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IMPLICATIONS OF THE SUA PAN PROJECT IN BOTSWANA.

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t What is soda ash?

Soda ash (sodium carbonate) is a mineral deposit found together with salt .

It is used in the production of chlorine and caustic soda, domestic salt, and ",

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in other chemical processes (glass-making; steel refining)/ Soda ash and salt can also be used in the manufacture of explosives, but I have been unable to ascertain whether SA's tfSjtCI makes use of the particular technologies which use these chemicals. This needs checking; certainly soda ash and salt are potentially components of military materiel.

2. History of the project

For about a decade, first a Japanese company and then 3P looked at the prospects of producing soda ash for the huge deposits at Sua Pan . The Japanese company dropped out, subsequently BP, after several detailed studies, decided that without substantial investment support (Canada's role was discussed) the project was not viable in financial terms.

Opposition to BPs scheme came from the US Ansae consortium, which monopolised soda ash supplies to South Africa (which buys 260 000 tonnes of soda ash and around 600 000 tonnes of salt annually) and from Anglo-American which did not want its control of the mining sector diluted by other operators in Botswana. AE&CI was working on a project to synthesise*: soda ash, which would cut SAs dependence on imports and render any future Botswana/SADCC develop

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Sua Pan uneconomic, since SA would have to be the biggest customer.

In May 1985* the SADCC council of Ministers in Maseru approved a plan whereby salt would be extracted from Sua for use in bauxite processing at a SADCC aluminium plant in Mulanje, Malawi.

Meanwhile, AE&CI was establishing itself as the main potential investor in Sua Pan. But negotiations with Botswana were linked with political concessions to South Africa, in particular:

- * the signing of an Kkomati-type accord

- * acceptance of the bantustans as Customs Union members

- * a guarantee that Botswana salt & soda-ash would not be subjected to international sanctions.

Botswana consistently refused to make these concessions. However, the current National Development Plan VI contains a long section on Sua, pointing out that South Africa's concerns about the security of the installation and supplies must be accepted and South Africa permitted to take steps to ensure this security. The wording is ambiguous, and could be read as envisaging a South African security presence at Sua.

The negotiations on Sua dragged on in an on/off mode for some years. Then, in

early 1988, journalists were told, off the record, by Botswana civil servant S, that South Africa had "dropped" the security requirements surrounding S ua Pan and that the deal with AE & CI was on. This followed a secret visit by Pik Botha to Botswana in December 1987* during which he stayed with the President's brother and allegedly discussed cattle deals.

Two more public visits by Pik followed in the course of 1988. In September, pressmen were again tipped, off-the record, that the signing of the soda-ash deal would take place close to Independence weekend, with much public fanfare.

It didn't. That weekend - the last in September 1988 - was marked by a state of vituperation against Botswana by Vlok and Malan, including Malan's highly threatening "they have only themselves to blame if we act" speech.

The signing finally took place on 21 November, after a weekend when Foreign Minister Dr Chiepe "disappeared" (i.e. was uncontactable at any of the locations her civil servants gave for her.)

Construction on the site started in February this year, completion is expected by Jan 1991.

Details of the project

A company, Soda ash Botswana, has been created. In this company, the Botswana govt holds 48% and DeBeers, Anglo-American and AE&CI 52%* Botswana has invited participation from the Commonwealth Development Corporation, the World Bank's IFC and Zimbabwe's Beira Corridor Group which will reduce the Botswana holding to perhaps as little as 30%,

The project will cost OS\$376M. It involves the construction of solar evaporation ponds, a chemical plant, township, airstrip and railway. It has not yet been made clear whether the township will be "open" like Debswana's Jwaneng or "closed" (i.e. a company-run town) like Orapa. Rumour suggests that the option of a

closed town is strongly favoured by the SA partners.

Other companies involved are UHDE of West Germany and LTA of South Africa as principal contractors. The Botswana Government has just terminated other construction contracts with LTA relating to military camps on what it will not deny were security grounds.

Plant technology will be provided by the US company Kerr-McGee. Kerr McGee is the company whose dangerous environmental policies and attempts to silence dissenting employees were dramatised in the film "Silkwood"

Babcock Engineering of SA will provide boilers, Kampsax of Denmark will construct the 165km rail line linking Sua Pan and Francistown

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Chemical Services of SA will market the soda ash in South Africa.

Production is estimated as 275 000 tonnes of soda ash and about 700 000 tonnes of salt. Although Zambia and Zimbabwe have been heavily featured in project

publicity as customers for these substances, it is doubtful if their markets can absorb more than 15 000 tonnes of soda ash and /co ooo h***s>^salt

As another part of infrastructural development, the Botswana Housing corporation is to construct a residential complex, described in pre-publicity as predominantly "high-cost" housing (i.e. designed for expatriates.) Details of the airstrip have not yet been released, if they ever will be.

Attitudes to the project

The Botswana Government hails the project as a triumph because it will

- * create 1 000 temporary and 450 full-time jobs, the great majority of them (i.e. all the unskilled ones) for Botswana.

- * enhance infrastructural development in the Francistown area where support for opposition parties and Kalanga separatism are growing.

- * redress Botswana's trade imbalance with South Africa

- * make certain the synthetic soda ash project does not go ahead (then Permanent Secretary in the Dept of Mineral Resources, Charles Tibone, wrote to a local paper saying Botswana "had no choice" but to go in with AE&CI because of that threat.)

Apart from F'town businessmen, few Botswana seem so enthusiastic, especially given

- * Botswana's less than 50% stake

- * the fact that so few jobs will ensue when Botswana needs 24 000 jobs a year.

The tJS has dropped its opposition. Ansae did not launch its threatened campaign hypocritically characterising Botswana sales of soda ash as "sanctions-busting".

This followed active lobbying by Botswana's finance Minister Mr Peter M musison a New York trip in December *88. It is believed including Kerr McHee in the deal may have helped dampen US opposition.

^ambian and Zimbabwe diplomats in Gaborone both described the deal, o
ff the
record,, as "sanctions-busting". They were alarmed that glass, chrome, st
eel
and possibly explosives made from these chemicals could be used agains
t Front-
Line States. 'In Iscor and Armscor products).

SADCC Secretray-General Simba Makoni has refused to condemn Botsw
ana's
participation. However, he has said that SADCC's projected market surve
ys on
soda ash will continue, "Should the^ results show an economically viab
le SADCC
market, this will give Botswana an option to reconsider her commitment t
o SA"

The reaction of the South African press has been enthusiastic. They point to:

- * the fact that SADCC carried the expense - allegedly huge - of the initial studies for the project.
- * the fact that Soda ash Botswana is expected to sell soda ash to SA at a price lower than Ansae's US\$200 a tonne
- * increased SA self-sufficiency with consequent huge savings on the dollar balance of payments, benefits from the lower rand, and AEICI adding to its rand-hedge qualities"

Is Sua Pan sanctions-busting?

Undoubtedly. SA's rapid moves to close the deal have to be seen in the context of threatened extension of US mineral sanctions, and of the fact that while the threatened synthesising of soda-ash is possible, it is - like Sasol - very expensive.

But as well as supplying a vital chemical to SA, the deal is also sanctions-busting in another sense. SA is currently establishing alternative routes through which to borrow money "cleanly" from Europe and the IB in the event of financial sanctions being imposed. Anglo's move to establish a European base through the Consgold/Minorco takeover is one such move. The setting-up of a London bank account to channel funds to SA companies ostensibly for the Highlands Water Scheme in Lesotho is another. The setting-up of Soda Ash Botswana is a third. The US\$130M equity the consortium starts with covers only 35% of the project's requirements. The rest has to be raised as loans. This comes at a time when AE&CI is in very bad odour as a world borrower, both politically and because its borrowing already stood in June'88 at US\$214 - US\$38M up on the previous year*

What about security?

Sua is 165 km from Francistown and also very close to the Dukwe refugee camp (which, with the imminent departure of Zimbabweans and 'a handful of Namibians will house only Mozambicans, Angolans and - probably predominantly - South Africans.) It is also relatively close to Botswana's border with Zimbabwe and a short air-hop from Caprivi, where South Africa will soon be losing permanent bases.

One week after the signing of the Sua Pan deal, security talks for what was described as "regular information-sharing" were instituted with Pretoria at the highest (Ministerial/C-in-C) level. These talks have been continuing - at a slightly lower level of representation - on a roughly monthly basis from November '88 to date.

Banking and commercial sources in Gaborone, and some PTSI diplomats, assert that by 1990, South Africa wants the bantustans in the Customs Union. The

Governor of the Bank of Botswana speculated, off-the-record, that SA's chances of achieving this were "improving", but declined to give reasons.

Other issues

ENVIRONMENT. Refining soda ash is apparently an environmentally "dirty" process.

Makgadikgadi Pans house some of Botswana's rarest species. In any case, the

creation of huge permanent evaporation pans and brine wells will certainly

change the area's ecology. Kerr McGee's environmental reputation stinks in

the US. The Botswana Government has commissioned an environmental impact

study to counter environmental fears. And SAB's first publicly-announced

appointment - with expensive advertisements in the local press - was to recruit an "Environment Officer",

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SUSPICIONS SURROUNDING THE DEAL. Junior civil servants in the Ministry of

Mineral Resources and Water Affairs allege that a senior officer in

the same Ministry received substantial incentives to ensure that the deal with AE&CI was clinched. Shortly after journalists began asking questions

about these rumours, the Permanent Secretary in the Ministry, Mr Charles

Sibone, was transferred. Mr Sibone was up to then the country's longest-serving

PS, sits on the DeBeers board and is a partner in several other commercial

enterprises in Botswana with Debswana top executive Mr Louis Nchindo.

Comment by Botswana President Dr Quett Masire announcing the deal:

"Botswana cannot afford to wait for SADCC"

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