

AFRICA RISK CONSULTING

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President Ian Khama (2008-present) assumes 2015-2016 chairmanship of the Southern African Development Community (SADC). This marks the first time Khama has taken a prominent role in any intergovernmental organisation since he became president in 2008. Relatively lax border control and the government's weak response to the presence of counterfeit products have resulted in an influx of counterfeit cell phone devices that are undermining Samsung's investments in Botswana. A liquefied petroleum gas (LPG) shortage is affecting domestic and industrial consumers. LPG is the main energy alternative to electricity, which is currently in short supply in Botswana and the rest of southern Africa.

Khama assumes SADC chair

President **Ian Khama** (2008-present) has assumed the rotating chairmanship of the **Southern African Development Community (SADC)**, taking over from **Zimbabwe** president **Robert Mugabe** (1980-present). Khama took over from Mugabe during the **SADC Annual Heads of State and Government Summit** from 17-18 August in Botswana's capital, **Gaborone**.¹ Khama had served as Mugabe's deputy chair for the 2014-2015 term.

Khama's chairmanship has elicited mixed reactions from commentators and human rights organisations, given his growing reputation for authoritarian governance.² The past year has seen numerous cases of government-sanctioned intimidation of journalists, as well as the alleged assassination of opposition **Umbrella for Democratic Change** leader **Gomolemo Motswaledi** in July 2014, a few months before the October 2014 general election (see *ARC Briefing Botswana August 2014*).

*"Paradoxically, his current human rights record, especially his treatment of the media in Botswana, has affected his high moral ground cultivated from his consistent criticism of other African leaders and being an 'outsider'. He has developed a reputation for being authoritarian and unable to deal with dissent, possibly due to his military background and at senior level as commander."*³

Khama's frequent disagreements with regional leaders have given him an outsider image. In 2008 and 2013 he described Zimbabwe's elections as "*a farce*", despite the SADC endorsing the 2013 elections as "*free and fair*".⁴ He also cut diplomatic ties with **Libya**'s former leader, the late **Muammar Gaddafi** (1969-2011) in February 2011, while other African countries sought to mediate the crisis that led to Gaddafi's fall.⁵ Khama is also the only African leader to threaten **Sudan**'s president **Omar Al Bashir** (1993-present) with arrest on a warrant from the **International Criminal Court (ICC)** for charges relating to violence in the **Darfur** region.⁶ Khama has also developed a

¹ IOL News, 17 Aug 2015

² See previous ARC Briefings for Botswana

³ Source, Botswana political analyst

⁴ Mmegi, 17 Aug 2015

⁵ Mail and Guardian, 24 Aug 2015

⁶ Mail and Guardian, 24 Aug 2015

reputation for disdain for intergovernmental bodies, particularly the SADC, **African Union (AU)** and the **United Nations (UN)**.⁷ He has attended no AU or UN meetings since taking office in 2008.⁸ Khama's contrarian approach in African politics has often won the admiration of Western governments, particularly the **United States (US)**, and has earned him the title of "*puppet of the West*" from political commentators and regional leaders, especially Mugabe.⁹

Khama takes office amid multiple socio-economic and political problems in the region, including high poverty and unemployment rates, electricity and water shortages, and political violence. Khama will be responsible for leading efforts to broker peace talks in **Burundi** and **Lesotho**, and secure food relief to 27,4m people in the region who are victims of shortages caused by drought and a poor farming season.¹⁰

Human rights organisation **Amnesty International** has stated that during his term as SADC head, Khama ought to address human rights violations in the region. These include current attacks on political opposition figures in **Angola**, the torture of suspected mutiny leaders in Lesotho, and the disappearance of Zimbabwean journalist and human rights activist **Itai Dzamara** following a suspected abduction by intelligence operatives in March this year.¹¹ Amnesty director for **Southern Africa, Deprose Muchena** alleges that the space for human rights activists has been "*shrinking*" in several SADC states through state-sanctioned persecution.¹² He called for Khama to facilitate the reinstatement of the suspended **SADC Tribunal**, which provided legal recourse for victims of human rights violations.¹³ SADC heads of state suspended the tribunal without consultation or explanation in August 2014.¹⁴

The SADC chairmanship rotates on an annual basis among the 15 member states of Angola, Botswana, the **Democratic Republic of Congo**, Lesotho, **Madagascar**, **Malawi**, **Mauritius**, **Mozambique**, **Namibia**, **Seychelles**, **South Africa**, **Swaziland**, **Tanzania**, **Zambia** and Zimbabwe. Swaziland's King **Mswati III** (1986-present) is the new deputy chairperson and incoming chair. Khama's role as SADC chair does not empower him to make decisions that have a direct bearing on the organisation or specific countries due to the SADC's Troika system.¹⁵ The incumbent chairperson must consult the outgoing chair and current deputy chairperson on any decisions that affect its operations and policy.

*"Although [Khama] has developed a notoriety for blunt talk, this will not work in his role as SADC chairman since the position does not empower him to dictate member states' policies. If he attempts to lecture other African leaders that will likely result in alienation, since SADC and the continent's regional bodies seldom function as tools for accountability. SADC is a consensus-based outfit and mostly facilitates outcomes that preserve the interests of established leaders and incumbents instead of civil society or opposition parties."*¹⁶

Since taking up the SADC chairmanship, Khama has already broken ranks in criticising Burundi president **Pierre Nkuruziza** (2005-present) for extending his term of office and the ensuing political violence.¹⁷ Mugabe, Khama's predecessor, is on record for stating that leaders ought to run for

⁷ Mmegi, 17 Aug 2015

⁸ Mail and Guardian, 24 Aug 2015

⁹ Mmegi, 21 Aug 2015

¹⁰ Mmegi, 17 Aug 2015

¹¹ New Age, 17 Aug 2015

¹² New Age, 17 Aug 2015

¹³ New Age, 17 Aug 2015

¹⁴ New Age, 17 Aug 2015

¹⁵ News Day, 19 Aug 2015

¹⁶ Source, analyst

¹⁷ Mail and Guardian, 21 Aug 2015

additional terms if the electorate wishes that they remain in power.¹⁸ However, as chairperson Khama will have to adjust his rhetoric, since his duties will necessitate a more calculated and sober approach to negotiating with regional leaders.

“His new role will result in increased visibility and contact with the rest of the region’s leadership, while increasing his standing within the international community at large. This will be an opportunity for Khama to strengthen his credentials before the end of his last term in office as a head of state. Nevertheless, he lacks a record of clear policy inclinations on the continent, except criticism of ‘dictators’. If Khama fails to adjust his rhetoric, he will be unable to engage with other leaders on various issues.”¹⁹

Piracy undermines Samsung’s foray into Botswana

South Korean electronics manufacturer **Samsung** has signalled an intention to strengthen its presence in Botswana amidst growing concern about the increase in counterfeit mobile devices and accessories. Samsung’s director for services, **Richard Chetty**, said the company plans to set up quick repair and service centres throughout the country in order to support its growing client base.²⁰ At present the company has three brand stores, two in Gaborone and one in **Francistown**.²¹ Service centres in Botswana would offer services such as warranties and on-going technical support.

An increase in counterfeit mobile devices and accessories may discourage other mobile service providers from investing in Botswana, which has one of the largest and most lucrative markets for counterfeit devices in Africa. Counterfeit goods are a global phenomenon, worth an estimated \$6 billion in annual revenue²² and originating mostly from the **Far East**.²³

*“Botswana has a long-standing problem with counterfeit goods, and this is not isolated to cellphones. Since the early 2000s, the government discovered that **Chinese** traders were selling fake **National Youth Service** regalia, which were supposed to be exclusively produced by the government. This spread to music, videos, and electronics, including cell phones. Any market with a growing youth and middle class population will stimulate a demand for the latest electronic products, and Botswana is no exception.”²⁴*

Botswana has experienced accelerated growth in mobile phone subscribers since the devices first arrived in 1998.²⁵ Subscribers grew from 563,782 in March 2005 to 2,4m in March 2010 and 3,4m in March 2015.²⁶ **Botswana Communications Regulatory Authority (BOCRA)**’s corporate communications deputy director **Aaron Nyelesi** indicated that the presence of cheap cell phone handsets has influenced the growth of mobile services subscribers.²⁷ Chinese and **African** traders support this growth through shipping cheap cell phone handsets into Botswana, taking advantage of its weak border controls and product standard enforcement mechanisms.

“Although counterfeiting is a global phenomenon, the government of Botswana makes this worse by maintaining a porous border system and weak standards authority.”²⁸

Samsung discovered the large-scale use of fake Samsung products through customer feedback, especially complaints about technical difficulties with devices that they thought to be manufactured

¹⁸ Mail and Guardian, 21 Aug 2015

¹⁹ Source, analyst

²⁰ Daily News, 13 Aug 2015

²¹ Daily News, 13 Aug 2015

²² Gsma, 24 Feb 2014

²³ Quartz News, 4 May 2013

²⁴ Source, Botswana analyst

²⁵ Mmegi, 14 Aug 2015

²⁶ Mmegi, 14 Aug 2015

²⁷ Mmegi, 14 Aug 2015

²⁸ Source, Botswana analyst

by Samsung.²⁹ Samsung South Africa’s director of corporate marketing and communications, **Michelle Potgieter** said Samsung will reach out to law enforcement and regulatory authorities to cooperate on reducing the number of fake devices.³⁰ Currently, fake mobile dealers face a 10-year jail term if convicted of selling counterfeit phones or pay a fine up to \$228,000.³¹ Although the government has often warned against trade in fake phones, this has not stemmed their flow into the country’s market.

“Although there are legal provisions for harsh punishment of offenders, other enforcement mechanisms such as police raids and government-led education programmes on the dangers of using fake cell phone devices should accompany them.”³²

Samsung has launched “Buy Genuine” campaigns aimed at educating customers about the disadvantages of buying fake cellphone handsets.³³ Botswana is potentially Samsung’s most lucrative market in Africa, apart from South Africa, ahead of Lesotho, Namibia, and Swaziland.³⁴ Samsung’s devices are increasingly popular in African markets, where they are a cheaper alternative to competitor smart phone devices.

The mobile phone market has grown in Africa with the introduction of financial services, or mobile banking, by banks and network providers. This includes local money transfer, international remittances, payment of travel tickets, bill payments, and airtime transfers among others. Africa’s leading mobile money networks are **Vodacom, Orange, Airtel, Econet, MTN and Safaricom.**³⁵ Global consultancy **Markets and Markets** forecasts this market to grow from \$2.73 billion in 2015 to \$14.27 billion by 2020.³⁶ This results in a symbiotic relationship between the growth of mobile subscribers and smart phone usage, increase in mobile financial transactions, and the availability of cheap, counterfeit devices in Botswana and elsewhere on the continent. However, the continued prevalence of fake products threatens to undermine the growth of local industry.³⁷

Botswana faces LPG shortage

Botswana is currently experiencing shortages of liquefied petroleum gas (LPG), mainly due to the closure of some refineries in South Africa for maintenance.³⁸ Although the shut downs are routine, some of the refineries have taken longer than usual to reopen, triggering a crippling gas shortage in southern African countries such as Zimbabwe, Namibia and Botswana.³⁹ The minerals, energy and water ministry promised to secure alternative gas sources both from within the SADC and other international markets, to restore supplies by the end of August.⁴⁰ The government is not usually responsible for managing gas provision, but it has been trying to facilitate the restoration of supplies due to the current crisis.⁴¹ It is now reconsidering its involvement in the pricing and supply of LPG and plans to conduct a study on the LPG market.⁴²

²⁹ Mmegi, 14 Aug 2015

³⁰ Mmegi, 14 Aug 2015

³¹ Techmoran, 23 Aug 2015

³² Source, Botswana analyst

³³ Mmegi, 14 Aug 2015

³⁴ Mmegi, 14 Aug 2015

³⁵ Whatech, 27 Jul 2015

³⁶ Whatech, 27 Jul 2015

³⁷ Sources, analyst

³⁸ Daily news, 13 Aug 2015

³⁹ Daily News, 13 Aug 2015

⁴⁰ Star Africa, 12 Aug 2015

⁴¹ Star Africa, 17 Aug 2015

⁴² Star Africa, 17 Aug 2015

The southern African region has experienced a surge in demand for LPG in recent years due to persistent electricity shortages that have worsened since 2007.⁴³ LPG has a wide range of domestic and commercial energy uses, mostly cooking, heating, and in some cases, powering motor vehicles.⁴⁴ The current winter season has also caused a spike in demand for gas, as well as electricity primarily for domestic heating needs.⁴⁵ Southern African countries, including Botswana, are mostly dependent on South Africa for gas supplies due to its larger oil and gas industry. However, South Africa is also facing gas shortages due to inadequate electricity supplies that have resulted in constant power cuts, or “load shedding”, which have increased since 2013.⁴⁶ Several gas supply companies in South Africa, such as **Easi Gas** and **Kaya Gas** have attributed the current gas shortages to the closure of the **PetroSA** refinery at **Mossel Bay** and **Chevron’s Cape Town** refineries.⁴⁷ **Mac Haldane**, a **Johannesburg**-based gas distributor, described the current shortages as the worst in seven years.⁴⁸ As a result, gas prices have risen sharply as several stores and suppliers are capitalising on the shortages and rising demand. Consumers have been paying over \$30 for a 9kg cylinder, which would ordinarily cost between \$19 and \$20.⁴⁹

Gas shortages in Botswana are symptomatic of a more acute energy shortage and dependence on external energy sources – it imports electricity from South Africa, Namibia, Swaziland and Zambia. The southern African region is currently suffering a severe electricity shortage leaving the **Southern African Power Pool (SAPP)** with a significant deficit.⁵⁰ Although Botswana is developing domestic solar energy and more coal powered electricity generation plants, it maintains a vulnerable energy generation sector. This will slow down economic growth, since external investors will lack incentives to establish both energy and non-energy intensive businesses. The crisis also highlights the government’s weak tender allocation system. Its **Morupule B** project, which would have adequately sustained energy demands after its completion in 2012, has not functioned to its full capacity (600MW) due to sub-standard construction by **China National Electric Equipment Corporation (CNEEC)**.⁵¹

Implications

Khama’s assumption of the SADC chairmanship is an opportunity to improve his standing in international affairs and dispel a reputation for arrogance and disdain of intergovernmental organisations. Khama’s governance style will also be in the spotlight, since civil society organisations and western governments will expect him to export Botswana’s relatively stronger democratic traditions and stable economics to other countries. The country’s natural resource governance strategy will be a case in point, since Botswana has avoided the harmful effects of natural resource wealth, or the ‘resource curse’ that affects most resource rich African countries. He faces a complex task, since he will need to balance serving the region’s interests and sustaining the contrarian stance that western allies such as the US prefer. He will also have to overcome his image of being a western puppet, which considerably weakens his political stature in Africa.

The government’s non-diamond and non-mineral diversification drive holds substantial potential for the consumption of electronic goods due to increased consumer base. Mobile devices are also increasingly becoming important tools for economic change, through the growth of mobile-based financial transactions. However, the government’s failure to control piracy and counterfeit goods in

⁴³ “Energy”, SADC website

⁴⁴ Alternative Fuels, 12 Jul 2002

⁴⁵ EWN News, 10 Jul 2015

⁴⁶ IOL, 24 Aug 2015

⁴⁷ IOL, 12 Jul 2015

⁴⁸ Weekend Argus, 12 Jul 2015

⁴⁹ Weekend Argus, 12 Jul 2015

⁵⁰ SAPP Website

⁵¹ Sunday Standard, 12 Jan 2014

Botswana will undermine efforts to bring new investment by companies such as Samsung into the economy and slow down job creation and domestic industrial development efforts.

Botswana's lax border control and consumer standards maintenance systems largely account for the influx of fake cellphones and other counterfeit goods into the economy. It needs to establish stricter import guidelines and monitoring of the trade in illegal goods in order to stimulate investor confidence in the viability of the economy. Government-led efforts to combat the prevalence of fake goods will allow manufacturers to expand their services in the country, which will also create jobs and support overall economic development.

The shortage of LPG in Botswana reflects the country's vulnerable energy sector, and highlights the region's worsening energy shortages. These have multiple effects on the economy and society, potentially leading to political instability due to extended periods of economic stagnation, high poverty rates, and unemployment. Southern African countries, including Botswana, need to develop a holistic approach to energy generation that will mitigate reliance on imports with locally generated electricity and development of renewable energy sources.

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