

Botswana's Sabotage of Beneficiation

by Chaim Even-Zohar for IDEX Online, Published 6 September 2007

It's almost like a theme out of a Kafka book. While the DTC Botswana proudly presents its new board of directors, which is responsible for allocating rough diamonds to local factories, two of the largest existing operations are contemplating a possible lock-out, closing the factories until such time as a workable arrangement can be concluded with the labor unions.

In the past few months, the handful of manufacturing operations in Botswana have been subjected to industrial action by labor unions, which includes unacceptable elements of harassment and sabotage. The behavior far transcends any good faith negotiations, which are in the nature of labor relations. We want to be cautious in reporting on this sensitive subject, as at the end of the day, for Botswana's sake, the differences must be settled amicably.

From time immemorial, around the world, the wages of diamond workers have been partly or fully linked to the individual workers' output. Bonuses, wage increases, etc. are all tied to similar formulas. Apparently, the relevant labor union, the Botswana Diamond Sorters and Valuators' Union, doesn't like that. One local factory, after giving over the last two years wage increases which are substantial by any measure, is all of the sudden confronted with a labor union demand for additional significant across-the-board wage increases for 2006. The employers resist these demands, and they have entered into a law-proscribed dispute resolution process.

This should be a routine matter and certainly no reason for an article or editorial. What has poisoned the atmosphere are the tactics employed by some Botswana union members. These tactics include a sudden, dramatic decline in factory productivity; a sudden, alarming rise in breakage of

stones; a sharp increase in sloppy polishing, which has resulted in almost a third of the output requiring repairs in other polishing centers; and a rise in employee absenteeism. These examples are just a few of the tactics being used. This is enough to scare any potential foreign diamond manufacturer away – and these are ominous signs that this may be what is indeed happening.

A Crime Against the National Resource

Some of the workers' actions can only be labeled as “sabotage.” The deliberate destruction of beautiful diamonds is a crime against the Botswana natural resource, not only against the manufacturer. This cannot be legitimate in any diamond factory in the world irrespective of the differences that may have arisen between union and management. But there's more.

Before the union got involved, Botswana appeared happy. I visited one of these factories early in the year and was surprised that the plant was fully managed by local Botswana, including a lady wielding the scepter of plant manager. Local management and workers were among the best paid in the industry (averaging some 1500 Pula a month), and working hours are less than those set by law. The fact that, simultaneously, a number of the long-time existing factories are being targeted seems to indicate that this is not an isolated incident in any specific factory. To the contrary, it gives the impression of being a carefully deliberated and orchestrated action by the union to decide on the “rules of the game” well in advance of the entry of more players.

The Union Agenda

What does the union want to achieve? Apparently, it wants to have the greatest possible stake in the decision-making process in the private companies; it wants to have access to the private companies' books of

accounts; and it wants to ensure a wage system that will de-link productivity from remuneration. To foreign investors, these are intolerable demands – they would rather close the business than yield.

Kaushik Mehta of **Eurostar**, one of the active manufacturers in Botswana, stresses that “incentive-based compensation has been a key driver of competitive and sustainable diamond cutting and polishing centers all over the world, as it is most evident in Belgium, Israel, India and China. Why should Botswana be any different? If incentive-based compensation is taken away in Botswana due to union action, we will effectively be rewarding inefficient workers at the expense of diamond manufacturers.

Clearly, a system that penalizes diamond manufacturers is not a sustainable, long term strategy," he notes.

Some of the tactics are particularly distasteful. One Israeli supervisor, upset about the apparent deliberate over-polishing of a stone, exclaimed in his broken English, the word “bullshit” as a synonym for “nonsense.” The lady worker filed a complaint and the supervisor was hauled to a police station, where he was humiliated (and reminded that by law flogging with a stick is allowed). He then had to admit to having used abusive language. He was fined and now, apparently, has a criminal record. This kind of event shakes the expatriate community; they feel helpless.

The Role of Trade Unions in Botswana

We have too much admiration for the crucial role played by trade unions in the history of Botswana for us to be ready to imply sinister motives. The first union was formed in 1948, before the establishment of the state, and it mostly tried to protect the mine workers that served the colonial powers. For almost 20 years, the union wasn't recognized. In a non-perfect democratic system, a vital role is played by unions in representing the employed and unemployed and fighting for their best interests. The labor

movement in Botswana was only created in the 1970s. It still is carving its role in society – and it has no, or little, experience in dealing with private overseas investors.

Though the law allows some government interference in union matters (and legislated a role in the Labor Department to act as mediator or conciliator) the unions operate rather autonomously. They are not linked to political parties – and this makes them a political force to reckon with. Every political party seeks to curry their favor.

There are some 25 unions in Botswana, united in the Botswana Federation of Trade Unions (BFTU). The role of the union in a post-colonial environment or in a system where many in the population feel disenfranchised is quite different from the unions we know in Western countries.

The Botswana union is guided by specific policy objectives. We believe that, to a large extent, the current problems emanate from these objectives. While government is talking about beneficiation, the unions are talking about “indigenization.” The unions desire Botswana’s people to control all the factors of production. They seem to view “foreign investment” as a form of undesired intrusion into Batswana territory.

Foreign Investors Not Felt Welcome

Searching the labor federation’s “Position Paper” to understand its principles with respect to foreign direct investments, we found only one reference: “Broad-based economic development can only be achieved when all Batswana people have access to the means of production. This invariably implies that government should empower Batswana to participate in economic development as creators of wealth. Batswana should be weaned from the culture of servitude and instead, an entrepreneurial culture should be promoted... In this regard, foreign investment complements the

mobilization of domestic entrepreneurial capital. In other words, the indigenization of the economy should be the building plank for the country's economic policy, with foreign investment playing a complementary role," states the Botswana Federation of Trade Unions paper.

Clearly foreign investors are seen as some kind of marginal tool helpful in reaching "indigenization" efforts. This is most disturbing to foreign investors – even though it might make perfect sense to Botswana.

The unions have been very successful where they have targeted the mining community. They are ignoring, maybe not intentionally, a major difference between a mine and a factory. Mines are there. They can be closed but cannot be moved. The resource is there. Diamond manufacturing is a very different thing altogether.

The manufacturing companies that are coming to Botswana are all committed to the transfer of skills, training, teaching and education, to providing employment, to creating added value. It's not that foreign money is really needed as the government has, thanks to diamonds, plenty of resources. What is needed are the highly professional expatriates that are willing to live in far less than ideal circumstances in Botswana and to train local Botswana in diamond cutting and management.

What the recent union actions are achieving is that the foreign investors will find it harder if not impossible to recruit the right people to come and work in Botswana. We talked to one expatriate who was not sure whether he was going back to Botswana. Any false complaint might throw him into jail, and there's almost no ability to defend or protect himself.

Elliot Tannenbaum, principal of Leo Schechter Botswana, clearly frustrated, says, "We have been brought to an extremely difficult, if not impossible, situation, one that defies business logic and which puts our ability to maintain our Botswana manufacturing company as a financially sustainable

and successful business, in a great degree of uncertainty." A lock-out will not solve the problems, but there may be few alternatives left.

New Manufacturers Deeply Worried

The factories which are currently in various stages of building and development are anxiously following the tribulations suffered by their colleagues. We know of one company that is rethinking its future in Botswana. We know another company that has advised De Beers that if labor costs run out of control, the DTC will have to lower rough selling prices or the factory will relocate to China. De Beers has made specific commitments to government on reaching certain beneficiation targets so the company should have a vested interest in solving these issues. It is not clear what leverage it has – if any.

The unions have never dealt in a big way with foreign investments and investors, and certainly not with industry. Botswana is ranked in Africa as the country with the lowest direct foreign investment on the continent. In terms of figures, it is almost nil. The government is trying to remedy that situation and has made tremendous efforts to convince De Beers to partner with them in securing private entrepreneurs to establish factories in Botswana. Both government and De Beers should feel some responsibility towards the companies they invited.

Most articles about Botswana, including those written by this author, herald a belated new beginning, a new era, a new future for Botswana. We never thought about the unions – and maybe that is a major mistake on our side.

The mindset and objectives of unions are crucial in the development of the industry. To quote **Kaushik Mehta**, "incentive-based compensation is correlated to the principles of fair market competition and only with this viewpoint in mind can we have a thriving, competitive and sustainable diamond industry in Botswana." The unions must come to accept this.

We would never have believed that we would conclude an article about beneficiation in Botswana with the question of whether we indeed see a new beginning or are merely witnessing the beginning of the end. This is not just about a possible lock-out of two or more factories. It is about the very chance for beneficiation to succeed.

Have a nice weekend.

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