this market. This was because of the same high export tariffs charged by Botswana Customs Authorities.[49]Cyvern clothing manufacturing (Pvt) Ltd mentioned that it had recruited 168 employees for an extra nightshift to supply the Botswana market. Unfortunately, some of these had to be retrenched owing to the 15% tariff charged on its exports.[50]

Botswana discovered yet another area where she could retaliate against Zimbabwe. She eralized that the requirement initiated by Zimbabwe that companies wanting to trade under the Agreement register first with the Customs Authorities of both countries could be applied rigidly to hurt Zimbabwe most. The Agreement clearly stated that the factual cost analysis to be submitted to Customs Authorities were to be based on actual production for a continuous period of at least three months. For most Botswana

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Secretary of Industry and Commerce, Zimbabwe, 23rd May 1991, Zimtrade Library.

47 ibid

48 ibid

49 The Financial Gazette, (Zimbabwe) 5 November 1992, p2

50 Correspondence on 'Negative Effects of the Surcharge/Tariffs Introduced by Botswana on Zimbabwe Exports' from the Republic of Zimbabwe High Commission, Gaborone to the Secretary of Industry and Commerce, Zimbabwe, 23 May 1991, Zimtrade Library

companies which produced one product for export, the process was simple and easy to calculate.[51] But the same was not true for the sophisticated Engineering Companies of Zimbabwe. These companies manufactured goods to specifications required by the customers. This therefore made it difficult to have uniform costings for over a period of three months. The only solution was to have alternative means of verifying the 25% local content requirement. Unfortunately, because Zimbabwe was unnecessarily strict on the application of rules Botsana did the same on this issue.[52] Botswana Customs Authorities refused to entertain applications from Companies that did not submit uniform costings for a period covering three months. This was despite the fact that the companies had even more than 25% local content requried. Botswana therefore disqualified such companies from exporting into her home market. Examples of Zimbabwean companies that were affected by this rigid adherence to the written rules were some divisions of Apex Corporation, Imperial Refrigeration and Sullivan Engineering.[53]

Byco Industries were deregistered for reasons slightly different from the one above. The variety and complexity of the nature of their export products would have required half a year to calculate the costing of each of these hundreds of products: They wrote to the Department of Customs in Botswana that:

> We have a range of products that we export to Botswana which consist of no less than five hundred finished product parts ... these parts in turn have manufacturing processes some of which call up as many as 60 parts per product. In order to produce the information that you require we would have to carry out this exercise on

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[51] Interview with a Senior Customs and Excise Official, Zimbabwe, (who for security reasons wants to remain anonymous) Harare 21 July 1993; Interview with Farai Chamba, Market Development Consultant, CZI, Harare 16 July 1993,

[52] ibid; Interview with a Commercial officer in Ministry of Commerce and Industry, Botswana (who for security reasons wants to remain anonymous) Gaborone, 11 March 1993h

[53] The Financial Gazette, (Zimbabwe) 5 November, 1992 p2

each of these items and we would anticipate this taking five to six months.[54]

As stated above the company asked for the use of an easier method in which Botswana Customs could satisfy themselves that the company met the 25% local content. The authorities in Botswana objected to the use of any other method other than that which was stipulated in the Agreement.[55] They failed to submit their costings as required.[56] Byco Industry was therefore deregistered from exporting into the Botswana market under OGIL and duty free concessions.

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Botswana's motive for retaliation could only have been one. She thought that if she retaliated, the companies in Zimbabwe would feel the pinch and help to pressurize their government into changing her inflexible attitude with trading regulations.[57] Indeed, Zimbabwean companies as a body took the unprecedented step of initiating a private sector trade talks between the two countries in November 1992. At these talks Botswana Confederation of Commerce, Industry and Manpower (Boccim) and Zimbabwe Trade Organization (Zimtrade) struck a common ground on

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[54] Correspondence from R.A. Rind, Marketing Director of Byco Industries, Harare, to the Director, Department of Customs and Excise, Botswana, 9 July 1992.

[55] Interview with R.A. Rind, the Sales Director, Byco Industires, Zimbabwe, 4 August, 1993

[56] Interview with Mr. S. Lekau, Assistant Director of Customs, Botswana, Gaborone, 28 January 1994

[57] The Financial Gazette (Zimbabwe) 15 October, 1992 p3; Interview with a Commercial Officer in the Ministry of Commerce and Industry, Botswana (who for security reasons wants to remain anonymous) Gaborone 11 March 1994

problems that were afflicting their trade.[58] As direct representatives of businesses which were directly affected by the decisions made by governments, they thought that conflicts under the 1988 Agreement had dragged on for a long time with no solution in sight. They said this was proving to be too costly to their businesses such that the governments needed to be sensitized to the urgency of the need to quickly solve the problems to trade. They observed that governments tended to take long to solve issues that did not directly affect them. As such, they proposed to both governments how best they thought the Agreement could operate without the problems and conflicts which it was said to be causing.

Boccim and Zimtrade's first recommendation was on the contentious issue of the new rules of origin. They argued that if the object of the Agreement was to benefit both countries, the logical solution to this problem was the relaxation of the said rules.[59] The two organizations further concurred that rules and regulations should never be rigidly enforced to the extent that the parties do not achieve the goals they set themselves to achieve. Accordingly, the meeting proposed that the cumulation principle be accepted by Zimbabwe in the calculation of local content of both countries. In addition, it was recommended that the local content calculation should also include indirect labour and services like water, electricity, rent and other services directly attributable to the factory.[60] Although not mentioned, these measures were proposed to help many Botswana-based companies to meet the 25% local content whih they had failed to

[58] Minutes of the Inaugural meeting of the Representatives of the Private sector from Botswana (Boccim) and Zimtrade of Zimbabwe Thursday 5th November, 1992' Gaborone, Botswana

[59] Interview with Mike Humphreys, Director of Zimtrade Export Development, Zimbabwe, Harare, 31 July 1993; CZI Industrial Review, Harare, September 1992

[60] Minutes of the Inaugural meeting of the Representatives of the private Sector from Botswana (Boccim) and Zimbabwe (Zimtrade), Thursday 5th November 1992, Gaborone, Botswana

meet with the introduction of the new rules of origin. Without this relaxation of the rules, Botswana had consistently complained that she did not benefit much from the Agreement. In order to cultivate an element of trust as well as to lower the tension level between the two governments, the Private Sector meeting recommended the deletion of clauses 3 and 4 of Article 4 of the amended Agreement.[61] These clauses called for verification, by the importing country, of the origin of any goods imported into her market under the agreement as well as the right to suspend or ban companies which failed to comply with the said demands.

It will be incorrect however to state that Botswana's retaliatory measures against Zimbabwe, alone, forced the latter country into having a positive attitude towards Botswana as a trading partner. The truth is, this change in attitude and actions towards accepting the principle of reciprocity in trade was a direct result of Zimbabwe's Economic Structural Adjustment Programme (ESAP). This was an IMF and World Bank imposed economic recovery programme. It was based on market policies following Zimbabwe's failure to raise enough investment capital for sustained economic development and employment of her growing army of the unemployed youth.[62] With Eastern Europe's ideological support of inward looking socialist oriented development policies collapsing following the fall of the USSR, Zimbabwe was left with no choice but to follow the market policy prescriptions of the IMF and WB.

Against this background, it should be recalled that when Boccim and Zimtrade first met in 1992 to recommend joint solutions to the wrangle over the trade Agreement, an important condition making for such change had already firmly taken its place. Zimbabwe's ESAP had reached an advanced stage where deregulation

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[61] ibid

[62] R. Riddel, Zimbabwe to 1966; At the heart of a growing region, Special Report no M205, The Economist Intelligence Unit, London, February 1992, p48

of trade controls was beginning to take place in earnest. Quantitative import controls had begun to be gradually phased out in favour of the Open General Import Licence system allied with a lowering of the external tariff.[63] Surcharges on trade were all scheduled to go, they were to be reduced to 10% by 1993 and removed altogether by 1995[64] These measures meant that Zimbabwe now recognized the need for 'more market oriented policies, and less government intervention and regulation.'[65] Zimbabwe had thus shifted from a dissimilar and at times antagonistic economic policy with Botswana to one where they both allowed some market forces to operate with little or no regulations. As a result, the areas of conflict in trade between the two countries were set to be greatly reduced. Zimbabwe would now voluntarily and honestly remove barriers to trade conscious of the fact that it would help her current IMF and World Bank guided path of development.

Indeed, when in December 1992 both parties agreed to remove the surcharge/surtax with Zimbabwe making the first step, she no longer dragged her feet as had happened in the past. On 30 April, 1993, Zimbabwe removed the surtax on goods entered free of Customs duty in terms of their amended Agreement.[66] Botswana wasted no time in doing the same on her retaliatory surcharges on Zimbabwean exports. She removed hers on the 1st of September 1993.

At a meeting held in Harare on the 9th August, 1993, Zimbabwe made her first positive step on the contentious issue of the cumulation principle. She announced that before the end of 1993,

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[63] Interview with Mike Humphreys, Director of Zimtrade Export Development, Zimbabwe, Harare, 31 July 1993

[64] Southern African Economist, op cit p40

[65] Tom Ostergaard, op.cit p30

[66] Government Gazette, (Zimbabwe) 30 April, 1993

the principle would be discussed in Gaborone with a view to allowing Botswana to benefit from it without at the same time disadvantaging Zimbabwe.[67] This raised hope in Botswana that more of her companies would now be allowed to export to Zimbabwe. Tension between the two states became low with each country portraying an image of trust and openness towards the other. In the same August 1993 meeting which appeared to be one of trading concensions, the Botswana Minister of Commerce and Industry, Mr. Kedikilwe, announced that the infant industry protection on soap would expire in September 1993 after which Zimbabwe's soap exports to Botswana were free to compete on an equal footing with soap from the local industry. He also assured his Zimbabwean counterpart, the late Mr. C.M. Ushewokunze that, Botswana would soon lift her ban on Zimbabwe's export of pork.[68]

It is to be noted that the meeting of August 1993 turned out to be a watershed in Botswana-Zimbabwe's post 1980 bilateral relations. It is arguably their first post 1980 trade meeting held in a truly cordial and friendly atmosphere where the tension level was greatly reduced. Unlike in the past, this was the first meeting held when Zimbabwe had gone a long way in reshaping her economic development policy along lines similar to those of Botswana. As a result, the suspicions and mistrust the two had harboured against each other in the past when they were pursuing different development policies were no longer there. As the two states now saw trade from the same angle, progress began to be made in removing barriers to the smooth implementation of their free trade Agreement.

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In concluson, this chapter has demonstrated that the amended Agreement of 1988 was in many ways not better than the 1956

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[67] Communique on the Zimbabwe/Botswana Joint Ministerial Trade Meeting held in Harare on the 9th August, 1993

[68] <u>ibid</u>

Agreement. This was in as far as it did not solve the problems and conflicts which had caused a deceleration in trade under the previous pact. Instead, the amended Agreement seemed to have replaced some old problems and conflicts with new ones. Consequently, punitive retaliatory tendencies became a frequent feature of the post 1988 trade relations between Botswana and Zimbabwe. Diagnosis showed that the amended Agreement had failed to solve the problems because of the different and opposed development policies that were still pursued by the two countries. When Zimbabwe announced her ESAP in November 1989 which was to bring her policy in line with Botswana's market policy, everyone hoped that consensual solutions to the rift in trade would follow. Unfortunately, owing to some hesitancy and unavoidable hitches, Zimbabwe's ESAP only seriously took off at the beginning of 1993. It was then that Zimbabwe vigorously started implementing the programme by dismantling controls to trad and the economy in general. As this market policy by Zimbabwe took shape in 1993, solutions to conflicts in trade with Botswana began to be found as well. This underscored the fact that different economic policies and trade regimes had been the source of problems and conflicts in the Botswana-Zimbabwe trade.

CHAPTER 6

CONCLUSION

It is often said that trade is an engine of economic growth. This is because trade expansion stimulates more investment and production of goods and services thereby acting as a catalyst for sustainable economic growth. It was this thinking which made Imperial Britain and representatives of her colonies in Southern Africa to agree on the 1956 free trade arrangement. However, in spite of these good intentions, the results of the Botswana-Zimbabwe bilateral trade since 1956 did not live up to expectations. Only two years after the Agreement was signed the volume and value of trade began to decline owing to the then Federation's unlawful on-off trade restrictions. The situation became worse for the most part of the 1980's when Zimbabwe imposed various restrictions on Botswana goods as part of her import suppression policy. Trade conflicts arose as Botswana's manufactures found it difficult to freely enter the Zimbabwe market. At some stage retaliatory measures became so common in the bilateral trade interaction resulting in either a deceleration or a drastic reduction in the trade flows.

This phenomenon of cooperation and conflict in the bilateral trade was explained against the background of economic policies pursued by these countries. This model was chosen on the conviction that the nature of inter-state trade, particularly between LDC's is largely determined by their development policies and whether or not the goods are complementary.

The nature of trade during sanctions against UDI could not be conclusively explained by the above model. The major reason was the inadequacy and uncertainty of the information available. There was also a misleading prevalence of actions by both countries which appeared contradictory and illogical. There were efforts by these governments to make the world believe that owing to sanctions, there was no trade at all, and if it was there, it was so insignificant that, it was not worth recording. This was despite the considerable exchange of goods that was taking place as indicated by some international sources.

Two illogical actions which made it difficult to explain the nature of the trade during UDI with certainty were identified. First, was the announcement that Botswana applied some selective sanctions against Rhodesia. What this meant is that Botswana violated the 1956 Agreement. While such action would naturally have caused retaliation and conflict this study did not find any evidence to this effect. In fact trade flows continued as usual. Similarly, in 1965, Rhodesia put in place an inward-looking development policy of import substitution. As this was backed by large scale protectionism one would think that Botswana was affected as had happened in the past. Besides, Rhodesia had the opportunity to legitimize her protectionism to Botswana by saying she was retaliating against the selective sanctions imposed on her. Surprisingly, none of these two probable actions seem to have been taken. Instead, statistics show that Botswana continued to sell her traditional exports plus textiles to Rhodesia without hindrance.

Because of these difficulties of getting adequate and reliable information, the study could not arrive at one explanation of the nature of trade during the UDI period. Two possible explanations were identified. The first is that, although in line with UN sanctions both countries publicly announced policies which appeared to be anti-the bilateral trade, these policies were never really implemented against the other. Botswana feared retaliation to her selective sanctions which would have crippled her transport system which heavily depended on the Rhodesian Railways. On the other hand, UDI Rhodesia, for fear of having many enemies along her borders, exempted Botswana from her large scale protectionist policies. Hence, a combination of these two reasons may very well explain why there was no conflict reported. The second and alternative explanation is that if the above protective policies were implemented as announced, conflict did actually occur but both countries deliberately concealed it in order not to publicise their bilateral trade. Concealment of trade information was prompted by the fact that very few countries genuinely sympathised with the continuance of the bilateral trade after the UN sanctions against UDI were announced. This explains why there are no official documents relating to trade during the sanctions period. Thus, because trade during UDI was concealed in secrecy it was not possible for the study to explain conclusively that it was characterized by cooperation or conflict.

There were only short periods of cooperation (1956-57 1961-64, 1980 -82) in the historical evolution of the Botswana - Zimbabwe trade interaction. Evidence has shown that in these identified periods both countries pursued the export led growth policy of development. Because both countries adhered to the free market requirements of the system, there was no basis for conflict. During the same periods of cooperation most of the commodities were generally more complementary than competitive. This underscored the fact that the pursuance, by trading partners, of a similar and unantagonistic economic policy generally leads to cooperation in trade particularly when most of the goods traded are complementary.

Disputes and conflicts in the bilateral trade took longer periods (1958 - 60, 1982 -92) than those of cooperation. This was solely because of Zimbabwe which also previously traded as SR and Federation. In these periods, Zimbabwe deviated from the export led development policy upon which the 1956 free trade Agreement was founded. She tended to pursue some aspects of the inward-looking policy which emphasized import substitution industrialization. Because the nature of this policy requires some protection of the domestic industry, Zimbabwe announced some import restrictions on Botswana goods.

Unfortunately, these actions had become antagonistic to the agreed principles of free trade under the 1956 pact. As a result, friction arose as Botswana goods could no longer freely enter the Zimbabwe market. In this respect, the evidence showed that different and antagonistic policies generally lead to disputes and conflicts particularly when the goods traded are competitive. It was clear that the conflict arising from the different policies was augmented by the fact that the economies of Botswana and Zimbabwe were/are basically competitive. The product range tended to be duplicated, with similar industries producing similar products. Had the commodities been complementary, the Zimbabwean policy of suppression of imports would not have arisen because there would have been an unsatisfied demand.

White settler 'nationalism' was identified as the cause for the Federal protective policies which caused trade disputes between 1958 and 1960. Despite the refusal by the British government, settlers in SR, NR and Nyasaland, had from the beginning hoped and worked for the creation of an independent white settler nation north of the Limpopo. After the Afrikaner triumph of 1948, these British settlers saw this as the opportunity to surge forward with their design to create an independent state north of the Limpopo. They called for a Federation of British colonies in Central Africa. They placated Britain by arguments of considerable economic benefits and creation of a wall against the spread of apartheid to the north. Convinced by these arguments, Britain allowed NR, SR and Nyasaland to form a Federation. The idea of incorporating BP, or at least her northern districts, was mooted. It was in these circumstances that the 1956 Agreement between the Federation and the BP was negotiated. The British Trade Representatives who brokered the talks ensured that the Agreement's terms and provisions would indeed help to integrate and develop the two British colonies into a kind of an economic union.

So when the Federation was allowed and the 1956 Agreement became operational, the white settlers in the Federation began to assert their desire for an independent nation from Britain. They unilaterally deviated from some aspects of their common export-led policy. They tended to lean towards the inward-looking development policy with its protective measures. This created antagonism as the BP goods were restricted from entering the Federal market. Britain did not consider the Federation as an independent nation with national interests that needed protection. She viewed the Federation and the BP as colonies of one nation, Britain. She therefore was not kind to a situation whereby one colony was discriminated by another. For this reason Britain pressurized the Federation to desist from protective policies which hindered the free flow of goods with other British colonies with which she had free trade Agreements. After some reluctance the Federation finally gave in to British pressure in 1960. Thus from 1961 to 1965, when the settlers announced their UDI from Britain, there were no trade conflicts.

Fears that the post 1980 trade would be marred by conflict if the Zimbabwe government continued with UDI protective policies proved unreal, at least for the period between 1980 - 1982. In 1980 Mugabe's government sought to liberalize foreign exchange allocations and other economic controls which hindered free trade. This was done in anticipation of increased exports following the lifting of sanctions and promises of external assistance. This was also prompted by the sudden domestic demand for imports particularly intermediate and capital goods. Thus, these actions by Zimbabwe freed competition from suppression which had been caused by the tight controls on foreign exchange in the sanctions period. Hence, as these measures moved independent Zimbabwe's policy in line with Botswana's liberal development strategy, their free trade Agreement of 1956 appeared to have been given a longer lease of life without conflict.

Indeed, the study established that for the first three years of Zimbabwe's independence, the bilateral trade was generally conflict free. And, because the trade was unhindered, it recorded unprecedented growth rates in this period. This conflict free trend was cut short at the end of 1982 when

Zimbabwe's post independence problems forced her to readopt the UDI inward-looking policy with its trade controls. Predictably, this policy became antagonistic to the free trade principles of the 1956 Agreement. The future of the Agreement became uncertain as conflicts arising from restrictions of Botswana goods appeared unstoppable. Zimbabwe no longer accepted the import of competitive goods a thing which greatly affected Botswana manufacturers who heavily depended on this country's market.

The conflict was exacerbated by Zimbabwe's belief that Botswana was conniving with companies from South Africa, Taiwan and Zimbabwe, which relocated in Botswana with the sole purpose of re-exporting goods of non Botswana origin to Zimbabwe. Zimbabwe believed that it was such kind of the abuse of the Agreement which caused undue competition and injury to her domestic industry. Besides, Zimbabwe also believed that such actions by Botswana based companies had a negative bearing on her balance of payments position, however small. With Zimbabwe's militant stance on apartheid in the 1980's, the incidents of South African companies using Botswana as a way of getting into the Zimbabwe market were taken as evidence of 'sanctions busting' by Botswana. Despite Botswana's denial of deliberate complicity in these activities, considerable ill feeling was generated and Zimbabwe appeared suspicious of any word or actions by Botswana.

The result of all this was that negotiations to solve the problems that caused friction ran into serious difficulties. Negotiations were marred by emotions. The negotiators appeared to concentrate on how best to arrive at an Agreement that would punish the other. That way, the objective of negotiating for an Agreement that promotes genuine and mutually beneficial trade was lost. Zimbabwe in particular seems to have made excessive demands to be incorporated in the revised Agreement. At face value, it would appear these demands were targeted at preventing future abuse of the Agreement but on closer analysis it became clear that Zimbabwe's real motive was to restrict free trade with

Botswana. This was important as it was an indispensable part of her new inward-looking development policy. Botswana objected to these restrictive amendments because they were to shut the Zimbabwean market from her manufactures. This caused a long stalemate in the negotiation process. Trade suffered as the two countries engaged in retaliatory measures.

Aware that the worst thing that Botswana feared was termination of the 1956 Agreement, in September 1987, Zimbabwe gave a dummy of a notice to terminate the Agreement. She pretended to be serious on this in order to force Botswana back to the negotiating table. As expected, Botswana strongly objected to the termination of the Agreement preferring amendments to all the provisions that were causing problems. As the negotiations resumed, Zimbabwe had an upper hand as most of her demands were met in the amended Agreement of 1988. Thus, the result was that, the Agreement favoured Zimbabwe at the expense of Botswana.

For instance, under the 1988 Agreement's new rules of origin, most Botswana companies failed to meet the 25% local content required for them to benefit under the preferential provisions. Some of the companies had problems in passing the test of having undergone a manufacturing process. Because Botswana felt that she was not benefiting, conflicts did not end. She argued for the relaxation in the interpretation of the new rules of origin and the definition of manufacturing process. Zimbabwe seemed not to care about Botswana's request, a thing which resulted in hardening of attitudes. Botswana responded by employing retaliatory measures against Zimbabwe. All this did not help the two countries' trade in non-mineral produce. Trade continued to decelerate leading to the study's conclusion that the 1988 Agreement was not in any way better than its predecessor. This is in as far as the Agreement failed to solve problems that had held back trade since 1982.

It may be early to suggest that with the adoption of the outward policy by Zimbabwe we have seen the end of conflict in her trade with Botswana. But the available evidence so far indicates that from April 1993 when Zimbabwe's IMF sponsored ESAP duly returned the country to her original free market policies- these policies have been in conformity with those of Botswana. Following this uniformity in policies, views on trade started to be consensual resulting in the two states agreeing on common solutions to their problems and conflicts. Thus, solutions to the bilateral problems and conflicts only began to be found when Zimbabwe no longer pursued the inward-looking policy which viewed trade controls as an indispensable part. This therefore validates the study's contention that the cooperation in the Botswana - Zimbabwe bilateral trade interaction was obtained by the pursuance of similar and unantagonistic economic policies which are market oriented. This situation, it has been found, was also helped when the goods traded were complementary. Put differently, the evidence confirms the study's general observation that different and antagonistic policies generally lead to disputes and conflicts particularly when the goods traded are competitive.

Appendix 1

Decline in Beef Prices (South Africa) Setting wholesale price of beef in 1910 equal to 100, we get			
1913	**100**	1924	**69**
1914	**117**	1925	**70**
1915	**109**	1926	**65**
1916	**106**	1927	**70**
1917	**105**	1928	**71**
1918	**107**	1929	**73**
1919	**98**	1930	**66**
1920	**89**	1931	
1921	**81**	1932	
1922	**74**	1933	

Source: S. Ettinger "South Africa's Weight Restrictions on cattle exports from Bachuanaland 1924-41 in Botswana Notes and Records, Vo.4, 1972,p.21

Appendix 2: **Southern Rhodesia's Trade with South Africa**

£ (Thousand)

Years	SR exports	SR imports	Trade Balance
1906	32, 287	183. 874	-151. 587
1907	41, 869	218. 610	-176. 741
1908	46. 642	298. 334	-251. 692
1909	49. 730	438. 643	- 388. 913
1910	39. 417	467. 777	- 428. 360
1911	53. 886	488. 393	- 434. 507
1912	54. 877	592. 198	- 537.321
1913	93. 446	542. 830	- 449.064
1914	114.743	552.807	- 438. 064
1915	85. 566	565. 437	- 479. 871
1916	225.054	592. 965	- 367. 911
1917	305. 954	655. 646	- 349. 692
1918	300. 906	805. 940	- 505.034
1919	547. 440	833. 779	- 286. 339
1920	981. 798	1, 239. 211	- 257. 413
1921	395. 585	1, 074. 284	- 678. 699
1922	339. 765	882. 677	- 542. 912
1923	516. 835	834. 659	- 317. 824
1924	738. 291	824. 771	- 86. 480
1925	540. 204	782. 641	- 242. 437
1926	835. 584	1, 197. 176	- 361. 592
1927	1, 073. 538	1, 316. 522	- 242. 984
1928	893, 659	1, 550. 338	- 656. 679
1929	756. 662	1, 750. 042	- 993. 380
1930	326. 683	1, 121. 353	- 794. 670
1931	196. 118	1, 165. 221	- 969.103

Source: Rhodesia Official Year Book, No. 3, 1932.

ppendix 3: SR-BP Bilateral Trade Commodity Structure

P Exports (£ thousands)

	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950
attle	-	-	3, 469	35, 665	10. 494	4. 112	17. 612	2. 469	18. 526	21. 440	10. 629	30. 980	69.350	41. 580
heep and lambs	1. 204	10. 684	6. 241	4. 946	4. 658	3. 595	2. 366	1. 042	395	964	1. 750	248	3. 923	3. 221
lides, ox and cow	-	483	1. 227	1. 632	2. 269	3.907	4. 905	3. 808	7. 211	11. 252	33. 341	13. 081	41. 703	88. 052
utter-Cheese	136	1. 843	4. 650	4. 325	2. 697	-	3. 720	2. 292	-	-	-	4. 607	630	-
ereals in the grain	3	16	420	874	460	76	-	-	431	-	-	-	-	-
eans, peas and lentils	251	940	250	-	-	-	-	-	-	483	673	3. 609	220	1. 296
ggs, fresh in the shell	38	99	49	-	-	-	-	-	-	-	-	-	-	-
eather Manufactures	269	513	324	176	220	262	445	165	558	1. 111	316	1. 269	639	507
uter Garments	185	15	3	-	-	-	-	-	-	469	181	509	346	211
Inderclothing, cotton	102	-	-	-	-	-	-	-	-	-	-			
lorses	-	100	20	-	-	335	780	300	730	-	-	-	-	-
oap, common, laundry etc	83	-	-	-	-	-	-	-	-	-	-	-		
igs	-	-	91	905	1. 215	-	-	-	10	-	-	-	1. 735	765
oats	-	25	191	537	486	497	884	1, 382	19	-	-	-	2. 554	1. 608

R Exports	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950
Maize	914	3. 651	1. 799	257	770	1	32	5.613	8. 519	2. 137	1. 433	5	15	129
Other, in the Grain	2. 999	11. 117	1. 391	521	548	6	1. 611	6. 904	7. 854	10. 924	16	44	26	18
lour and meal, wheaten	1. 828	1. 586	2. 156	3. 400	7. 307	11. 415	9. 454	10. 794	45. 700	59. 005	50. 548	29. 397	15. 952	9. 561
Maize Meal	15. 805	24. 058	19. 181	19. 116	32. 845	76	4. 735	18. 134	31. 846	14. 894	7. 172	-	13	11
ugar refined	11. 439	16. 287	16. 369	12. 415	19. 681	23. 331	24. 520	27. 707	28. 011	21. 375	26. 784	34. 557	26. 869	17. 614
igarettes	818	976	1.317	1. 366	1. 910	2. 486	4. 729	6. 630	9. 010	8. 882	9. 335	11. 199	12. 390	
Manufactured tobacco	713	835	1. 285	1.169	1. 420	3.028	3. 478	2. 114	3. 514	3. 217	3. 285	2. 573	2. 885	4. 271
uter garments	7. 279	5. 423	7. 764	8. 592	8. 053	5. 999	8. 503	12. 608	37. 150	71. 919	22. 478	28. 466	28. 890	27. 706
losiery and underclothing	2. 204	2. 028	2. 032	1. 224	1. 101	1. 073	1. 818	6. 751	22. 074	34. 929	-	-	-	-
Mining Machinery	2. 194	1. 534	1. 959	4. 440	5. 155	5. 640	3. 376	2. 233	2. 531	2. 199	1. 745	74	85	39
ement, building	1. 109	794	1. 043	1. 938	851	519	768	789	1. 097	467	-	-	-	-
oal	13. 675	13. 185	12. 377	18. 524	17. 030	18. 591	18. 819	19. 106	17. 354	23. 416	20. 879	26. 650	23. 440	20. 827
oap	1. 201	1. 456	916	1. 387	690	1. 568	1. 581	1. 200	3. 256	6. 241	1. 859	1. 706	564	884
Joinery	321	389	305	891	390	111	159	633	1. 203	1.276	504	292	469	
Other Articles	9. 586	12. 790	13. 538	7. 764	7. 148	4. 544	5. 858	9. 020	19. 148	26. 123	9. 478	6. 353	8. 755	13. 060

Appendix 4

CUSTOMS AGREEMENT

BETWEEN THE FEDERATION OF RHODESIA AND NYASALAND AND BASUTOLAND THE BECHUANALAND PROTECTORATE AND SWAZILAND

The Government of the Federation of Rhodesia and Nyasaland and Her Majesty's High Commissioner for Basutoland, the Bechuanaland Protectorate and Swaziland:

Recognizing that it is desirable that trade between the Federation and the Bechuanaland Protectorate should continue to be as free and uninterrupted as possible and that each country is entitled to the customs duties collected on goods imported into it through the other country; and

Recognizing that it is desirable to make special arrangements governing the trade between the Federation and Basutoland and Swaziland;

Have agreed as follows:.

PRELIMINARY

ARTICLE 1.

The Customs Agreement between the Federation and Basutoland, the Bechuanaland Protectorate and Swaziland, which came into force on the 1st July, 1955, shall be superseded by this Agreement.

ARTICLE 2.

In this Agreement:- HCN28

'Federation' means the Federation of Rhodesia and Nyasaland.

PART 1

ARTICLE 3.

(1) Goods grown, produced or manufactured in or removed from Basutoland or Swaziland and imported into the Federation shall be subject to the terms and conditions applicable to the importation of like goods from the Union of South Africa into the Federation.

(2) Goods grown, produced or manufactured in or removed from the Federation and imported into Basutoland or Swaziland shall be subject to the terms and conditions applicable to the importation of like goods from the Federation into the Union of South Africa.

PART 2

ARTICLE 4

This part relates to the removal of goods between the Federation and the Bechuanaland Protectorate and the 'parties' referred to in this part are the Federation and the Bechuanaland Protectorate.

ARTICLE 5

(1) Subject to the provisions of paragraphs (2), (3) and (4) of this Article, and of Article 6, goods grown, produced or manufactured in the country of either of the parties to this Agreement shall, on removal to the country of the other party, be free of customs duty.

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(2) Plain or rectified spirits or spirituous liquors (other than ale, beer, stout, cider, perry and wine), manufactured in the country of either party to this Agreement and removed to the country of the other party shall be liable, on entry for consumption in that country, to duty according to the customs tariff for the time being in force in that country.

(3) When goods (other than those mentioned in paragraph (2) of this Article) which have been manufactured in the Bechuanaland Protectorate and are liable to excise duty or excise stamp duty in that country are removed to the Federation, an amount equal to the excise duty or excise stamp duty leviable in the Bechuanaland Protectorate shall be paid by the Government of the Bechuanaland Protectorate to the Government of the Federation and, when goods (other than those mentioned in paragraph (2) of this Article) similar to goods liable to excise duty or excise stamp duty in the Bechuanaland Protectorate, which have been manufactured in the Federation, are removed from the Federation to the Bechuanaland Protectorate, the Government of the Federation shall arrange for an amount equal to the excise duty leviable on such goods in the Bechuanaland Protectorate and shall arrange that cigarettes and cigarette tobacco shall not be permitted to be removed to the Bechuanaland Protectorate unless the containers are in conformity with the beer excise stamp duty labels in accordance with the laws in force in the Bechuanaland Protectorate:

Provided that the provisions of this paragraph shall not apply to motor spirit removed from the Bechuanaland Protectorate to the Federation and that such spirit shall be liable, on entry for consumption, to such duty as may be provided for by the law of the Territory of the Federation to which it is removed.

(4) Should the excise or surtax tariff of the Federation provide for duties in excess of those mentioned in paragraph (3) of this Article in relation to the goods mentioned in that paragraph the difference between the duties leviable in the Federation and those mentioned in that paragraph shall be leviable, on the entry for consumption of the goods.

ARTICLE 6

Goods grown, produced or manufactured in the country of either party to this Agreement shall be exempt from the imposition by either party of any quantitative import or export restrictions:

Provided that, after consultation between the parties, a party may impose:

(a) export restrictions temporarily applied to prevent or relieve critical shortages of foodstuffs or other products essential to the exporting party.

(b) import and export restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities:

(c) import restrictions on agricultural or fisheries production, or on products which can be directly substituted therefore, necessary to the enforcement of Governmental measures which operate:

(i) to restrict the quantities of the like domestic product permitted to be marketed or produced:

or

(ii) to remove a temporary surplus of the like domestic product; or

as an alternative to such import restrictions duties not exceeding those for the time being appearing in its customs tariff applicable to such products.

(d) import and export restrictions on gold in any form, currency and rough and uncut precious stones;

(e) export restrictions on scrap metal and old metal of any type;

(f) export restrictions on wild animals, wild animal trophies and wild animal products.

(g) import and export restrictions undertaken in pursuance of obligations under any international trade of commodity agreement.

(h) import and export restrictions relating to fissionable materials on the materials from which they are derived, atomic energy materials of strategic value and items of primary strategic significance used in the production of arms and ammunition and other implements of war, and any materials containing such metals;

(i) import and export restrictions relating to the traffic in arms, ammunition and implements or war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment;

(j) import and export restrictions taken in time of war or other emergency; in May or June and at a place to be agreed between them; and any restrictions thereafter consultation, at an earlier date.

Notwithstanding the provisions of Article 6, the following provisions should govern the importation of cattle and fresh, frozen and chilled been from the Bechuanaland Protectorate into the Federation for the duration of the Customs Agreement.

(1) Importation of cattle and fresh, frozen and chilled beef into the Federation from the Protectorate shall be limited to any quota established from time to time in terms of the following provisions:-

(i) For the duration of the Customs Agreement referred to above, there shall be established in quota of 10,000 (ten thousand) head of live cattle which may be imported into the Federation. For each of the years 1963, 1964 and 1965, the figure of 15,000 (fifteen thousand) will be substituted for the said figure of 10,000 (ten thousand).

(ii) In respect of each of the years 1963, 1964 and 1965 there shall be a nil quota for fresh, frozen and chilled beef.

(2) Negotiations shall take place annually in the last quarter of each year, or more frequently by mutual agreement, between the Federal Government and the Bechuanaland Protectorate Government to determine:

(i) Whether a quota greater than 10,000 (ten thousand) head and, if so, what quota should be established for the third year ahead and the quota, if any, which should be established for fresh, frozen and chilled beef for the third year ahead;

(ii) Whether any and, if so, what modifications should be made to any quota established in respect of any year following the negotiations provided that a quota for live cattle may not be reduced below 10,000 (ten thousand) head.

(3) Cattle imported into the Federation in terms hereof shall be purchased by the Cold Storage Commission (hereinafter referred to as the Commission) at the prices being paid by the Commission at the time of delivery to an abattoir of the Commission for cattle of the same weight and grade bought by the Commission from producers in the Federation and delivered to that abattoirs.

(4) The cattle shall be delivered F.O.R. to the Bulawayo abattoir of the Commission nearer the point of despatch from the Bechuanaland Protectorate as may be determined by the Commission after consultation with Bechuanaland Protectorate Abattoirs Ltd. Lobatse.

5) Fresh, frozen and chilled beef imported into the Federation terms of any quota shall be bought by the Commission at prices determined at the negotiations referred to in paragraph (2) and delivered at rates and quantities agreed thereat.

(6) Regarding the quota established for cattle in respect of any one year the Bechuanaland Protectorate government undertakes to ensure that the cattle will be delivered at rates and quantities to be agreed at the negotiations referred to in paragraph (2), and only otherwise by arrangement between the Commission and the Bechuanaland Protectorate Government, or in circumstances beyond the control of the Commission or the Bechuanaland Protectorate Government, such as acute disease or drought.

In the event of the above proposals being acceptable, to you, I have the honour to propose that this note and your acceptance be regarded as constituting an Agreement between the Government of the Bechuanaland Protectorate and the Government of the Federation.

ARTICLE 7

(1) Goods other than -

(a) motor cars
(b) motor spirit, gas oil, diesel oil and furnace oil
(c) cinematograph films and
(d) other goods produced or manufactured in the Union of South Africa, Basutoland, Swaziland or South Africa,

which have been imported into the Federation and subsequently removed to the Bechuanaland Protectorate shall be admitted into the Bechuanaland Protectorate free of customs duty but an account shall be kept by the Government of the Federation of all such goods and the duty thereon, at the rates applicable thereto for the time being in terms of the customs tariff of the Federation, shall be paid by the Government of Federation to the Government of Bechuanaland Protectorate.

(2) Goods (other than cinematograph film and those grown, produced or manufactured in the Union of South Africa, Basutoland, Swaziland or South West Africa) which have been imported into the Bechuanaland Protectorate and subsequently removed to the Federation shall be admitted into the Federation free of customs duty and the Government of the Bechuanaland Protectorate shall arrange for the duty thereon at the rates leviable for the time being in the

A.Bechuanaland Protectorate to be paid to the Government of the Federation.

Provided that:

(i) no duty shall be paid by the Government of the Bechuanaland Protectorate to the Government of the Federation in respect of motor spirit removed from the Bechuanaland Protectorate to the Federation; and

(ii) such motor spirit shall when entered for consumption be liable to such duty as may be provided for by the law of the Territory of the Federation to which it is removed.

(3) Goods grown, produced or manufactured in the Union of South Africa, Basutoland, Swaziland or South West Africa (other than the goods specified in paragraphs (4), (5), (6) and (7) of this Article) which have been imported into the Federation and subsequently removed to Bechuanaland Protectorate shall be admitted into the Bechuanaland Protectorate free of customs duty, but goods which have been exported to the Federation from the Union of South Africa under subsidy or bounty shall be liable on importation into the Bechuanaland Protectorate an amount equal to such subsidy or bounty.

(4) In the case of motor cars and motor spirit, gas oil, diesel oil and furnace oil imported into the Federation and subsequently removed to the Bechuanaland Protectorate, the Government of the Federation shall arrange for the collection and payment to the government of the Bechuanaland Protectorate of the duties at the rates leviable for the time being in the Bechuanaland Protectorate.

(5) When goods (other than those mentioned in paragraphs (4) and (6) of this Article) which have been manufactured in the Union of south Africa, Basutoland, Swaziland or South West Africa and are liable to excise duty or excise stamp duty in the Country in which they were manufactured, are removed from the Federation to the Bechuanaland Protectorate, they shall be admitted into the Bechuanaland Protectorate, free of duty, but the Government of the Federation shall arrange for an amount equal to the excise duty leviable on such goods in the Bechuanaland

Protectorate to be paid to the Government of the Bechuanaland Protectorate, and shall arrange that cigarettes and cigarette tobacco shall not be permitted to be removed to the Bechuanaland Protectorate unless the containers are in conformity with and beer excise stamp duty labels in accordance with the laws in force in the Bechuanaland Protectorate.

(6) When plain or rectified spirits or spirituous liquors (other than ale, beer, stout, cider, perry and wine) which have been manufactured in the Union of South Africa, Basutoland, Swaziland or South West Africa are consigned to the Bechuanaland Protectorate through the Federation or re removed to the Bechuanaland Protectorate from the Federation, such spirits or spirituous liquors shall be liable, on entry for consumption in the Bechuanaland Protectorate, to duty according to the tariff for the time being in force in the Bechuanaland Protectorate,

(7) Cinematograph films removed from the Federation to the Bechuanaland Protectorate or from the Bechuanaland Protectorate to the Federation shall when entered for the consumption in the Bechuanaland Protectorate or, as the case may be, the Federation be liable to such duty as may be provided for the law thereof.

ARTICLE 8

(1) Subject to the provisions of paragraph (2) of this Article, each party to this Agreement shall, notwithstanding anything contained herein, be entitled to levy on any goods produced or manufactured in its country, from materials of any origin a duty of excise, an excise stamp duty or a surtax and leach party to this Agreement so imposing an excise duty, an excise stamp duty or a surtax shall be entitled to levy upon similar goods produced or manufactured in the country of the othr party a countervailing duty not exceeding such duty or surtax when such goods are entered for consumption in its country. The right of the Bechuanaland Protectorate to impose any excise duty under this Agreement on any article on which an excise duty is imposed in the Union of South Africa shall not be questioned on the ground that such article is not in fact produced or manufactured in the Bechuanaland Protectorate.

(2) Countervailing duties in terms of paragraph (1 of this Article shall not be collected on the goods mentioned in paragraph (2 and 3 of Article 5.

ARTICLE 9

(1) The Government of the Federal shall_

(a) When goods, other than motor cars and motor spirit, gas oil, diesel oil and furnace oil and goods grown, produced or manufactured in the Union of South Africa, Basutoland, Swaziland and South West Africa, are removed from the Federation to the Bechuanaland Protectorate, levy recover and pay to the Government of the Bechuanaland Protectorate any amount by which the customs duty shown in relation to such goods in the tariff of the Federation is suspended; and

(b) levy and recover any amount by which the sum payable to the Government of Bechuanaland Protectorate in respect of goods removed to the Bechuanaland Protectorate in terms of this Agreement exceeds the sum paid to the Government of the Federation when such goods were entered for consumption in the Federation.

(2) The Government of the Federation and the Government of the Bechuanaland Protectorate shall make such legal provisions as may be necessary to ensure the proper declaration of goods removed in terms of this agreement from the Federation to the Bechuanaland Protectorate or from the Bechuanaland Protectorate to the Federation, as the case may be.

(3) Except as may be agreed from time to time by the parties goods shall not be removed in bond from the country or one party to this Agreement to the country of the other party.

ARTICLE 10

Canceled per HCN 28/57

ARTICLE 11

Notwithstanding anything to the country contained in Article 7, when goods have entered into the use in the country of one party to this Agreement and are subsequently removed to the country of the othr party the value of such goods shall be reduced proportionately to their depreciation for the purpose of calculating the amount of any ad valerem duty to be paid by the one party to the other party.

ARTICLE 12

The provisions of this Agreement and any amendment thereto shall apply to all goods removed from the Bechuanaland Protectorate to the Federation which re entered for consumption in the Federation on or after the coming into operation of this Agreement or, as the case may be any amendment thereto and to all goods removed from the Federation to the Bechuanaland Protectorate on or after such date.

ARTICLE 13

(1) The parties to this Agreement agree to meet from time to

time as may be necessary for the purpose of reviewing the operation of this Agreement.

(2) If a party should consider that circumstances have arisen which necessitate a variation in the terms of the Agreement any proposal so to vary those terms shall form the subject of consultation between the parties.

PART 3

ARTICLE 14

This Agreement shall come into operation on 1st June, 1956, and shall remain in operation until the expiry of six months after notice of termination shall have been given by either party to the Agreement to the other;

Provided that no such notice shall be given until the parties have consulted together with a view to determining whether any adjustment or modification is acceptable in furtherance of the objectives of the Agreement.

Signed at Cape Town this 22nd day of May, Nineteen Hundred and Fifty-Six.

(Sgd.) P. Liesching,
For Majesty's High Commissioner for
Basutoland, the Bechuanaland Protectorate and
Swaziland

(Sgd.) A.d. Chataway,
High Commissioner
on behalf of the Government of the Federation of
Rhodesia and Nyasaland

Appendix 5

BP'S BILATERAL TRADE WITH THE FEDERATION (1953-1963) AND SR (1964)

£ (thousands)

Year(s)	BP's Imports of Federation's own produce	BP's Exports	BP's Cattle Beef exports	Overal Trade Balance
1953	246.641	86.643	14.967	-159 999
1954	275.000	125.300	61.952	-149 700
1955	275.315	725.210	585.050	+449 895
1956	299.424	738.205	574.858	+438.781
1957	347.515	515.915	487.592	+14.167
1959	460.783	301.710	216.803	-159.073
1960	668.624	19.917	0	-648.707
1961	486.823	260.839	224.049	-225.984
1962	908.160	436.864	389.588	-471.296
1963	847.883	544.150	393.571	-303.733
1964	1,069.520	328.930	178.791	-740.590

Source: The Federation of Rhodesia and Nyasaland Trade with certain countries during the years 1953-1963. Central Statistical Office, Salisbury.
*Note that imports from the Federation does not include reexports by the Federation but own produce and manufactures.

Appendix 6

BP-FEDERATION BILATERAL TRADE COMMODITY STRUCTURE, 1953-1964

BP Exports to Federation & Later SR

	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
<u>Food</u>												
Cattle	14.967	61.952	2.730	0	148.756	147.038	189.242	0.	224.049	389.558	388.330	175.723
Swine (Pigs)	1.255	1.986	3.953	15.210	10.988	17.246	11.287	2.543	5.270	7.077	1.388	1.621
Maize	0	14.370	10.660	9.999	5.727	7.387	68	0	0	150	2.355	0
Fruits (fresh)	0	0	0	0	0	0	0	0	416	1.236	5.087	8.674
Onions	0	0	0	0	0	0	0	0	0	1.470	2.668	0
Goats	5.561	4.087	1.552	2.408	1.320	50	172	0	0	0	0	0
Beans and Lentils	6.450	0	46,799	39.328	11.839	4.293	5.058	0	0	0	0	0
Eggs	0	0	0	0	0	0	0	0	0	0	0	0
Livestock Feed	0	0	11.044	20.191	15.718	8.120	6.046	3.180	0	0	0	0
Meats (Fresh, frozen, chilled)	0	0	582.320	574.858	340.554	252.605	27.561	0	0	0	5.241	3.068
<u>Crude Materials</u>												
Hides and skins	26.665	17.025	10.866	3.722	6.238	35.204	24.071	7.178	15.923	25.971	91.659	108.418
Firewood & Charcoal	2.066	2.908	16.453	0	0	0	0	0	1.600	0	0	0
Animal & Veg. fats (Tallow etc)	0	0	24.404	21.867	9.200	1.257	0	0	7.340	0	0	0
<u>Chemicals</u>												
Soap	0	0	0	0	0	11.030	25.229	0	1.704	0	0	0
Leather Manufactures	943	0	0	0	0	0	0	0	-	0	0	0
Tomatoes	0	0	0	0	0	0	0	0	-	0	0	0
BP Imports from the Federation & Later SR												
Food												
Meat & Meat products	3.986	3.648	5.371	6.534	7.250	0	0	7.218	5.166	8.005	12.033	9.28
Bakery Products	2.267	2.792	3.139	5.094	7.337	9.410	11.265	9.958	4.048	9.214	13.268	12.750
Milk Powder	0	0	0	0	0	0	0	0	0	0	0	8.517
Beans, peas etc dried	0	0	0	0	0.029	0.030	2.032	3.129	1.459	1.739	6.659	5.973
Sugar & Sugar Preparations	4.630	3.734	2.500	3.837	3.353	4.028	4.318	5.210	17.478	150.435	74.102	32.222

	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
;everages Alcoholic & Min. wtrs	4.709	4.708	5.991	12.426	13.915	19.561	26.285	28.820	51.554	56.506	51.998	86.183
ʼlaize (ground)	0	8.818	17.693	12.120	35.156	49.905	24.355	182.423	34.130	15.548	16.895	0
;ereals in the grain	0	0	0	0	0	0	0	507	13.966	36.640	6.	0
;ice	0	0	1.492	9.271	4.783	2.308	5.378	3.629	3.145	6.752	6.163	0
lon Food												
;igarettes	30.905	33.951	40.533	29.619	22.003	19.306	16.490	15.034	18.546	20.770	20.044	26.133
Vooden Manufactures	3.468	2.214	4.057	4.456	2.273	4.988	9.346	4.893	3.852	3.283	3.630	34.317
'aints, Varnishes	0	0	0	0	232	323	2.510	4.489	4.128	6.438	5.661	17.086
;otton Fabrics	0	0	0	0	0	0	0	3.872	6.010	6.794	7.427	8.500
ʼlineral Manufactures	0	0	0.614	0.692	5.813	2.486	7.738	-	0	0	0	-
ʼletal Windows, & Doors	1.320	3.209	2.968	4.823	7.206	12.209	10.870	10.612	10.819	8.109	52.213	
;lankets and rugs	30.748	0	30.113	30.045	49.356	46.035	69.716	62.558	54.596	70.872	66.976	78.353
inished Structural Metal Parts	0	0	0	0	0	0	0	5.845	7.516	10.508	11.300	12.921
oints, bars, angles	0	0	0	0	0	0	0	0	0	0	0	12.457
'ipes and Fittings Iron or Steel	0	0	0	0	1.513	2.091	2.742	0	0	0	0	10.262
ransport Equipment	3.113	0	1.742	2.820	8.173	3.930	2.491	8.417	11.352	19.631	16.736	13.176
)uter Garments	40.792	51.744	56.446	56.476	44.606	37.608	68.725	95.865	59.852	84.579	75.496	86.817
;hirts	12.316	18.197	15.636	18.441	22.684	17.716	18.623	14.859	11.066	23.699	24.330	33.501
ootwear, canvas	5.400	7.884	7.712	10.647	7.444	7.484	9.450	6.349	15.185	12.116	11.599	15.018
ootwear, n.e.s	1.380	1.832	1.729	1.977	2.033	3.755	3.412	1.603	5.791	9.119	8.960	14.020
Inderclothing	0	0	0	0	0	0	0	0	8.609	15.450	12.124	14.049
Vire products	0	0	0	0	0	0	0	2.340	3.976	4.681	5.663	9.214
ʼlotor Vehicles	0	0	0	0	0	0	0	0	0	0	0	0
;ement	0	1.458	5.135	4.404	2.230	2.333	2.672	4.617	3.156	2.658	302	1.016

;ource: The Federation of Rhodesia and Nyasaland's Trade with certain countries during the years 1953-1963, Federal Ministry of Trade and Commerce, Salisbury

RHODESIA'S SUGAR EXPORTS TO BOTSWANA

Year	Exports in US$million	% decrease or increase
1967	8 662 000	
1968	10 500 000	21%
1969	10 562 000	
1970	11 000 000	4.15%
1971	-	-
1972	-	-
1973	11 600 000	-
1974	12 000 000	3.45%
1975	12 000 000	-
1976	11 000 000	-8.33%
1977	11 000 000	-
1978	13 000 000	18.18%
1979	14 000 000	7.69%

Source: Statistical Bulletin, International Sugar Organization, Vo.52 No. 4. April 1993

Appendix 8

MOST IMPORTANT (IN VALUE TERMS) BILATERAL TRADE FLOWS

1979 COMMODITY SPECIFICATION

Exports to Imports from	Rhodesia (Zimbabwe)	Botswana
	a. Animal and Vegetable crude materials	
Botswana	b. Textiles and Clothing c. Animal oils and Fats	
Zimbabwe		a. Sugar b. Textiles c. Cement d. Furniture e. Manufactures of metal f. Fixed veg. oils, soft. g. Articles of Rubber h. Finished structural metal parts

Source: Gunnar Sollie; Trade Patterns and Industrial Aspects of Trade: An Empirical Study of Trade in Southern Africa, DERAP Working Papers, A267, Bergen, Sept-1992: Michelsen Institute, p.25.

Appendix 9

Botswana's Textile and Clothing Companies' Export Markets

Name of Company	Date Est.	Location	Ownership	Major Market Served Foreign
A.I.Knitters	1975	Francistown	Zimbabwe	Zimbabwe#
Bots Cap & Helmets	1963	Lobatse	Dutch	Zim,# Zambia& Malawi
Commercial Enterp.	1979	Francistown	Zimbabwe	Zimbabwe#
Everest Mills	1973	Francistown	Zimbabwe	SA,Zimbabwe#
Farzana Textile	1979	Gaborone	Zimbabwe	Zimbabwe#
BUA	1974	Molepolole	Botswana	Local
Image Botswana	1976	Gaborone	UK/BDC*	Zimbabwe#,S.A
Lace & Trimmings	1972	Francistown	S.A	Zimbabwe#
Marothod	1977	Francistown	BDC/Local*	Local
Manhattan Fashions	1976	Francistown	Zimbabwe	Zimbabwe#
Oodi Weavers	1979	Oodi	Local	Local
Pan African Hats	1969	Francistown	Zimbabwe/UK/	Zimbabwe#
Rainment Manufact.	1972	Francistown	Zimbabwe	Zimbabwe#
Superior Clothing	1977	Francistown	Indian	Zimbabwe#

Source: Data on Manufacturing Licences in Botswana, Ministry of Commerce and Industry, Gaborone, September 1983.

1. It has not been possible to establish whether foreign/owned firms were subsidiaries of MNCs based in Zimbabwe or whether they were subsidiaries of MNCs based in Zimbabwe or whether they were simply small firms owned by Zimbabwe citizens. But what is clear is that most of these firms were owned by Zimbabwean Whites and Asians i.e. Zimbabwean national capital.

* Joint Ventures

Botswana's exports to Zimbabwe in the pre 1980 period.

APPENDIX 10: INTRA SADCC TRADE

EXPORTS FROM	YEARS	IMPORTS TO ANGOLA	BOTSWANA	LESOTHO	MALAWI	MOZAMBIQUE	SWAZILAND	TANZANIA	ZAMBIA	ZIMBABWE
		(showing dominance of the Botswana - Zimbabwe pair)								
ANGOLA	1980	N/A	-	-	-	-	-	-	-	-
	1981	N/A	-	-	-	-	-	-	-	0.000.1
	1982	N/A	-	-	-	1.0	-	-	-	-
	1983	N/A	.003	-	-	0.34	-	-	-	-
	1984	N/A	-	-	-	4.84	-	-	-	0.000.2
	1985	N/A	-	-	-	-	-	-	-	0.626
	1986	N/A	-	-	-	-	-	-	-	0.023
	1987	N/A	-	-	-	-	-	-	-	-
	1988	N/A	.002	-	-	-	-	-	-	-
	1989	N/A	.001	-	-	-	-	-	-	-
	1990	N/A	.002	-	-	-	-	-	-	0.159
	1991	N/A	.0006	-	-	-	-	-	-	0.013
BOTSWANA	1980	-	N/A	0.03	0.12	0.07	0.02	0.01	0.75	12.07
	1981	2.59	N/A	0.04	0.14	7.15	0.03	0.03	1.37	20.49
	1982	-	N/A	0.05	0.07	9.03	0.07	0.01	1.09	48.57
	1983	-	N/A	0.006	0.05	5.29	0.02	0.08	1.03	51.73
	1984	0.045	N/A	0.03	0.31	0.63	0.04	0.07	0.63	36.07
	1985	0.004	N/A	0.14	0.05	0.49	0.05	0.21	1.14	48.25
	1986	-	N/A	0.03	0.23	0.08	0.18	0.02	1.13	102.49
	1987	-	N/A	0.11	0.22	2.14	0.11	0.16	8.30	124.61
	1988	-	N/A	0.28	0.63	0.53	0.02	0.42	2.84	230.01
	1989	8.056	N/A	0.45	1.38	5.48	0.32	1.66	4.42	330.38
	1990	0.1	N/A	0.6	4.90	6.20	0.50	2.70	26.70	314.00
	1991	0.1	N/A	0.2	15.40	6.10	0.05	0.80	19.30	351.92
LESOTHO	1980	-	0.094	N/A	-	-	-	-	-	-
	1981	-	0.025	N/A	-	0.13	-	-	-	-
	1982	-	0.019	N/A	-	-	-	-	0.01	-
	1983	-	.030	N/A	-	0.27	-	-	-	2.02
	1984	-	.175	N/A	-	0.06	-	-	-	3.30
	1985	-	.051	N/A	-	-	-	-	-	-
	1986	-	.439	N/A	-	-	-	-	-	0.18
	1987	-	.234	N/A	-	-	-	-	-	0.16
	1988	-	1.087	N/A	-	-	-	-	-	0.23
	1989	-	.606	N/A	-	-	-	-	-	0.22
	1990	-	2.50	N/A	-	-	-	-	-	1.59
	1991	-	0.500	N/A	-	-	-	-	0.55	1.14

APPENDIX 10 (CONTINUED)

EXPORTS FROM	YEARS	ANGOLA	BOTSWANA	LESOTHO	MALAWI	MOZAMBIQUE	SWAZILAND	TANZANIA	ZAMBIA	ZIMBABWE
MALAWI	1980	-	0.202	-	N/A	-	-	-	-	8.294
	1981	-	0.623	-	N/A	1.82	-	0.06	4.85	11.234
	1982	-	0.555	-	N/A	1.58	-	0.05	4.22	8.808
	1983	-	0.669	-	N/A	0.38	-	6.78	7.27	7.424
	1984	0.45	1.084	-	N/A	1.04	-	0.49	-	10.335
	1985	-	1.472	-	N/A	-	-	-	-	2.532
	1986	-	1.180	-	N/A	20.98	-	1.10	13.30	5.095
	1987	-	1.056	-	N/A	-	-	-	-	4.436
	1988	-	1.343	-	N/A	29.42	-	1.19	17.26	-
	1989	-	4.969	-	N/A	29.08	-	1.53	18.43	-
	1990	-	6.000	-	N/A	-	-	-	-	12.041
	1991	-	3.100	-	N/A	43.39	2.25	0.39	17.73	5.718
MOAMBIQUE	1980	0.72	.010	-	2.43	N/A	-	3.10	0.04	0.363
	1981	0.87	.006	-	3.50	N/A	-	4.57	-	14.168
	1982	3.31	.004	-	3.1	N/A	1.32	14.60	-	5.481
	1983	1.61	.016	-	2.36	N/A	1.98	3.66	-	8.223
	1984	2.19	.014	0.01	2.31	N/A	0.28	2.66	0.01	0.080
	1985	-	.475	-	-	N/A	-	-	-	0.147
	1986	-	.001	-	0.90	N/A	-	1.41	-	0.492
	1987	-	-	-	-	N/A	-	-	-	0.704
	1988	-	.119	-	1.59	N/A	-	1.45	-	-
	1989	-	.309	-	2.11	N/A	-	1.02	-	-
	1990	-	.300	-	-	N/A	-	-	-	1.788
	1991	0.17	0.04	-	3.38	N/A	-	5.79	0.08	10.082
SWAZILAND	1980	-	0.008	-	-	-	N/A	1.93	-	0.814
	1981	-	.072	-	-	5.86	N/A	0.13	-	2.229
	1982	-	.286	0.01	0	0.5	N/A	-	3.9	2.578
	1983	-	.006	0.03	-	2.01	N/A	-	-	1.419
	1984	-	.044	0.02	0	2.17	N/A	-	-	0.307
	1985	-	.080	-	-	-	N/A	-	-	0.956
	1986	-	.148	-	-	-	N/A	0.40	10.35	1.679
	1987	-	1.089	-	-	-	N/A	-	-	7.364
	1988	-	.683	-	-	-	N/A	0.43	14.51	-
	1989	-	0.207	-	-	-	N/A	0.23	17.79	-
	1990	-	1.200	-	-	-	N/A	-	-	27.730
	1991	-	0.09	-	-	-	N/A	-	23.87	17.325
TANZANIA	1980	-	.008	-	0.26	21.97	-	N/A	7.45	0.081
	1981	-	.016	-	0.20	4.58	0.39	N/A	2.16	0.134
	1982	-	.025	-	0.27	2.28	-	N/A	3.74	0.102
	1983	-	.025	-	0.54	1.61	-	N/A	1.27	0.293
	1984	-	.042	-	0.02	3.54	-	N/A	0.61	0.253
	1985	-	.022	-	-	-	-	N/A	-	0.123
	1986	-	.149	-	0.88	5.28	-	N/A	1.76	0.328
	1987	-	.892	-	-	-	-	N/A	-	0.704
	1988	-	1.193	-	0.71	4.40	-	N/A	1.67	-
	1989	-	.573	-	0.76	4.07	-	N/A	1.53	-
	1990	-	2.80	-	-	-	-	N/A	-	4.481
	1991	-	1.00	-	0.82	-	-	N/A	6.59	5.531

APPENDIX 10 (CONTINUED)

IMPORTS TO

EXPORTS FROM	*YEARS*	*ANGOLA*	*BOTSWANA*	*LESOTHO*	*MALAWI*	*MOZAMBIQUE*	*SWAZILAND*	*TANZANIA*	*ZAMBIA*	*ZIMBABWE*
ZAMBIA	1980	-	.384	-	6.68	0.64	-	5.27	N/A	8.848
	1981	-	.629	-	5.76	0.09	-	3.90	N/A	18.403
	1982	1.19	.728	-	-	-	0.07	4.60	N/A	21.352
	1983	-	2.200	-	-	0.06	-	4.32	N/A	20.954
	1984	0.06	0.314	-	4.61	0.06	-	5.54	N/A	20.127
	1985	-	0.730	-	-	-	-	-	N/A	22.455
	1986	1.98	1.259	3.52	13.87	0.22	-	11.67	N/A	31.906
	1987	-	1.987	-	-	-	-	-	N/A	22.834
	1988	5.00	5.322	15.94	17.60	0.48	-	28.78	N/A	-
	1989	6.10	16.897	10.93	18.05	0.76	-	20.59	N/A	-
	1990	-	10.700	-	-	-	-	-	N/A	27.396
	1991	2.47	6.100	-	11.80	0.24	-	8.51	N/A	22.466
ZIMBABWE	1980	0.06	35.33	-	6.83	2.50	0.35	0.007	5.73	N/A
	1981	1.73	42.25	1.58	10.62	8.33	1.07	1.02	26.35	N/A
	1982	0.24	45.34	0.87	10.53	14.74	1.06	5.03	13.57	N/A
	1983	0.45	56.92	5.52	14.25	13.73	1.10	3.37	29.36	N/A
	1984	0.94	87.21	14.62	16.41	7.99	0.46	2.39	32.78	N/A
	1985	6.86	91.88	0.76	12.76	13.04	0.57	4.98	37.98	N/A
	1986	2.40	119.67	0.59	15.88	41.16	0.33	3.24	36.90	N/A
	1987	4.84	142.67	6.33	25.09	60.52	3.01	6.03	46.26	N/A
	1988	4.38	173.04	3.40	61.01	61.61	3.55	7.19	-	N/A
	1989	-	225.68	3.96	-	-	-	-	-	N/A
	1990	29.11	246.57	6.53	-	-	2.18	-	-	N/A
	1991	14.34	283.497	4.23	-	-	1.43	7.29	-	N/A

Source:

L J Chingambo "Regional Trade Pattern, Structure and future Prospects (Notes for Discussion) "Paper presented to FES -Roundtable no. 3 on Political Africa - A perspective. Lusaka, June 18-19, 1992.

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- a virtually no trade situation

Appendix 11

(a) BOTSWANA'S COMMODITY TRADE WITH OTHER SADCC COUNTRIES:

Table 1: Exports from Botswana to Mozambique (Million Rands)

Commodity	1980	1981	1982	1983	1984
Meat	-	-	6.48	4.85	1.46
Total Exports	-	9.42	6.57	5.03	1.81

Table 2: Exports from Zambia to Botswana (Million Rands)

Commodity	1980	1981	1982	1983	1984
Lime and Cement	0.0	0.11	0.09	1.44	0.0
Total Exports	0.51	0.23	0.37	1.87	0.0

(b) ZIMBABWE'S COMMODITY TRADE WITH OTHER SADCC COUNTIRES

Table 3: Exports from Mozambique to Zimbabwe (Million Rands)

COMMODITY	1980	1981	1982	1983	1984
Petroleum Products	0.90	24.01	8.60	3.69	0.0
Total Exports	1.03	28.27	8.97	4.05	0.07

Table 4: Exportsfrom Zambia to Zimbabwe (Million Rands)

COMMODITY	1980	1981	1982	1983	1984
Tobacco, unmanufactured	1.80	0.0	0.0	0.0	0.0
Electricity	22.49	31.71	24.79	17.62	12.25
Chemicals	0.0	0.0	0.56	1.08	0.76
Total of above	24.29	31.71	25.35	18.70	13.00
Total exports	25.19	41.13	28.49	20.59	14.30

Source: "SADDC Intra-Regional Trade Study Chr, Michelsen Institute, Bergen, 1986"

APPENDIX 12: POST 1980 BOTSWANA'S TRADE WITH ZIMBABWE
(UA Million Rands)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Botswana Imports	29.229	35.336	42.250	45.342	59.923	87.219	91.839	119.672	142.670	173.049	225.686	246.571	283.497	258.141
Exports	7.548	12.078	20.494	48.515	51.726	36.068	48.249	102.494	124.607	230.017	330.888	293.511	359.918	222.468
Copper Nickel exports	0.0	0.0	0.0	10.556	11.961	0.0	21.134	47.726	47.688	145.595	236.159	130.495	165.290	130.409
Non-Mineral exports	7.548	12.078	20.494	48.515	39.764	36.068	27.116	34.768	76.919	84.422	94.229	163.016	186.628	92.059
Overall Trade Balance	- 21.681	- 23.263	- 21.756	- 3.173	- 5.197	- 51.150	- 43.640	- 17.178	- 18.063	+ 56.968	+ 104.703	+ 46.940	+ 68.420	- 35.673
Trade Balance excluding Copper Nickel	- 21.681	- 23.263	- 21.756	- 7.383	- 17.159	- 51.150	- 64.773	- 64.904	- 65.751	- 88.627	- 131.457	- 83.555	- 96.869	- 166.082
Total Annual Growth Rates (in %) Non mineral exports	.	56.6	70.1	87.3	4.7	9.25	-24.9	28.33	120.4	9.7	11.7	73.2	.	.
Annual Growth rate Imports	.	21.1	19.7	7.4	25.5	53.2	5.4	30.2	19.2	21.3	30.4	9.3	.	.
Annual Growth rate Exports	.	55.4	70.2	140.0	6.6	30.3	33.8	112.4	21.6	84.6	43.6	11.2	.	.

Source

Botswana External Trade Statistics, STATS BRIEF, Gaborone No. 92/6, 7 October 1992
External Trade Statistics 1992, Trade Statistics Unit, Department of Customs and Excise, Gaborone, Botswana.
. unavailable
\+ trade surplus
\- trade deficit

THE REPUBLIC OF BOTSWANA

AND

THE REPUBLIC OF ZIMBABWE

AMENDING

THE CUSTOMS AGREEMENT

BETWEEN

THE FEDERATION OF RHODESIA AND NYASALAND AND

BASUTOLAND, BECHUANALAND PROTECTORATE AND SWAZILAND

Whereas the Contracting Parties recognise that it is desirable that trade between their countries should be free and as uninterrupted as possible for the purpose of expanding trade and employment creation in their territories;

Whereas the Contracting Parties are desirous of continuing and improving the traditional trading relations between them on the basis of equality and mutual benefit;

And Whereas the Contracting Parties having recognised that the Customs Agreement entered into in 1956 is deficient in several respects which have caused it to be amended as herein provided.

NOW THEREFORE HAVE AGREED AS FOLLOWS:

ARTICLE 1

The Customs Agreement between the Federation of Rhodesia and Nyasaland and Basutoland, Bechuanaland Protectorate and Swaziland which came into force on 1st June, 1956 is hereby amended.

ARTICLE 2

The Customs Agreement (hereinafter referred to as "the Agreement") is amended by the substitution for the words "the Federation of Rhodesia and Nyasaland" the words "the Republic of Zimbabwe" and for the words "Bechunaland Protectorate" the words "the Republic of Botswana" wherever they appear in the Agreement.

ARTICLE 3

1. The provision of this Agreement shall apply, except where otherwise provided, the goods grown, produced or manufactured in the territory of either Contracting Party and exported directly to the teritory of the other Contracting Paty.

2. Goods which do not qualify in terms of the rules of origin referred to in paragraph 3 of this Article shall be deemed to fall outside the terms of this Agreement.

3. For the purpose of this Agreement:

   a) goods grown or wholly produced in the territory of either Contracting Party shall be those catagorised in paragraph (4) of this Article; and

   b) goods manufactured wholly or partly from imported materials, parts or components in the territory of either Contracting Party shall in accordance with paragraph (5) of this Article, be deemed to originate in the territory of either Contracting Party.

4. The following catagories of goods shall be considered as wholly produced in the territory of either Contracting Party;

a) mineral products extracted from its soil;

b) vegetable products harvested or gathered therein;

c) live animals born and raised therein;

d) products obtained therein from live animals;

e) products obtained therein by hunting or fishing;

f) forest products harvested therein; and

g) goods obtained therein exclusively from products specified in sub-paragraph (a) to (f) inclusive of this paragraph.

5. The Country of Origin of goods manufactured in the territory of either Contracting Party and imported into the territory of the other shall be determined in accordance with the rules of origin contained in Annexure attached hereto which forms an integeral part of this Agreement.

ARTICLE 4

1. Customs Officials of the Contracting Parties shall regularly consult on matters concerning the documentation and procedures relating to the Certificates of Origin issued under this Agreement.

2. Each Contracting Party's Customs Authority shall be the competent authority to verify the origin of goods that are exported to the territory of the Contracting Party to ensure that they meet the local content rules of Article 3 (3) of this Agreement.

3. The Importing Country reserves the right to verify the origin of the goods imported into it under this Agreement. Information and documentation necessary for verification purposes shall be forwarded to the Customs Authority of the Importing Country at the same time as such details are forwarded to the Exporting Country. Origin verification shall be carried out for all products to be traded for the first time and may be reviewed on a case-by-case basis at the request of either Contracting Party.

4. Failure to furnish the information stated in paragraph 3 of this Article may lead to the suspension of the goods in question from benefiting from the provision of this Agreement.

5. Where necessary, the Customs Officials of the Contracting Parties shall jointly visit the manufacturing establishments in the territory of other Contracting Party for purposes of origin verification.

ARTICLE 5

1. Subject to the provisions of this Agreement, goods grown, produced or manufactured in the teritory of either Contracting Party, on removal to the territory of the other Contracting Party, shall be free of Customs Duty.

2. Notwithstanding the provisions of paragraph 1 of this Article, a Contracting Party may impose an equivalent duty or tax where this is a countervailing duty or tax to:

a) sales or similar taxes levied and paid in the Importing Country; and

b) excise duties or other taxes levied and paid on goods produced in the Importing Country.

ARTICLE 6

1. Subject to the provisions of paragraph 2, 3 and 4 of this Article and the provisions of Article 3 of this Agreement, goods grown, produced or manufactured in the Country of either Contracting Party shall be exempt from the imposition by either Contracting Party of any quantitative import or export restrictions whether imposed directly or indirectly.

2. After consultation with each other, either Contracting Party may impose:

essential to the exporting Contracting Party;

b) import and export restrictions necessary to the application of standards or regulations for the classification, grading or marketing of commodities;

c) import restrictions, that do not descriminate among Exporting Countries, on agricultural or fisheries products necessary to the enforcement of Government measures which operate:

   i) to restrict the quantities of the like domestic product permitted to be marketed or produced; or

   ii) to remove a temorary surplus of the like domestic product; or

   iii) to encourage local production;

   provided these measures are not descriminatory among countries.

d) import restrictions to safeguard its external financial position and its balance of payments taking into account the trading position existing between the Contracting Parties. However, any such restrictions shall not be discrimantory in any respect and shall not be continued after the cause which gave rise to them has been overcome. The Contracting Parties agree to consult with each other at intervals of not more than six months until the cause which gave rise to the restrictions has been overcome.

e) import and export restrictions imposed in pursuance of obligations arising from any international commodity agreement or international agreement relating to the prevention of infringement of copyright, trade-marks and industrial patents to which a Contracting Party is or may become a party;

f) import and export restrictions on wild animals, wild animal trophies and wild animal products;

g) import and export restrictions necessary for the protection of the life and health of humans, animals and plants;

h) import and export restrictions on arms, ammunition and implements of war;

i) import and export restrictions on gold and other precious metals in any form, currency, and rough and uncut precious stones;

j) import and export restrictions taken in time of war or any other emergency; and

k) measures for the protection of:

   i) public morals;

   ii) national treasures of artistic, historical or archaelogical value;

   iii) essential security interests; and

   iv) strategic materials.

3. A Contracting Party which proposes to take action in terms of the provision of this Agreement likely to impair trade in goods in which the other Contracting Party has substantial interest shall consult with the other Contracting Party prior to taking such proposed action and after having considered any representations made by the other Contracting Party may impose such import or export restrictions it deems necessary. Consultation envisaged in this paragraph shall be conducted within a reasonable period of time and through normal diplomatic channels.

4. In critical circumstances, such as might occur under paragraph (2) (g) to (k) of this Article, where delay would cause damage which it would be difficult to repair, action under paragraph (3) of this Article may be taken provisionally without prior consultation, on the condition that consultation shall be effected immediately after such action.

ARTICLE 7

To facilitate and promote the development of trade and commercial transaction under this Agreement, the Contracting Parties agree:

a) to allow the organization of trade fairs and exhibitions in their respective countries in accordance with their laws and regulations;

b) to furnish each other, on request, with all available information concerning the possibilities of supplying goods originating from their respective countries.

ARTICLE 8

The Contracting Parties agree that trade between their two countries shall be conducted through authorized ports of entry or exit, and in the use of road transport, goods shall be carried by vehicles registered in the country of either Contracting Party, subject to the laws and regulations in force in the country of either Contracting Party.

ARTICLE 9

The 1956 Customs Agreement is amended by the deletion of Article 7 as theirein contained.

ARTICLE 10

The Contracting Parties agree that payments for the transactions between the two countries shall be effected in any freely convertible currency.

ARTICLE 11

The Contracting Parties agree to promote and facilitate the movement of goods through their territories in compliance with the transit rules and regulations, in force in their respective countries, which shall not be discriminatory in any respect.

ARTICLE 12

1. The Contracting Parties shall co-operate with each other in curbing dumping and other trade malpractices and shall, on request, provide all possible assistance concerning enquiries relating to:

   a) allegations of dumping, the granting of bounties or subsidies; and

   b) the country of origin of goods.

2. Notwithstanding the provisions of this Agreement, goods exported to the territory of the other Contracting Party that are priced below the fair market value of such goods in the exporting territory of the other Contracting Party, as determined in accordance with GATT rules, and inflict material damage on the economy of that Contracting Party will be subject to Countervailing or Anti-dumping duties.

3. Rates of Countervailing or Anti-dumping duties shall be established in such a way that the prices of such goods in the Importing Country are raised to the extent necessary to offset the advantage that would otherwise accrue to the benefit of the Exporting Country.

4. Notwithstanding the provisions of paragraph (3) of this Article, the Contracting Party of the exporting territory undertakes not to introduce retaliatory measures that would have as one of their purposes the enhancement of exports of other types of goods to the territory of the other Contracting Party.

ARTICLE 13

1. Nothing in this Agreement shall be construed as affecting any rights and obligations arising from any international agreement or treaty already entered into.

2. The Contracting Parties shall meet at least once a year or at the request of either Contracting Party, at a convenient

time and place for both of them, to review and resolve issues of trade between their two countries.

3. Either Contracting Party may by written notice, through normal diplomatic channels, present to the other Contracting Party a request for modification of this Agreement.

ARTICLE 14

1. The parties hereby agree to establish a Joint Ministerial Trade Committee.

2. The Committee shall be responsible for carrying out consultations in respect of all trade matters affecting both Contracting Parties.

3. Any trade related matter in dispute between the Contracting Parties shall be referred to the Joint Ministerial Trade Committee.

ARTICLE 15

Upon the termination of this Agreement, its provisions and the provisions of any separate contract or agreement made in respect thereof shall continue to govern any existing obligations in so far as goods or commodities placed under this Agreement had already been ordered by either Contracting Party prior to the notice of non-renewal of this Agreement.

ARTICLE 16

These Amendments shall come into force on a date to be fixed by an exchange of Notes and the provisions of the 1956 Customs Agreement shall apply Mutatis Mutandis.

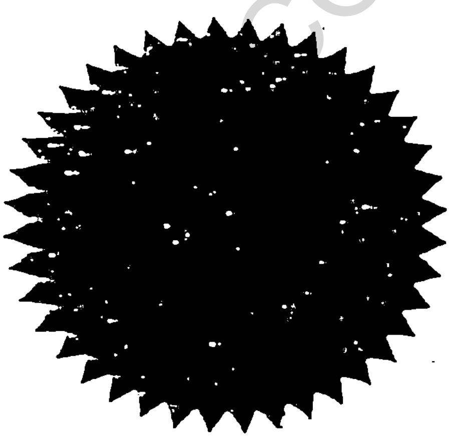
Done at Harare on this 7th day of September, 1988, in two originals, in the English language~~, both text being equally~~ authentic.

For the Government of the
Republic of Botswana

M.P.K. Nwako
MINISTER OF COMMERCE AND
INDUSTRY

For the Government of the
Republic of Zimbabwe

O.M. Munyaradzi
MINISTER OF TRADE AND
COMMERCE



TO THE AGREEMENT

BETWEEN

THE REPUBLIC OF ZIMBABWE

AND

THE REPUBLIC OF BOTSWANA

AMENDING THE CUSTOMS AGREEMENT BETWEEN THE FEDERATION OF RHODESIA AND NYASALAND AND BASUTOLAND, BECHUANALAND PROTECTORATE AND SWAZILAND

1. For the purpose of Article 3 of the Agreement, goods shall be regarded as having been manufactured in the territory of a Contracting Party when at least 25 percent of the manufacturing costs of these goods, as determined herein, which shall constitute "local content", is represented by materials produced and direct labour performed in that territory and the last process in the manufacture of those goods has taken place in that territory, provided that:

   a) the last process of manufacture is substantial and sufficient to change the nature of the product and give it new, essential and distinct characteristics and it was performed in an enterprise equipped for that purpose; and

   b) the final product represents a completely new product or at least an important state in the manufacturing process; and

   c) each type of article or set shall qualify separately in its own right.

2. For the purposes of this Annexure the following operations shall not be regarded as manufacturing:

   a) packing, bottling, placing in flasks, bags, cases, boxes, fixing on cards or boards and all other simple packing operations,

   b) i) assembly, where this involves the construction of an article by putting together finished components which may require slight modifications such as painting or trimming before assembly. Such assembly can involve gluing, screwing, nailing, sewing and minor welding and riveting operations, with or without the addition of local parts or components of minor importance such as screws, nuts and bolts; and

      ii) simple mixing or blending of imported ingredients which does not result in the formation of a different product,

   c) operations to ensure the preservation of merchandise in good condition during transportation and storage such as ventilation, spreading out, drying, freezing, placing in brine, sulphur dioxide or other aqueous solutions, removal of damaged parts, cleaning and similar operations,

   d) changes of packing and breaking up of or disassembly of consignments,

   e) printing, marking, labelling or affixing other like distinguishing signs on products or other packages,

   f) simple operations consisting of removal of dust, sifting or screening, sorting, grading, classifying and matching including the making up of sets of goods,

   g) washing, paiting, dying, bleaching, texturising of textile goods and impregnating or mecerising operations,

   h) etching, decorating, calibration, painting, polishing, cutting up, reinforcing of an otherwise finished article,

ANNEXURE

TO THE AGREEMENT

BETWEEN

THE REPUBLIC OF ZIMBABWE

AND

THE REPUBLIC OF BOTSWANA

AMENDING THE CUSTOMS AGREEMENT BETWEEN THE FEDERATION OF RHODESIA AND NYASALAND AND BASUTOLAND, BECHUANALAND PROTECTORATE AND SWAZILAND

1. For the purpose of Article 3 of the Agreement, goods shall be regarded as having been manufactured in the territory of a Contracting Party when at least 25 percent of the manufacturing costs of these goods, as determined herein, which shall constitute "local content", is represented by materials produced and direct labour performed in that territory and the last process in the manufacture of those goods has taken place in that territory, provided that:

   a) the last process of manufacture is substantial and sufficient to change the nature of the product and give it new, essential and distinct characteristics and it was performed in an enterprise equipped for that purpose; and

   b) the final product represents a completely new product or at least an important state in the manufacturing process; and

   c) each type of article or set shall qualify separately in its own right.

2. For the purposes of this Annexure the following operations shall not be regarded as manufacturing:

   a) packing, bottling, placing in flasks, bags, cases, boxes, fixing on cards or boards and all other simple packing operations,

   b) i) assembly, where this involves the construction of an article by putting together finished components which may require slight modifications such as painting or trimming before assembly. Such assembly can involve gluing, screwing, nailing, sewing and minor welding and riveting operations, with or without the addition of local parts or components of minor importance such as screws, nuts and bolts; and

      ii) simple mixing or blending of imported ingredients which does not result in the formation of a different product,

   c) operations to ensure the preservation of merchandise in good condition during transportation and storage such as ventilation, spreading out, drying, freezing, placing in brine, sulphur dioxide or other aqueous solutions, removal of damaged parts, cleaning and similar operations,

   d) changes of packing and breaking up of or disassembly of consignments,

   e) printing, marking, labelling or affixing other like distinguishing signs on products or other packages,

   f) simple operations consisting of removal of dust, sifting or screening, sorting, grading, classifying and matching including the making up of sets of goods,

   g) washing, paiting, dying, bleaching, texturising of textile goods and impregnating or mecerising operations,

   h) etching, decorating, calibration, painting, polishing, cutting up, reinforcing of an otherwise finished article, shall be representative of the cost arising from normal business practices, operating procedures and levels of production in the industry concerned as incurred over a period of not less than three months, such cost of the goods in their finished condition based on factual costs, charges and expenses incurred in their manufacture, including the cost of putting the goods up in their retail packages and the cost of such retail packages.

Provided that, if in the opinion of the verifying authority, any cost, charge or expense has not been incurred by the manufacturer at the normal open market price, the verifying authority may assess the amount of that cost, charge or expense on the basis of the normal open market price, and the manufacturing cost shall be calculated in accordance with that assessment.

b) For the purposes of determining the local content of any goods manufactured either wholly or partly from locally produced or manufactured materials or components, the local content of such locally produced or manufactured materials or components shall be determined and apportioned as herein provided.

c) For the purposes of determining the local content of any goods manufactured either wholly or partly from imported materials, the origin of any charges incidental to the delivery of the imported materials shall be deemed to be that of the imported materials.

d) Any information which the verifying authority of a Contracting Party may require for the purpose of ascertaining the local content of the manufacturing cost of any goods shall be provided in such form and certified in such manner as may be agreed by the Contracting Parties to ensure accuracy and clarity.

6. For the purposes of this Annexure, the following costs, charges and expenses shall be included in the manufacturing cost of the goods:

a) the cost of imported materials, including the cost of waste materials and materials lost in the process of manufacture, as represented by the landed cost of those materials at the factory, including any charges incidental to the delivery of such materials to the factory but exluding any duty thereon paid by the manufacturer;

Provided that the cost of imported materials not imported by the manufacturer shall be delivered price at the factory;

b) the cost of local materials, including the cost of waste materials and materials lost in the process of manufacture, as represented by their delivered price at the factory;

c) the cost of direct labour as represented by the wages paid to the operatives responsible for the manufacture of the goods as qualified herein;

d) the cost of direct manufacturing expenses as represented by:

i) the operating costs of the machines used to manufacture the goods;

ii) the expenses incurred in the cleaning, drying, polishing, pressing or any other process, as may be necessary for the finishing of the goods;

iii) the cost of putting the goods up in their retail packages and the cost of such retail packages but excluding any extra cost of packing the goods for transportation or export and the cost of any extra package;

e) manufacturing overhead costs, as represented by:

i) rent, rates and insurance charges directly attributable to the factory;

ii) indirect labour charges, including salaries paid to factory managers, wages paid to foremen, examiners and testers of the goods and fees paid to efficiency advisers;

iii) power, light, water and other service charges directly attributable to the cost of the manufacture of the goods;

iv) consumable stores, including minor tools, grease, oil and other incidental items and materials used in the manufacture of the goods;

v) depreciation and maintenance of factory buildings, plant, machinery, tools and other items used in the manufacture of the goods;

vi) the cost of food supplied to factory workers, Workmen's Compensation, insurance and contributions to manufacturers' association.

7. The following costs, charges and expenses shall be excluded from the manufacturing cost of the goods:

a) administration expenses as represented by:

i) office expenses, office rent and salaries paid to accountants, clerks, managers and other executive personnel;

ii) directors' fees, other than salaries paid to directors who act in the capacity of factory managers;

iii) statistical and costing expenses in respect of the manufactured goods;

iv) investigation and experimental expenses;

b) selling expenses as represented by:

i) the cost of soliciting and securing of orders, including such expenses as advertising charges and agents or salesmen's commission or salaries;

ii) expenses incurred in the making of designs, estimates and tenders;

c) distribution expenses, other than those provided for in paragraph (a) or (b), as represented by all the expenditure incurred after the goods have left the factory' including:

i) the cost of any materials and payment of wages incurred in the packaging of the goods for export;

ii) warehousing expenses incurred in the storage of the finished goods;

iii) the cost of transporting the goods to their destination;

d) charges not directly attributable to the manufacture of the goods, including:

i) any duty paid on the imported raw materials;

ii) any excise duty paid on raw materials produced in the country where the finished goods are manufactured;

iii) any royalties paid in respect of patents, special machinery or designs.

Appendix 14

Department of customs and excise
Head Office,Private bag Z7715
Causeway

Date:.............

The Managing Director
....
Dear Sir

Zimbabwe/Botswana Customs Agreement Registration of Exporters
I refer to recent correspondence in which you request to be registered as an exporter to Botswana in terms of the above Agreement.To qualify,the goods must be wholly produced in Zimbabwe or must have undergone an acceptable process of manufacture as defined in the annexture to the agreement and attain at least 25% Zimbabwe local content.
To enable the Zimbabwe and Botswana Customs Departments to verify the eligibility of your products,you are required to submit the following in duplicate to me as soon as possible:-

(i) name of company,names of Directors' and their nationalities
(ii) list of products you wish to export
(iii) a step by step description of the manufacturing process for each product
(iv) a copy of your manufacturing licence/certificate
(v) a sketch plan of your factory machinery layout
(vi) a factual cost analysis of the products you wish to export.The cost analysis must be based on actual production costs for a period of not less than three months.

The following documents must be produced in support of the cost analysis:-

(a) invoice for each type of raw materials used
(b) list of employees in the factory and their wages including the supervisory and management staff.This should be accompanied by wage sheets
(c) job description of each category of employee
(d) proof of factory overheads i.e rent, electricity,water etc.
(e) value of building or lease (copy of lease agreement to be produced)

Your attention is drawn to statutory instrument 192 of 1988 available at Government Printers for assistance in compilation of correct cost analysis for the local content as envisaged by the Customs Agreement.The formula for the local content is:-

$$\frac{\text{Direct Labour+ Local raw Materials}}{\text{Direct Labour+ Local raw Materials+ Imported raw Materials+ Depreciation+ Rent+ Electricity+ other manufacturing costs.}}$$

Should you required any further clarification please contact this office.
Yours faithfully

for: DIRECTOR OF CUSTOMS AND EXCISE

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S.428/1/1;	Council meeting on Customs and Re-exports from Southern Rhodesia.
S.428/1/1;	Bechuanaland Resident Commissioner Correspondence to the High Commissioner, 18 December, 1936.
S.428/1/1	High Commissioners Office, No. 60, confidential internal Memo, 22 January 1938.
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