

**A History of Indigenously-owned Business in Post-colonial Lesotho: Politics,  
Constraints, Marginalisation and Survival, 1966-2012**

**by**

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## Abstract

This study chronicles the economic history of Basotho business owners in post-colonial Lesotho, from 1966 to 2012. It focuses on their individual and collective entrepreneurial initiatives as they endeavoured to play a significant role in the country's economic development after independence. Using the political economy of Lesotho as a context, the study explored how indigenously-owned business survived in the local economy, notwithstanding a myriad of constraints and marginalisation it faced.

Using archival documents, oral histories and ethnography at the Lesotho Chamber of Commerce and Industry, carried out in 2013, the study documents and utilises the history of Basotho in business to question the dominant post-Second World War development ideology. This ideology prescribed a technical blueprint, which Basotho, like other indigenous people in developing countries, were expected to follow in order to modernise their economies and nurture the perceived lack of entrepreneurial capacity and business acumen, typically found in the West. For the development of indigenously-owned business, technocratic development prioritised the prevalence of various psycho-social entrepreneurial subjectivities and economic rationality, which, according to the model, are indispensable to computational and enthusiastic maximisation of economic gains by and for individuals and national economic development.

After independence, Lesotho embraced the post-Second World War dominant development ideology. Accordingly, it followed the economic models of the developmental state from 1966 to 1986 and neo-liberalism from 1987 to the present, in order to transform the backward and externally dependent country's economy. These models were prescribed by the Bretton Woods Institutions and were shepherded by development experts, mainly economists. In line with William Easterly's conception of development as the 'tyranny of the experts', the study argues that development discourse and practice concealed a narrative of indigenously-owned business, which contrary to popular misconceptions, demonstrates economic spontaneity, freedom of expression and economic solidarity. Apart from trivialising Basotho's entrepreneurial initiatives, it also perpetuated the classic imperialist

thinking that African people lacked the capacity to develop independently and had no history to prove otherwise.

Basotho business owners' efforts would have realised better results had it not been for constant violent and strategic suppression by successive governments that used the altruistic-sounding predispositions of development intervention in order to mask their sinister motives of greed, corruption and encouragement of elitism at the expense of the majority of Basotho in business. Nonetheless, Basotho in business did not stand submissively in the margins of the economy. They organised themselves politically and economically through voluntary associations, credit schemes, movements and cooperatives to change their economic fortunes and challenge exclusion and post-colonial governments' authoritarianism and lack of democratic benevolence. Basotho business owners' economic pursuits exposed the exclusive character of the neo-liberal ethic and political patronage by demonstrating economic pluralism and economic solidarity that can inform the creation of inclusive social, political and economic conditions and formations for the marginalised majority in the Global South.

**Key Terms:**

Basotho business owners, indigenously-owned business, local entrepreneurship, local business, economic development, post-colonial Lesotho, politics, marginalisation, constraints, survival.

## Dedication

To my family: my father Eric, my mother Regina, my son Bokang, my siblings 'Mabataung, Motlatsi, Tebello, Puleng and Teboho. From the bottom of my heart, thank you for your support and inspiration *Bataung ba batle, bana ba leseli.*

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## List of Abbreviations

ABC	All-Basotho Convention
ADB	African Development Bank
AGOA	African Growth and Opportunity Act
ALE	Association of Lesotho Employers
ANC	African National Congress
BAPS	Business Advisory and Promotion Services
BCP	Basutoland/Basotho Congress Party
BEDCO	Basotho Enterprises Development Corporation
BLS Countries	Botswana, Lesotho and Swaziland
BNP	Basutoland/Basotho National Party
BP	British Petroleum
BPA	Basutoland Progressive Association
BTA	Basuto/Basotho Traders' Association
BTC	Business Training Centre
CIDA	Canadian International Development Agency
DC	Democratic Congress
ESAF	Enhanced Structural Adjustment Facility
ETP	Entrepreneurship Training Programme
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GoL	Government of Lesotho
ICC	International Chamber of Commerce
IDA	International Development Association
IEC	Independent Electoral Commission
IEMS	Institute of Extra Mural Studies
IFTS	International Freight and Travel Services
ILO	International Labour Organisation
IMF	International Monetary Fund

LC	Leribe Collection
LCCI	Lesotho Chamber of Commerce and Industry
LCD	Lesotho Congress for Democracy
LCN	Lesotho Council of Non-governmental Organisation
LEA	Lesotho Employers' Association
LEROA	Lesotho Liquor and Restaurants Owners' Association
LFM	Lesotho Flour Mills
LHWP	Lesotho Highlands Water Project
LIPC	Lesotho Investment Promotion Centre
LLA	Lesotho Liberation Army
LLB	<i>Lekhotla La Bafo</i> (League of Commoners)
LNA	Lesotho National Archives
LNDC	Lesotho National Development Corporation
LOIC	Lesotho Opportunity and Industrialisation Centre
LRA	Lesotho Revenue Authority
MAP	Manufacturers' Assistance Programme
MBC	<i>Mohloli</i> Chamber of Business
MFP	<i>Marematlou</i> Freedom Party
MRTO	Maseru Regional Taxi Operators
NAFCOC	National African Chamber of Commerce
NGOs	Non-governmental Organisations
NULA	National University of Lesotho Archives
OAU	Organisation of African Union
OBFC	One-Stop Business Facilitation Centre
OPEC	Organisation of the Petroleum Exporting Countries
PEMS	Paris Evangelical Missionary Society
PPP	Public-Private Sector Participation
PSFL	Private Sector Foundation of Lesotho
PVPS	Plant and Vehicle Pool Services
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAPs	Structural Adjustment Programmes



SMEs	Small-to-Medium Enterprises
TRC	Transformation Resource Centre
UK	United Kingdom
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organisation
US	United States
USAID	United States Agency for International Development
USSR	Union of Soviet Socialist Republics
WB	World Bank
WTO	World Trade Organisation
WWII	World War II
ZNCC	Zimbabwean National Chamber of Commerce

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## CHAPTER 1

### Introduction and Research Methods

#### Introduction

Lesotho gained its independence from Britain in 1966. Since then, persistent efforts by post-colonial governments and international institutions have been leveraged towards developing indigenously-owned businesses in Lesotho<sup>1</sup>. Following the assumptions of the post-Second World War (WWII) Bretton Woods inspired technocratic development ideology, and without investigating the history of indigenously-owned business, successive post-colonial governments of Lesotho and their international supporters uncritically subscribed to the notion that indigenous people lacked adequate business acumen, economic solidarity and entrepreneurial flair typically found in the West. To achieve this, successive post-colonial governments designed business policies and programmes to inculcate the perceived lack of capacity and unity through training and advisory services.<sup>2</sup>

As a result of the shadowing-effect of the post-WWII development philosophy, little is known about the history of indigenously-owned business; conditions which they have been operating under and their opportunities as well as how they have survived, individually and collectively, in the local economy. This thesis therefore, adopting a historical approach, analyses Lesotho's indigenous business owners' attempts to play a significant role in the country's local economy from 1966 to 2012<sup>3</sup>. This will be achieved through studying conditions under which indigenous business owners have operated during the post-colonial period. The study also examined how the state and economy worked for, and against, their

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<sup>1</sup> The name Lesotho was made official in 1966 to refer to the territory known as the Basutoland Protectorate in the colonial era. In this study, Lesotho is used to refer to the territory throughout the colonial period. The name Basutoland appears in quotations and is used as a descriptive term for laws, institutions, and so on.

<sup>2</sup> *Lesotho First Five-Year Development Plan, 1970/1-1974/5; Lesotho Vision 2020*; Sean Maliehe, "Rationale for Local Entrepreneurship Development Policies and Programmes in Post-colonial Lesotho: Lessons from the Colonial and Immediate Post-colonial Lesotho" in Nichola Ozor, Kevin C. Urama and Anthonia Achike (eds.), *Strengthening Linkages Between Policy Research and Policy Making for Sustainable Development in Africa* (Nairobi: African Technology Policy Studies Network, 2014).

<sup>3</sup> 2012 is chosen as a cut off period because it marks the end of the 15 years of the Lesotho Congress for Democracy authoritarian rule. The study is organised around global economic periods as well as local political epochs.

progressive interests. It further documented indigenous business owners' survival strategies, opportunities and constraints in the local economy.

After 1966, the newly elected government of Lesotho followed the United States (US)-led capitalist policies to grow and develop the economy. To this end, the government pursued policies, projects and programmes meant to industrialise the country. Accordingly, Lesotho, gained support and guidance from the Bretton Woods Institutions – the World Bank (WB), International Monetary Fund (IMF), World Trade Organisation (WTO) and the United Nations (UN)<sup>4</sup> – and other international aid agencies which supported the American capitalist economy after the WWII.<sup>5</sup> Being a British ex-colony and aid beneficiary, Lesotho did not choose to follow the Union of Soviet Socialist Republics (USSR) led communist economy like some African countries such as Mozambique, Tanzania, Mali and others.

The dominant post-WWII development ideology, under the stewardship of these international institutions and the US, emphasised that newly independent countries should be assisted with “technical expertise” (considered as development) in order to solve their social and economic problems of poverty, lack of economic growth and poor living standards. Since the 1950s into the late 2000s, this development approach has predominated.<sup>6</sup> On January 20, 1949, Harry S. Truman, the President of the US at the time, pronounced the US's aim and motive to support the economic advancement of developing countries. He announced:

We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. More than half the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and threat both to them and more prosperous areas. For the first

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<sup>4</sup> What is now the World Bank was known as the International Bank for Reconstruction and Development while the World Trade Organisation was the General Agreement on Tariffs and Trade.

<sup>5</sup> See James Ferguson, *The Anti-Politics Machine: “Development”, Depoliticisation, and Bureaucratic Power in Lesotho* (London: University of Minnesota Press, 1994).

<sup>6</sup> William Easterly, *Tyranny of the Experts: Economists, Dictators and the Forgotten Rights of the Poor* (New York: Basic Books, 2013); Ferguson, *Anti-politics Machine*.

time in history, humanity possesses the knowledge and the skill to relieve the suffering of these people.<sup>7</sup>

Assessing this post-WWII US-led dominant development approach, William Easterly effectively argued that:

The conventional approach to economic development, to making poor countries rich, is based on a technocratic illusion: the belief that poverty is a purely technical problem . . . What used to be the divine right of kings has in our time become development right of dictators. The implicit vision in development today is that of well-intentioned autocrats advised by technical experts . . . [This is referred to as] *technocracy* (original emphasis) . . . [which was] an early twentieth-century coinage that means “rule by experts” . . . economists before and during the official start of development in the 1950s got seduced by missionary zeal to become anointed as development experts . . .<sup>8</sup>

Using the case of Lesotho to analyse the pitfalls of development intervention, James Ferguson, supported this critique of the post-WWII development ideology, that is, the fact that it assumed that development challenges of developing countries could be solved by technical means. He used the Thaba-Tseka agricultural development project<sup>9</sup> to argue that development intervention produced multiple results as opposed to intended results. The most significant was their ability to produce and expand despotism by local politicians who masked, neutralised and legitimised their dictatorial predispositions with the ideals of development.<sup>10</sup> He argued:

For [a] while we have seen that “development” projects in Lesotho may end up working to expand the power of the state, and while they claim to address the problems of poverty and deprivation, in their guise does the “development” industry allow its role to be formulated as a political one . . . In Lesotho, at least, the “development” apparatus sometimes seems almost capable of pulling nearly as good a trick: the suspension of politics from even the most sensitive political operations.<sup>11</sup>

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<sup>7</sup> As quoted in Easterly, *Tyranny of the Experts*, p. 43.

<sup>8</sup> Easterly, *Tyranny of the Experts*, pp. 6 and 9.

<sup>9</sup> The Thaba-Tseka project was an agro-industrialisation project undertaken between 1975 and 1984 in the central highlands of Lesotho, mainly to industrialise livestock production in Lesotho. For full details of the project, see Ferguson’s *Anti-politics Machine*.

<sup>10</sup> Ferguson, *Anti-politics Machine*.

<sup>11</sup> Ferguson, *Anti-politics Machine*, p. 256.

Though Ferguson emphasised the power expansionist inclinations of the state in Lesotho, Easterly showed that development is, in fact, authoritarian even at the international level. Development has strong political implications. However, taken together, both scholars aptly observe that, be it at the national or international level, development intervention assumes an altruistic mask to legitimise technocratic authoritarianism<sup>12</sup> – what Easterly aptly terms ‘the tyranny of the experts’.<sup>13</sup> Additionally, the assumption behind the post-WWII development ideology carries the misconception that Africans had no history to give them the confidence that they can develop on their own – an assumption which Easterly calls the illusion of the ‘blank slate’. He argues that: “The Blank Slate mind-set tends to ignore history and to see each poor society as infinitely malleable for the development expert to apply his technical solutions”.<sup>14</sup>

Without investigating and interrogating the history of Basotho in local business, post-colonial governments and their international policy-makers sought to develop indigenous entrepreneurship by inculcating the perceived lack of modern business skills in Basotho. However, their efforts were limited, and in most cases, undermined by political interests of the ruling parties that sought to increase their followers and reward those who were already members. This argument has aptly been advanced by Ferguson, as discussed above. Chapters 4, 5 and 6 discuss this in more depth. Entrepreneurship development programmes that the government was running during my fieldwork started in 2007. That year, the United Nations Development Programme (UNDP) branch of the International Labour Organisation (ILO) and United Nations Children Emergency Fund (UNICEF) established two entrepreneurship development programmes in collaboration with the Ministry of Youth, Gender, Sports and Recreation. These programmes were aimed at assisting both women and youth in business in order to develop their businesses as well as to create employment.<sup>15</sup> These were: Women’s Enterprise Development and Gender Equality

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<sup>12</sup> Easterly, *Tyranny of the Experts*; Ferguson, *Anti-politics Machine*.

<sup>13</sup> Easterly, *Tyranny of the Experts*.

<sup>14</sup> Easterly, *Tyranny of the Experts*, p. 25.

<sup>15</sup> Maxine Langwenya, Barbara Mabuza and Doris Tshabalala, “An Assessment Of The Enabling Environment For Women’s Enterprises In Lesotho”; <http://www.ilo.org/empent/areas/youth-entrepreneurship/lang--en/index.htm>, [18<sup>th</sup> October 2012, 07:52]; For more details about the ILO Small Enterprise Programme visit;



Southern Africa Programme (WEDGE - SA) and the Know Your Business – Youth Employment Creation Project. Major activities of these projects focused on training women and youth in order to help those already in business to grow and to attract more young people and women to establish businesses. The projects were run separately under the Ministry. The women’s project was administered under the Gender Department while the youth project was placed under the Youth Department.<sup>16</sup>

ILO and government officials organised women and youth into groups of ten. Government officials and local private business consultants were assigned to mentor these groups with a purpose to help them write bankable business plans, ultimately. After training, these groups were provided with credit to open a business or to expand existing ones. In 2007, the government launched a business micro financing project called *Molika-liko* Micro Financing.<sup>17</sup> Through this scheme, the government loaned these groups of women and youth small amounts of money that ranged between R3,000 and R6,000. A number of women and youth benefited from the project. Women groups demonstrated more continuity and better repayment of loans than youth.<sup>18</sup> However, this was a very small amount of money, which at best could only sustain small business ventures. In addition, according to an evaluation study carried out by Morabo Morojele: “Not all trainees had received funding through the funding agency Moliko . . .”<sup>19</sup> There were also conflicts between programme coordinators and fund coordinators over misdirection of funds.<sup>20</sup> Though these projects were still in existence during my fieldwork, their activities had been

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<http://www.ilo.org/empent/units/boosting-employment-through-small-enterprise-development/lang-en/index.htm>, [18<sup>th</sup> October 2012, 07:52].

<sup>16</sup> Evaluation Report: Promotion of Youth Employment towards Poverty Reduction in Lesotho External, March 2009, Department of Youth, Maseru.

<sup>17</sup> Evaluation Report; Annual Review of the Project Promotion of Youth Employment towards Poverty Reduction in Lesotho, 2012, *Molikaliko* Trust Fund, Maseru, p. 1.

<sup>18</sup> Evaluation Report; Annual Review of the Project Promotion of Youth Employment towards Poverty Reduction in Lesotho, 2012, *Molikaliko* Trust Fund, Maseru.

<sup>19</sup> Evaluation Report: Promotion of Youth Employment towards Poverty Reduction in Lesotho External, March 2009, Department of Youth, Maseru, p. 64.

<sup>20</sup> Evaluation Report: Promotion of Youth Employment towards Poverty Reduction in Lesotho External, March 2009, Department of Youth, Maseru, pp.64-65.

crippled by mismanagement of funds and lack of government support by the new government, which came into power in 2012. Misuse of funds and alleged politically vested interests in the management of these projects also led to UNDP's withdrawal of its support from the project. According to one of the former trainers, the ruling party was using the projects to strengthen and recruit membership. Basically, the projects were strategically located to benefit LCD party members while the majority of Basotho in business were neglected.<sup>21</sup>

It is important to carry out this study because well into the 21<sup>st</sup> century, the majority of African people remain marginal in their economies. They face high levels of unemployment, illiteracy, health problems, and inequality, and have no say in economic and political decisions, which affect their lives. For decades, various explanations have been proffered for the persistence of this situation and remedial measures have been devised with little success. In fact, all these interventions seem to have only aggravated the living conditions and challenges that the majority of the African people face.<sup>22</sup> As a result, there is a need to rethink past dominant economic and political doctrines, which have shaped contemporary economic challenges of the majority of the people in the Global South. In this quest, one of the critical steps is to study what the majority of the people have been doing for themselves in the economy, notwithstanding their constraints.<sup>23</sup> The notion of the human economy has provided the motivation to carry out the current research. The human economy refers to an economy where focus is placed “. . . both on what people do for themselves and on the need to find ways forward that must involve all humanity somehow.”<sup>24</sup> Evaluating the world history that has marginalised ordinary people and left the world highly unequal, Keith Hart,

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<sup>21</sup> I gathered this information in an informal interview with one of the former trainers of the programme that I met during my fieldwork. The reasons why UNDP pulled out of the project were controversial. One of the coordinators of the project that I interviewed informed me that was sensitive information, and they have signed an oath of secrecy with the government. As a result, he could not provide such information.

<sup>22</sup> Keith Hart, Jean-Louis Laville and Antonio David Cattani, “Building the Human Economy Together” in Keith Hart, Jean-Louis Laville and Antonio David Cattani (eds), *The Human Economy: A Citizen's Guide* (Cambridge: Polity Press, 2010); Easterly, *Tyranny of the Experts*; Ferguson, *Anti-politics Machine*.

<sup>23</sup> Hart, Laville and Cattani, “Building the Human Economy Together”, pp. 1-6.

<sup>24</sup> Hart, Laville and Cattani, “Building the Human Economy Together”, p. 2.

Jean-Louis Laville and David Cattani argue that “it is time for the people to have their say in economic matters”.<sup>25</sup>

Hart, Laville and Cattani emphasise that the human economy is “already everywhere”. They support this by demonstrating that: “People always insert themselves practically into the economic life on their own account.” However, they observe that: “What they do there is often obscured, marginalised or repressed by dominant economic institutions and ideologies.” As a result, the human economy attempts primarily to “. . . [build] on what is there already and seeks only to gain recognition and legitimacy for what people do for themselves,” individually and collectively, as they express themselves “in domestic life and [organise themselves] informally in the cracks of the economic system; [and as they form] associations for their own protection, better and recreation.”<sup>26</sup> Accordingly, this study adopts the human economy approach to study what the majority of indigenous business owners have been doing for themselves both individually and collectively in post-colonial Lesotho.

### **Background to Lesotho’s Post-colonial Economy: Economic Challenges and the State of Indigenously-owned Business**

This study is a historical inquiry into indigenously-owned business’ attempts to play a significant role in Lesotho’s economy from 1966 to 2012. Indigenous people of Lesotho are popularly known as Basotho<sup>27</sup>. For operational purposes, in this study, the term Basotho is used to refer to black indigenous (or native) people. They constitute almost 99% of the country’s population.<sup>28</sup> Though the majority are the south *Sotho* groups such as the *Bakwena*, *Basia*, *Bafokeng*, *Bataung* and others, Basotho are a heterogeneous society consisting also of *Nguni* speaking groups such as the *Ndebele* people, *BaPhuthi* and the

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<sup>25</sup> Hart, Laville and Cattani, “Building the Human Economy Together”, p. 2.

<sup>26</sup> Hart, Laville and Cattani, “Building the Human Economy Together”, pp. 5-6.

<sup>27</sup> For the origins the Basotho nation, see Chapter 3.

<sup>28</sup> <http://worldpopulationreview.com/countries/lesotho-population/>, [February 01, 2015, 10:08].

*Xhosa* people as well as the Indians.<sup>29</sup> However, due to the dominance of the south *Sotho* groups, there is a popular misconception that Basotho are a homogeneous society speaking one language – *Sesotho*. This was a colonial construction, which was perpetuated by the post-colonial nationalist ambitions of consolidating Basotho as a one united and homogeneous society. Motlatsi Thabane argues:

The origins, social, economic and political and other experiences of Lesotho's ethnic minorities remain largely unexplored. Part of the explanation for this is that in its eagerness to foster unity among the different groups that resided within the boundaries which the British negotiated with the Free State, the colonial government cultivated the idea that Basotho were a homogeneous society under the rule of one family and speaking one language . . . The acceptance of this idea that Basotho are a homogenous society might have been useful to the extent that Lesotho's colonial history includes almost no violent ethnic clashes.<sup>30</sup>

In this study, emphasis is placed on the origins and race of these groups, hence, the title of the thesis underlines indigeneity. Though other groups, especially the Indians, are Basotho, they trace their roots in India. They also have their unique history in the local economy. Throughout the study, 'Basotho business owners' will be used interchangeably with 'indigenous business owners' or 'indigenously-owned businesses' – the black majority.

Other ethnic groups which have been operating in Lesotho are: Europeans, a small group of Portuguese and East Asian – Taiwanese, Shanghainese and Fujianese. These are groups which have been competing with the Basotho and dominating the local economy. There are also big businesses that operate in textiles, diamond mining, stone quarrying, banking, insurance, shopping malls, and so on. These are mostly owned by South African and international investors. There are small cliques of Basotho who also operate in these big businesses. The governments of Lesotho categorise the businesses in which the majority of Basotho operate in as small-to-medium enterprises (SMEs). Small-sized businesses employ between one to three people, while medium-sized businesses employ between ten and fifty

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<sup>29</sup> Motlatsi Thabane, "Aspects of Colonial Economy and Society, 1868-1966" in Neville W. Pule and Motlatsi Thabane (eds), *Essays on Aspects of the Political Economy of Lesotho, 1500-2000* (Roma: Department of History, National University of Lesotho, 2002), pp. 125-126.

<sup>30</sup> Thabane, "Aspects of Colonial Economy and Society, 1868-1966", p. 125.

people.<sup>31</sup> Basotho's businesses are in the following areas: retail (the largest), service, manufacturing, agro-processing, tourism, professional, financial and commercial farming sectors. These businesses comprise 85% of Lesotho's local business. As of 2008, there was an estimated 100 000 SMEs in Lesotho employing about 300 000 Basotho.<sup>32</sup> Out of the percentage that Basotho occupy in local business, only 15% is constituted by more prosperous Basotho.<sup>33</sup>

It is important to emphasise that women constitute a majority in Lesotho's SMEs. By so saying, this study is not only a narrative of male entrepreneurs. However, due to lack of records on the history of business and entrepreneurship in Lesotho, even more so, on the history of women, it was difficult to explore various gender dynamics as much as one would have hoped. The fact is, this area is still in its infancy and more work still needs to be done. Men only seem to dominate the narrative because, as a patriarchal society, men tended to monopolise business associations that represented indigenously-owned business. As a result, such associations were better recognised and their activities better recorded – at least comparatively speaking. In fact, in some cases, men who did not even have businesses would be elected into leadership positions. Though this happened in 1998, an investigation carried out by Sechaba Consultants, Lesotho Chamber of Commerce and Industry and Lesotho Council of Non-governmental Organisations revealed that 80% of Basotho businesses were owned by women.<sup>34</sup>

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<sup>31</sup> Ministry of Finance and Development Planning, *Lesotho Poverty Reduction Strategy 2012* (Maseru: Lesotho Government Printers, 2012), pp. 107-110; Ministry of Trade and Industry, Cooperatives and Marketing, *The State of Small Enterprise in Lesotho* (Maseru: Ministry of Trade and Industry, Cooperatives and Marketing, 2009), pp. 1-2; Ministry of Trade and Industry, Cooperatives and Marketing, *White Paper on the Development and Promotion of Small Business 2002*, [http://www.sbp.org.za/uploads/media/Lesotho\\_White\\_Paper\\_6-2.pdf](http://www.sbp.org.za/uploads/media/Lesotho_White_Paper_6-2.pdf), [November 02, 2012, 10:52].

<sup>32</sup> *The State of Small Enterprise in Lesotho*, pp. 1-2; *Lesotho White Paper on the Development and Promotion of Small Business, 2002*; *Lesotho Poverty Reduction Strategies 2012*, pp. 107-110.

<sup>33</sup> [http://www.informativenews.co.ls/index.php?option=com\\_content&view=article&id=453:local-banks-do-not-recognize-small-businesses-semethe&catid=11&Itemid=111](http://www.informativenews.co.ls/index.php?option=com_content&view=article&id=453:local-banks-do-not-recognize-small-businesses-semethe&catid=11&Itemid=111), [January 26, 2015, 09:44].

<sup>34</sup> *Lesotho 1998: Assessment of Damages to Business and Loss of Employment Report – A joint Assessment of 1, 045 Businesses in Maseru and District Towns*, November, 1998.

Since the colonial period, Basotho business owners have persistently faced a myriad of constraints in the economy. Predominantly, they experienced problems of access to credit, supply of stock and equipment, discriminatory laws,<sup>35</sup> poor business infrastructure, lack of information and poor business opportunities.<sup>36</sup> Women in business suffered more. On top of these problems, they also have challenges of gender discriminatory laws, influence of socio-cultural issues, isolation from business networks, as well as house-hold responsibilities that culminate in the home-work conflict phenomenon.<sup>37</sup> Though these constraints have led to the collapse of many businesses, it is important to recognise that there are other internal factors that have led to the failure of many businesses owned by Basotho. Many of the business owners rely on family members, members of the extended family and close community members to run or take care of their businesses. During my fieldwork, I encountered numerous complains of business owners whose businesses had collapsed due to mismanagement and theft in their businesses by relatives that were entrusted with the responsibility of operating their businesses. There were even stories of owners that squandered their profits and wasted their wealth in gambling, polygamous marriages and promiscuity. While acknowledging all that, it is of import to emphasise that this study's main focus is on establishing how those that survived, notwithstanding all these challenges, managed to do so, individually and collectively.

The impoverished economic status of Lesotho, and the marginal economic position of Basotho business owners in the post-colonial period, has its roots in the nineteenth century. Through European encounter and colonial design, Lesotho's pre-colonial economic independence was undermined in order to turn Lesotho into a reservoir of cheap labour; a process which also impacted other African communities in what is today South Africa and

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<sup>35</sup> Sean Maliehe, "An Obscured Narrative in the Political Economy of Colonial Commerce, 1870-1966" *HISTORIA*, 59:2 (2014), pp. 28-45; Maliehe, "Rationale for Local Entrepreneurship Development Policies and Programmes in Post-colonial Lesotho: Lessons from the Colonial and Immediate Post-colonial Lesotho"; Thabane, "Aspects of Colonial Economy and Society, 1868-1966", pp. 112-115.

<sup>36</sup> *The State of Small Enterprise in Lesotho*.

<sup>37</sup> Maxine Langwena, Barbara Mabuza and Doris Tshabalala, "An Assessment of the Enabling Environment for Women's Enterprises in Lesotho", [http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---ifp\\_seed/documents/publication/wcms\\_184776.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_184776.pdf), [October 18, 2012, 07:42]; Stéphan P van der Merwe and Mampoi Lebakeng, "An Empirical Investigation of Women Entrepreneurship in Lesotho", <http://www.documbase.com/STEPHAN-M.doc>, [October 22, 2012, 10:06].

neighbouring countries in the southern African region (see Chapter 3).<sup>38</sup> After Lesotho gained independence, its historical position as the main supplier of labour in South African mines steadily declined. In the 1970s, there were approximately 130 000 Basotho employed in South African mines. By the 1980s, this number had declined to 50 000. More Basotho were retrenched from the 1990s onwards, and by 2011, there were only about 40 000 employed in the mines.<sup>39</sup>

As a result of reduced employment opportunities for the majority of Basotho in South African mines, the successive post-colonial governments of Lesotho have constantly attempted to develop a strong domestic economy to support its citizens and grow the economy. Lesotho is one of the lowest ranking countries in the category of developing countries in Sub-Saharan Africa. The World Bank categorised the country as a lower middle-income country with an estimated GDP per capita of about \$1,210 in 2013.<sup>40</sup> In 2014, Lesotho's population was around 2 million.<sup>41</sup> More than 70% of this population lived in rural areas.<sup>42</sup>

In the post-colonial period, Lesotho's economy continued to be influenced by factors outside its geo-political borders, as the country persistently depended on foreign aid, foreign direct investment (FDI), the South African economy, and the Southern African Customs Union. Due to Lesotho's poor and 'dependent' economy, there has been a persistent internal need to diversify the country's domestic economy in order to create an independent economy. The four major aspects of the 'dependent' economy provided above

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<sup>38</sup> The history of Lesotho as a labour reserve in the southern African mining economy has been explored widely. See for example, Collin Murray, "From Granary to Labour Reserve: An Economic History of Lesotho", *South African Labour Bulletin*, 6: 4 (1980); Charles H. Feinstein, *An Economic History of South Africa: Conquest, Discrimination, and Development* (Cambridge: Cambridge University Press, 2005).

<sup>39</sup> *Central Bank of Lesotho*, 2011, p. 18.

<sup>40</sup> <http://www.worldbank.org/projects/P144933/second-private-sector-competitiveness-economic-diversification?lang=en>, [March 02, 2014, 13:30].

<sup>41</sup> <http://worldpopulationreview.com/countries/lesotho-population/>, [February 01, 2015, 10:08].

<sup>42</sup> <http://www.tradingeconomics.com/lesotho/rural-population-percent-of-total-population-wb-data.html>, [February 01, 2015, 10:14].

and which have received much attention in Lesotho's economic historiography<sup>43</sup> are discussed subsequently. Firstly, Lesotho is one of the poorest and smallest countries which attracted a lot of international attention and support, predominantly, in the form of foreign aid in the post-colonial period. Foreign aid was one of the pillars of developing and industrialising the country's economy in the post-colonial period,<sup>44</sup> as "[c]ombined, aid monies exceeded locally raised revenue"<sup>45</sup> in the 1970s and 1980s. Between 1975 and 1984, Lesotho was receiving assistance from 27 bilateral sources and 72 international agencies and non-governmental organisations.<sup>46</sup> Commenting on this situation, Ferguson stated:

In 1979, Lesotho received some \$64 million in "official development assistance" . . . about \$49 for every man, woman, and a child in the country – more, that is, (on a per capita basis) than Somalia, Ethiopia, or Sudan, and more than Chad and Mali put together.<sup>47</sup>

Secondly, from 1987, Lesotho adopted the World Bank's privatisation and neo-liberal policies (see Chapter 6). The country followed an export-led economic growth strategy. This strategy was anchored on a labour-intensive manufacturing approach designed to provide jobs for the citizens. It relied mainly on foreign direct investment.<sup>48</sup> In 1980, FDI contributed 1.2% to the country's GDP. In 1985, it had increased to 8.5%. From 1990, FDI increased from 25% and reached 271.6% by 2000.<sup>49</sup> The cornerstone of this strategy was the textile and garments manufacturing industries.

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<sup>43</sup> See for example, Mats Lundahl, Colin McCarthy and Lennart Peterson, *In the Shadow of South Africa: Lesotho's Economic Future* (Ashgate: Aldershot, 2003); Paul Wellings, "The 'Relative Autonomy' of the Basotho State: Internal and External Determinants of Lesotho's Political Economy", *Political Geography Quarterly*, 4:3 (1985), pp. 267-352; Michael Ward, "Economic Independence for Lesotho?", *The Journal of African Studies*, 5(3) November 1967, pp. 355-368.

<sup>44</sup> Ferguson, *The Anti-Politics Machine*, p. 3.

<sup>45</sup> Neville W. Pule, "Lesotho in Southern Africa" in Neville W. Pule and Motlatsi Thabane (eds), *Essays on Aspects of the Political Economy of Lesotho*, p. 217.

<sup>46</sup> Ferguson, *The Anti-politics Machine*, pp. 3-7.

<sup>47</sup> Ferguson, *The Anti-politics Machine*, p. 8.

<sup>48</sup> Ministry of Finance and Development Planning, *Lesotho Vision 2020: Empowerment for Prosperity* (Moriya: Morija Printing Works, 2004); <http://www.lesothoembassyrome.com/about7.htm>, [September 25, 2013, 14:35].

<sup>49</sup> *World Investment Report 2002*, [http://unctad.org/en/docs/wir2002\\_en.pdf](http://unctad.org/en/docs/wir2002_en.pdf), [March 03, 2014, 08:43], p. 330.



The textile and garments industry contributed significantly to the country's economy and employment. The industry was further given a great boost when Lesotho qualified for the African Growth and Opportunity Act (AGOA) in 2000. AGOA is the economic partnership agreement accorded by the US to African countries to export to the US markets. Through the Act, the US gives sub-Saharan countries incentives and prerogatives to exports to its markets.<sup>50</sup> As a result of AGOA, from around 15 000 people in 2000, the textiles industry employed around 50 000 people by 2007.<sup>51</sup> However, the agreement is scheduled to come to an end in 2015.<sup>52</sup> Consequently, the country has been forced to explore other alternatives to develop and diversify the country's economy and create employment.

Third, Lesotho's economy has also been heavily dependent on South African imports. Lesotho is a landlocked country – totally surrounded by South Africa. This has been one of the major concerns in attempts to develop a strong and independent domestic economy since independence.<sup>53</sup> Dependence on South African imports hinders Lesotho's internal production since imported goods far out-compete locally produced commodities in terms of quality and prices. The country imports almost 90% of all its consumer goods, manufactured goods and agricultural inputs from South Africa.<sup>54</sup> For instance, Lesotho's imports from South Africa increased by 23% in a matter of 12 months from R7.6 billion in 2009 to R9.3

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<sup>50</sup> Mallika Shakya, "Apparel Exports in Lesotho: The State's Role in Building Critical Mass for Competitiveness" in Punam Chohan-Pole and Manka Angwafo (eds), *Yes, Africa Can: Success Stories from a Dynamic Continent* (Washington DC: World Bank Publications, 2011), p. 219; Sebatso Manoeli, "Lesotho After AGOA: From Textile Boom to Sustainable Development", [http://www.thebrenthurstfoundation.org/Files/Brenthurst Commissioned Reports/Brenthurst-paper-201206-Lesotho-after-AGOA.pdf](http://www.thebrenthurstfoundation.org/Files/Brenthurst%20Commissioned%20Reports/Brenthurst-paper-201206-Lesotho-after-AGOA.pdf), [March 02, 2014, 14:25].

<sup>51</sup> Shakya, "Apparel Exports in Lesotho: The State's Role in Building Critical Mass for Competitiveness", p. 221.

<sup>52</sup> Manoeli, "Lesotho After AGOA: From Textile Boom to Sustainable Development", p. 3.

<sup>53</sup> *Lesotho First Five-Year Development Plan, 1970/1-1974/5*; Thuso Green, "The Role of Private (Business) Sector in Lesotho: A paper for *Mohloli* Chamber of Business (MCB)", [http://lesothoembassy.de/MCBweb/downloads/The\\_role\\_of\\_the\\_private\\_sector\\_in\\_Lesotho.pdf](http://lesothoembassy.de/MCBweb/downloads/The_role_of_the_private_sector_in_Lesotho.pdf), [March 15, 2014, 12:38], p. 5.

<sup>54</sup> <http://agoa.info/profiles/lesotho.html>, [March 02, 2014, 14:25].

billion in 2010.<sup>55</sup> Lesotho's trade deficit increased from R2, 536 million in 2007 to R5, 633 million in 2010.<sup>56</sup>

Lastly, for the national income, Lesotho is also heavily dependent on Southern African Customs Union (SACU) revenues. On June 29, 1910, Britain and South Africa engaged in negotiations that resulted in the formation of the General Customs Union with the High Commission Territories of Bechuanaland (Botswana), Swaziland and Basutoland (Lesotho) in Potchefstroom, a city in South Africa. Their aim was to maximise revenue collection at a regional level and share it proportionally.<sup>57</sup> SACU collections are derived “. . . from purchases of all foreign (mostly South African) goods and services, collected into a common pool.”<sup>58</sup> However, Lesotho receives the lowest share of the revenues. For example, in the financial year 2012/13, South Africa, the highest earner of SACU collections, received R28 billion. Botswana received R13 billion, while Namibia and Swaziland received R11 billion and R6 billion, respectively.<sup>59</sup> Lesotho “continued to be the least recipient of SACU revenue with 7.8 per cent (R5 billion)”.<sup>60</sup>

In the domestic economy, the lower percentages that Lesotho and other member states derived from SACU disbursements constitute a significant share of the national income. For example, in the financial years 2014/15, Botswana was hailed as a “development success story” by the World Bank, notwithstanding the fact that, the country's budget of the same year emphasised “tight fiscal management, prioritization, and a need to continue to rebuild

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<sup>55</sup> [http://www.sacu.int/publications/trade\\_statistics/2012/merchandise\\_trade\\_statistics11.pdf](http://www.sacu.int/publications/trade_statistics/2012/merchandise_trade_statistics11.pdf), [March 03, 2014, 11:41].

<sup>56</sup> [http://www.sacu.int/publications/trade\\_statistics/2012/merchandise\\_trade\\_statistics11.pdf](http://www.sacu.int/publications/trade_statistics/2012/merchandise_trade_statistics11.pdf), [March 03, 2014, 11:41], pp. 5-10.

<sup>57</sup> S. J. Ettinger, *The Economics of Customs Union between Botswana, Lesotho, Swaziland and South Africa* (Michigan: University of Michigan, 1974), p. 59.

<sup>58</sup> Wellings, “The ‘Relative Autonomy’ of the Basotho State: Internal and External Determinants of Lesotho's Political Economy”, p. 194.

<sup>59</sup> *Lesotho Central Bank Economic Review June 2012*, <http://www.centralbank.org.ls/>, [March 03, 2014, 11:25], p. 3.

<sup>60</sup> *Lesotho Central Bank Economic Review, June 2012*, p. 3.

fiscal buffers in the face of vulnerabilities in the *country's two main revenue streams (diamonds and the SACU customs pool (my emphasis))*.<sup>61</sup> In Lesotho, though they decreased from 2006/07 to the 2012/13 financial year, SACU collections constituted the largest share of government's income. In 2006/07, Lesotho's SACU proceeds constituted about 62% of the government's income. By 2012/13, they had decreased to about 45%. Suffice to mention, the revenues also have high rates of fluctuation. From 55% in 2008/09, they declined drastically to about 30% and 29% in the 2010/11 and 2011/12 financial years, respectively.<sup>62</sup>

### Research Methods

In order to learn what Basotho business owners have been doing for themselves within the economy and the conditions that they operated under since independence, the study used historical methods (oral and documentary sources) and ethnography. Historical methods and ethnography were appropriate to bring the researcher closer to what Basotho business owners have been doing from 1966 to 2012. This study is a continuation of my Masters research, which focused on colonial commerce and local business in the first four years of Lesotho's independence (1870-1970).<sup>63</sup>

As a young Mosotho, born and bred in Lesotho, my interest in this subject was sparked by my participation in Lesotho's local business as a business consultant. Coming from a less privileged background, it was difficult for me to find a footing in a complex business landscape, which dictated that one should be connected to certain business circles in order to realise better economic opportunities. Although I was educated and pursuing a Master's degree in Business Management (MBA), at the time, this did not make a difference. Frustrated, I closed my business, dropped out of the MBA programme and registered for an

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<sup>61</sup> <http://www.worldbank.org/en/country/botswana/overview>, [September 06, 2015, 12:16].

<sup>62</sup> *Lesotho Central Bank Economic Review, June 2012*, p.3.

<sup>63</sup> Sean Maliehe, "Basotho Traders' Attempts to Gain Access to, and Control Over, Local Trade in the Colonial and Immediate Post-Colonial, 1870-1970", Dissertation submitted in partial fulfilment of the requirements for the Master of Arts degree in the Department of Historical Studies, National University of Lesotho, Faculty of Humanities, 2011.

MA in History with the National University of Lesotho in order to study the historical makings of indigenously-owned business in contemporary Lesotho. My decision to focus on the academic side of business was in part also influenced by my undergraduate study, which had focused on the infiltration of the Chinese migrants into the local business sector. Many Basotho were agitated and disgruntled by this. With my background, I immediately sided with the ordinary business people.

As a point of departure, my Masters work set out to test the veracity of the popular perception that Basotho have demonstrated poor performance in local business because they lacked an adequate spirit of entrepreneurship and skills. This is a perception that originated in the colonial period and was inherited by the post-colonial governments of Lesotho and their local and international policy-makers. Instead, the study revealed that, indeed, Basotho lacked the typical western-type of business acumen since commerce was new to them. Despite that, they responded to commercial opportunities brought by the Europeans. However, the colonial government and European traders restricted Basotho participation in local commerce by not issuing them with trading licences. This was a strategy to protect European traders' business interests. Nonetheless, Basotho persisted in business, and towards independence, they had increased in numbers. After independence, they organised themselves into associations and cooperatives, in order to solve problems of access to credit, as well as to counter European traders' domination of local trade. However, the post-colonial government undermined their efforts through continued protection of European traders. The current study continues from that point and explores the history of indigenously-owned business until 2012.

The study is both qualitative and quantitative. Qualitatively, it uses both historical and ethnographic narratives. Quantitatively, descriptive statistics are used for illustrative purposes. Historical research is a chronological and systematic inquiry and analysis of events that happened in the past. This is achieved through the use of historical records and oral histories.<sup>64</sup> The historical research approach is complemented by ethnographic research.

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<sup>64</sup> John Tosh, *The Pursuit of History: Aims, Methods and New Directions in the Study of Modern History* (Longman, Cape Town, 2000).

The term ethnography comes from the Greek words, *ethnos*, meaning ‘people’ and *graphein*, meaning ‘to write’. Thus, it is writing about people, and in this particular case, Basotho business owners. It entails observation and participation in people’s daily activities.<sup>65</sup> The use of ethnography and oral histories has been helpful as certain archival sources have not yet been available for public use in Lesotho. In accordance with Lesotho’s *Archives Act No. 42 of 1967* and *Archives Regulations of 1972 (Section 19)* “. . . no archives that are [less than] 30 years [old] shall be made available to the public.”<sup>66</sup>

The study used the Lesotho Chamber of Commerce and Industry (LCCI) as an entry point into conducting historical research and ethnography on local entrepreneurship since independence. LCCI was formed in 1976, ten years after Lesotho’s independence. From March 2013, until the end of the fieldwork in January 2014, I was based at the Chamber’s offices. I participated in their daily activities, which included attending meetings, workshops and conferences as well as filling in for the office assistant; answering phone calls and carrying out other office duties. The Chamber provided an ideal opportunity because it is the “. . . oldest non-profit making institution representing the private sector in Lesotho.”<sup>67</sup> Since 1976, it has grown to be the most dominant Basotho business owners’ organisation in Lesotho’s local business in the post-colonial period. It has a wide membership of men, youth and women business owners from various political parties and religious denominations, as well as other smaller business associations and big companies. Since its establishment, the LCCI has been one of the central organisations in local business development. It has been behind many of Lesotho’s local business development initiatives.

The study, thus, has relied on historical records, oral histories, ethnography and secondary sources. In terms of primary sources, the study has relied on archival sources, LCCI minutes (from 1976 to 2013), reports and other documents, business profiles, local business development policies and programs, local business public institutions’ documents,

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<sup>65</sup> Jan Nieuwenhuis, “Qualitative Research Designs and Data Techniques” in Kobus Maree (ed.), *First Steps in Research* (Pretoria: Van Schaik, 2007), pp. 76-77; Yvonne Darlington and Dorothy Scott, *Qualitative Research in Practice: Stories from the Field* (Crow’s Nest: Allen & Unwin, 2002), p. 74.

<sup>66</sup> *Archives Act No. 42 of 1967 and Archives Regulations 1972*.

<sup>67</sup> <http://www.lcci.org.ls/>, [October 17, 2012, 20:40].

development plans (which usually took the form of Five-Year Development Plans), newspapers, magazines, government circulars, reports, dissertations, court cases, seminar papers, commissioned studies, court judgments, parliamentary debates, conference proceedings and occasional papers.

Many of these documents are located in the Lesotho National Archives, National University of Lesotho Archives, Morija Museum and Archives, LCCI Headquarters, House9 Collection and Publications in Ladybrand (Owned by Professor David Ambrose), Ministry of Planning and Development, Bureau of Statistics, on the websites of the following institutions: the Central Bank of Lesotho, Lesotho National Development Corporation (LNDC), Parliament of Lesotho, Basotho Enterprises Development Corporation (BEDCO), and the Ministry of Finance Library and the Ministry of Trade, Co-operative and Marketing. However, the Ministry of Trade did not provide permission to use documents other than those that had been published on their website despite persistent and formal attempts to access them. Their records could have benefited the study immensely since the role of that Ministry is central in Lesotho business and economic growth.

The study also benefited greatly from the digitised documents and newspaper articles of various organisations, ministries, the high court, non-governmental organisations, international projects, and other institutions in Lesotho which could be accessed on the internet. Several individuals also made their private document collections on the development of local business available for research for this study. In terms of oral sources, from August 2013 to January 2014, I interviewed some founding members of LCCI, committee members and general members of LCCI around the country, since its establishment in 1976. These were people who have first-hand information about the activities of the organisation and had been close to many of Lesotho's local entrepreneurship developments in the last four decades, as leaders and entrepreneurs themselves.

A digital voice recorder was used to capture informants' data. In-depth face-to-face interviews were used to gather information from senior government officials, civil servants (and ex-civil servants) and other people who were involved in designing post-colonial local

business infrastructure around the country. Members of District Chambers' committees and different business associations and business owners from various business sectors and backgrounds were interviewed using purposive and snowballing sampling research techniques. Altogether, 90 formal interviews were conducted around the country during the period of data collection.

It was important to cover all the districts of Lesotho in order to unravel various dynamics of Lesotho's economic history so that the study could be as representative as possible. The country is divided into two major ecological zones, namely, the Lowlands and the Highlands. These ecological zones have influence on the economic development of the country. Conditions in these two regions are different. The Lowlands are urban areas characterised by better business services, infrastructure, transport, communication, government services and information. The Highlands are mountainous areas characterised by poor roads, telecommunication, infrastructure, scattered settlements, and meagre services in general. Thus, it was crucial to investigate how even people in the most remote part of the country survived, notwithstanding the challenges that they faced.

Lastly, from March to August 2013, ethnography at LCCI was carried out to observe and participate in its activities. This largely involved attending meetings, conferences, and workshops and participating in, and listening to, informal office discussions. Not only was I able to gather insights regarding the operations of LCCI, but, I was also able to study entrepreneurship development initiatives being implemented by the government of Lesotho. Through placement at the Chamber, networks with the business community were created by the researcher through which more insights about Lesotho's business were gathered. This also provided an opportunity to identify potential informants for the study. Minutes and notes of my participation and observations from these activities were used for the study. Informal discussions with members of LCCI, its leadership and the business community and various civil servants and non-governmental organisations (NGO) workers proved to be important in gathering data. In essence, despite various fieldwork challenges, the research methods adopted for the study provided a holistic approach that was helpful in gathering information on the history of local entrepreneurship and business in post-colonial Lesotho.

## Ethical Considerations

This study used the Lesotho Chamber of Commerce and Industry (LCCI) as an entry point to study what Basotho business owners have been doing for themselves over time. In studies such as this one, where attention is placed on people, it is important to respect ethical standards governing academic research. Researchers have to make their potential informants fully aware that they seek information for research purposes. Therefore, researchers must make the potential participants adequately aware of what kind of information they need and how it will affect them directly, or indirectly.<sup>68</sup> In addition, researchers need to have informed consent from the potential participants, preferably in writing.<sup>69</sup> In this case, I produced formal letters of informed consent which were signed by all people who were formally interviewed. A special letter of consent was also received from LCCI, having formally requested permission to use it for this study.

Researchers must also maintain the confidentiality of their informants' information, unless informants indicate otherwise. Therefore, it is crucial to hide the identity of informants by using *pseudonyms* and to ensure that the context within which information is used cannot lead to the discovery of informants.<sup>70</sup> Researchers also have to guard against bias in using informants' information. According to Ranjit Kumar, bias occurs when researchers deliberately hide certain findings, or when researchers "highlight something disproportionately to its true existence." In addition, using information inappropriately, or twisting its original meaning, or context in which it was provided is unethical on the part of the researcher. Finally, with respect to this study, ethical clearance was obtained from the University of Pretoria, Faculty of Humanities' Ethics Committee before research could begin.

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<sup>68</sup> Ranjit Kumar, *Research Methodology: A Step-by-Step for Beginners* (London: SAGE, 2011), pp. 245-247.

<sup>69</sup> Kumar, *Research Methodology*, p. 224.

<sup>70</sup> Darlington and Scott, *Qualitative Research in Practice*, p. 30.



## Thesis Outline

The study's findings are chronologically and thematically presented in seven chapters (Chapter 2 to 8). Chapter two provides the global context for the study as well as international literature in which the study makes its contribution. Chapter three provides a colonial historical background of Lesotho's economy. It outlines the history of colonial commerce between 1870 and 1966. This is important because the history of Lesotho's contemporary economic history and activities of Basotho in business have their roots in this period. It is argued that three major significant phenomena unfolded in this period. This changed the economic history of Lesotho and pre-colonial economic independence of Basotho.

Firstly, the Afrikaners/Boers appropriated arable parts of Basotho's territory in the period from the 1840s to the 1860s. Secondly, by colonial design, Lesotho was integrated into the regional mining economy, as a supplier of labour, after the discovery of minerals in South Africa. Lastly, colonial commerce emerged towards the end of the nineteenth century and was dominated by European traders who, assisted by the colonial government, restricted Basotho and the Indian traders (who arrived later) access to business participation, mainly by denying them trading licences. Chapter four covers the period between 1966 and 1975. It accounts for the rise and fall of Basotho traders' post-colonial economic solidarity. From the beginning of the twentieth century, Basotho organised themselves in political and business associations in order to contest their exclusion from, and marginalisation in, colonial commerce. Towards independence, Basotho's collective pressure produced better results as the colonial government granted more licences to Basotho to open businesses. Their numbers in business increased from three in the mid-1930s to approximately 3000 on the eve of independence. However, they still operated on the periphery of the domestic economy while European traders remained dominant.

After independence, Basotho emerged as a strong economic force. They created the Basotho Traders' Association and a cooperative, *Thekommoho*, through which they collectively bought stock from South African wholesalers and manufacturers. However, this arrangement did not survive long. It was undermined by the government, which

collaborated with European traders in order to protect mutual political and economic interests, respectively. Thus, Basotho's economic pursuits were continuously stifled. The ruling party developed strong political and economic relations with European traders, who supported the ruling party with financial resources to ascend to power and to consolidate their political position. In return, the government protected the economic interests of European traders.

The fifth chapter, covering the period between 1975 and 1986, established how the Lesotho National Party government consolidated its control over the economy after suspending the constitution in 1970 and violently suppressing Basotho in both business and politics. It focused its attention on industrialising the economy, with assistance from international institutions, as a strategy to develop the economy along the lines of industrialised countries of the West. This was because Lesotho followed the US-led capitalist model instead of socialism. To this end, the National Party government of Lesotho created the Lesotho National Development Corporation (LNDC). The government ruled the country in a typical dictatorial fashion. It co-opted and subordinated Basotho's economic initiatives through the Basotho Enterprises Development Corporation (BEDCO) and Lesotho Chamber of Commerce and Industry (LCCI), in order to control Basotho's development path and pace, as well as to end their tension with European traders. Through LNDC, on the one hand, and BEDCO and LCCI, on the other, it created a bifurcated economy; one superior and the other inferior. The former occupied by foreign investors and few Basotho elite groups while the latter was occupied by indigenously-owned business.

In 1986, the military toppled the National Party government of Lesotho through a coup. In 1987, the new military government adopted the Structural Adjustment Programmes (SAPs). Chapters six and seven assess the implementation and impact of these World Bank's neo-liberal policies in the period between 1987 and 2000, respectively. As compared to many 'Third World' countries that adopted the SAPs due to debt problems, Lesotho embraced the programmes as a means to accessing loans from international banks to launch the multi-billion Rand Lesotho Highlands Water Project meant to supply water to South Africa. The SAPs opened the economy to flows of foreign capital to an unprecedented level.

Furthermore, liberalisation of the economy increased unemployment and worsened poverty in Lesotho.

In 1993, Lesotho held the first multi-party elections since 1970, as the country demilitarised and moved to more democratic governance. The Congress Party won the elections and ascended to power. While implementing the SAPs policies, the Congress regime excluded the majority of Basotho business owners. Business groups that benefited the most were those connected to the government and the ruling party as well as foreign business owners; who typically had greater financial muscle. Also, the government centralised business resources and opportunities in order to control their distribution to loyal party members, friends, family members and fellow politicians. On the contrary, the government vilified and ostracised some Basotho groups who questioned and refused to follow its dictates. This made the government's authoritarian character and lack of democratic benevolence even more apparent. Nonetheless, Basotho in business sustained their resistance towards the government.

The last chapter focuses on how the majority of Basotho in business survived in the period after the country adopted neo-liberalism. Basically, they attempted to solve their economic challenges through alternative business associations, cooperatives and credit rotating schemes of various sorts. However, their economic pursuits unfolded in a complex economic landscape in which there was an influx of the Fujianese migrants from China, who soon displaced many Basotho business owners and dominated the economy. As a result, relations between Basotho and the Fujianese migrants are characterised by confrontation and economic collaboration.

## CHAPTER 2

### Literature Review

#### Introduction

Government's efforts to develop Lesotho's economy in the post-colonial period are located within the post-WWII dominant development orthodoxy as established in the previous chapter. As a result, literature for this study is situated within the context of entrepreneurship and small to medium enterprises (SMEs) debates in developing countries in the post-colonial period. These debates are organised thematically across the post-colonial period. The period unfolded within the backdrop of the global post-WWII development discourse and practice that trace their ancestry in the eighteenth, nineteenth and early twentieth century western traditions of entrepreneurship and economic progress. The bulk of the literature is borrowed from other disciplines like economics, business and management studies, politics, psychology, sociology and anthropology. This is because there is little contribution in the study of local entrepreneurship in the post-colonial period by historians.

The post-WWII literature on the development of local entrepreneurship is predominantly focused on perceived cultural and behavioural factors that hinder or promote rational economic thinking. There has, however, been growing scholarship on the need to realise other external and broader societal factors that affect entrepreneurship and economic decision-making, particularly in developing countries, which have complex social, cultural, historical, economic and political dynamics. In reviewing literature for this study, focus is placed on the post-WWII entrepreneurship development discourse. Specifically, attention is directed at the arguments of the 'traits' entrepreneurship school of thought regarding indigenously-owned businesses after independence and its detractors. Lastly, the review will examine entrepreneurship and SMEs debates after the 1990s when interest in entrepreneurship intensified the world over as countries followed neo-liberalism, as well as their critique.

## Entrepreneurship and Economic Development: Historical Reflections and Influences

One cannot write about entrepreneurship and economic development in developing countries after independence without acknowledging the contribution of western scholarship, particularly, the contributions of the French, British, German/Austrian and American traditions. As a background, this section will systematically explore the contributions of these schools and critique the form of discourse which they produced, and its influence on African economic growth.

Western scholarship has not reached a consensus on the relationship between the individuals' agency, on the one hand, and economic change, on the other. Apart from exaggerated preoccupation with the question of "who is the entrepreneur", the discourse has revolved around risk, uncertainty and organisation.<sup>1</sup> Much scholarly attention has been devoted to this. In fact, justifiably so, this discourse is the indispensable point of departure for many academics. Accordingly, I explore, here, only the salient aspects of their debates. I advance that, into the 21<sup>st</sup> century, the visionary role of individuals against big and impersonal institutions in the economy continues to be seen in a binary way, that is, it is either trivialised or immortalised. This shift from one end of the spectrum to the other, limits our understanding of the interdependent and indispensable relationship between individuals' agency and impersonal economic machinery.

By far, the German/Austrian, and later American, traditions have openly embraced the role of the individual as the superstar of economic development. Surprisingly, the Germans were later-comers in recognising the subjectivity of the individual in economic decision. Prior, their thinking was associated closely with national finance (*cameralism*), which emphasised public revenue as an indicator of economic growth. Significant advances came from J. H. von Thünen (1785-1850) and H. K. von Mangoldt (1824-1854).<sup>2</sup> As political economy transformed to neo-classical economics in the nineteenth century and into the early twentieth century, this camp did not disassociate itself from its established tradition. The Austrian neo-classical school continued to expand on the subjectivity of the entrepreneur in the economy,

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<sup>1</sup> Robert F. Hébert and Albert N. Link, *Historical Perspectives on the Entrepreneur* (Hanover: Now Publishers, 2006).

<sup>2</sup> Hébert and Link, *Historical Perspectives on the Entrepreneur*, p. 51.

particularly under the influence of Carl Menger (1840-1921). Menger established the subjective role of human assessment of conditions in order to make his decisions as the starting point in economic theory.<sup>3</sup>

Drawing inspiration from the German tradition, particularly from the German Historical School, Joseph Alois Schumpeter (1883-1950), cemented and popularised the innovative propensities of individuals. Schumpeter, a German-born and later Harvard-based Austrian-American economist, describes entrepreneurs as innovators in an economy. They create new products in an economy or create new ways of providing old products.<sup>4</sup> He argues that entrepreneurs are forces of what he calls the 'creative-destruction' in the economy. He asserts that the 'creative-destruction' process occurs when entrepreneurs tamper with existing market mechanisms and disrupt the economy's stability. Consequently, entrepreneurs innovatively propel the economy forward in some form of 'survival of the fittest'.<sup>5</sup>

Though the German traditions embraced entrepreneurship, this was of course a French coinage. Richard Cantillon (1680-1734), a French economist, was the first scholar to conceptualise the word 'entrepreneur' in 1730. Drawing from his own experiences as a financier and banker, he saw an entrepreneur as a 'risk-taker' in an economy. An entrepreneur, for him, was somebody who confronted uncertainty by buying certain commodities and took a risk of selling at a higher price at the markets.<sup>6</sup> However, it is worth recognising that it was Frank Knight (1885-1972), an American economist of the Chicago

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<sup>3</sup> Hébert and Link, *Historical Perspectives on the Entrepreneur*, p. 60.

<sup>4</sup> Wingham, "Entrepreneurship through the Ages", pp. 30-31; Bjerke, *Understanding Entrepreneurship*, pp. 70-71.

<sup>5</sup> Joseph A. Schumpeter, "The Process of Creative-Destruction" in Scott Shane (ed.), *Foundations of Entrepreneurship: Volume I* (New York: Edward Elgar Publishing, 2002), pp. 499-598; Joseph A. Schumpeter, *Business Cycles: A Theoretical, Historical and Statistical Analysis of the Capitalist Process* (McGraw-Hill Book Company, London, 1939), pp. 62-77; W. Gick, "Schumpeter's and Kirzner's Entrepreneurs Reconsidered: Corporate Entrepreneurship - Subjectivism and the Need for a Theory of the Firm" in N. J. Foss and P. G. Klein, (eds), *Entrepreneurship and the Firm: Austrian Perspectives on Economic Organization* (New York: Edward Elgar, 2002), p. 95.

<sup>6</sup> D. W. Wingham, "Entrepreneurship through the Ages" in H. P. Welsch, (ed), *Entrepreneurship: The Way Ahead*, pp. 30-31; Björn Bjerke, *Understanding Entrepreneurship* (Cheltenham: Edward Elgar, 2007), pp. 70-71.

School, who expanded the concepts of risk and uncertainty by identifying insurable risk and non-insurable uncertainty.<sup>7</sup> Another influential economist in the French classical entrepreneurship school was Jean Baptiste Say (1767-1832). Analysing the Industrial Revolution, he added that entrepreneurs brought factors of production together and organised business firms. For him, entrepreneurs were ‘business-builders’.<sup>8</sup>

At the different end of the spectrum was the British classical economic school. From Adam Smith (1723-1790) to David Ricardo (1772-1823) and Jean Stuart Mill (1806-1873), the role of the individual was treated secondary to the broader function of the economy. However, Mill acknowledged the French contribution of the entrepreneurs and saw them as managers (the superintendents).<sup>9</sup> This British classical school questioned the fickle character of people, which brings about uncertainty and risk. The school associated the major preoccupation of economics with the efficient allocation of scarce resources. Precision and planning were central to this; uncertainty and risk had little space as a result – as was the adventurer’s ambitions in creating wealth for the whole nation.<sup>10</sup> It is worth noting that, in the classical British tradition, there were other concepts that were used to denote the equivalent of the entrepreneur. These were *adventurers*, *projectors*, *contractors*, *undertakers* and the *prudent man*.<sup>11</sup>

With the transition from classical to neo-classical economics, the space for individuals was reduced even further, as new professionals emphasised the application of scientific and mathematical equations in economic reasoning. Alfred Marshal (1842-1924), though, among others, acknowledged the computational, and thus rational, predispositions of entrepreneurs to survive under difficult economic conditions in a classic Darwinian

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<sup>7</sup> Hébert and Link, *Historical Perspectives on the Entrepreneur*, pp. 88-91.

<sup>8</sup> D. W. Wingham, “Entrepreneurship through the Ages” in H. P. Welsch, (ed), *Entrepreneurship: The Way Ahead*, pp. 30-31; Björn Bjerke, *Understanding Entrepreneurship* (Cheltenham: Edward Elgar, 2007), pp. 70-71.

<sup>9</sup> Hébert and Link, *Historical Perspectives on the Entrepreneur*, pp. 48-50.

<sup>10</sup> Hébert and Link, *Historical Perspectives on the Entrepreneur*, pp. 37-48.

<sup>11</sup> For further elaboration on these concepts see Hébert and Link, *Historical Perspectives on the Entrepreneur*, pp. 37-48.

evolutionary sense.<sup>12</sup> As already established, the British neo-classical school remains dominant.

In Africa, the entrepreneurship debate became even more hotly contested. Africans are seen as lacking both the subjective entrepreneurial agency and rational economic ethic required to propel economies by modernisation-inspired scholars, policy-makers and post-colonial government of Lesotho, as will be demonstrated later in this section. Using the history of Basotho business owners' attempts to play a significant role in the country's economy, this study makes a contribution towards understanding the relationship between the individual and the bigger economy. As established, it relies on the human economy. In line with Keith Hart, the study adopts his expanded notion of the human economy to reconcile the cleavage between the role of the individuals and the economy. He argues that the human economy approach goes beyond just emphasising what people do on the ground. What they do there is intricately connected to big and impersonal institutions. In this sense, it is the dialectic of small-scale humanism and big and impersonal institutions.<sup>13</sup> Drawing from this, I argue that, contrary to the binary conception of the individual and the economy as either trivialised or amplified by the British and the German/Austrian-French-American traditions, respectively, the relationship between the two is interdependent and indispensable.

### **Modern Capitalism and Post-colonial Debates on Local Entrepreneurship in Developing Countries**

Entrepreneurship, as a field of study, is a recently emerging discipline.<sup>14</sup> It was initially studied predominantly by economists, as discussed above. Later in the twentieth century, other disciplines, such as business and management studies, psychology and sociology, also began studying entrepreneurship.<sup>15</sup> At this point, scholarship on entrepreneurship focused

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<sup>12</sup> Hébert and Link, *Historical Perspectives on the Entrepreneur*, pp. 69-70.

<sup>13</sup> <http://thememorybank.co.uk/2013/01/20/object-methods-and-principles-of-human-economy/>, [April 15, 2015, 21:15].

<sup>14</sup> Arnold Cooper, "Entrepreneurship: The Past, the Present, the Future" in Zoltan J. Acs and David B. Andretch (eds), *Handbook of Entrepreneurship Research: An Interdisciplinary Survey and Introduction* (London: Kluwer Academic Publishers, 2005), pp. 21 and 24.

<sup>15</sup> Cooper, "Entrepreneurship: The Past, the Present, the Future", p. 25.



on what was commonly called individual “traits”. The “traits” school of thought focused on attributes (in-born or nurtured), which characterised what an entrepreneur should be. An entrepreneur was thus taken to be an individual who took a risk to establish a firm in order to exploit opportunities in the economy.<sup>16</sup> Entrepreneurs also had to show high levels of motivation to succeed, as well as leadership potentials, innovation and creativity in modern capitalism.<sup>17</sup>

Many developing countries gained their independence from the 1950s onwards to the 1980s when the ‘traits’ school of thought was popular. This academic camp was given a big boost by the modernisation development model, which was at its height in the 1950s and 1960s. Modernisation became popular due to post-WWII developments and technological advancements in the West. In those decades, a collection of perspectives that advocated for a progressive movement out of traditional societies to modern societies became popular.<sup>18</sup> The ideas of modernisation were rooted in the nineteenth and early twentieth century political economy when classical scholars like Émile Durkheim, Georg Simmel, Max Weber and, later, Walt Whitman Rostow, attempted to theorise social and economic changes associated with industrialisation.<sup>19</sup> Modernisation placed emphasis on economic and moral rationality. On the one hand, developed countries were seen as secular, universalistic and motivated by profit-making. On the other hand, developing countries were seen as traditional, particularistic and as not being motivated by profit.<sup>20</sup>

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<sup>16</sup> Karl H. Vesper, “Unfinished Business (Entrepreneurship) of the Twentieth Century” in Harold P. Welsch (ed.), *Entrepreneurship*, pp. 15-16; Schumpeter, *Business Cycles*, p.77; Wingham, “Entrepreneurship through the Ages”, pp. 30-31; Bjerke, *Understanding Entrepreneurship*, pp. 70-71; Schumpeter, “The Process of Creative-Destruction”, pp. 499-598; Howard H. Stevenson, “Intellectual Foundations of Entrepreneurship” in Harold P. Welsch (ed.), *Entrepreneurship*, p. 3.

<sup>17</sup> David C. McClelland, “Entrepreneurial Behaviour and Characteristics of Entrepreneurs” in Scott Shane (ed.), *Foundations of Entrepreneurship*, pp. 179-184; Schumpeter, *Business Cycles*; Peter F. Druker, *Innovation and Entrepreneurship: Practice and Principles* (London: William Heinemann Ltd, 1985).

<sup>18</sup> Katy Gardner and David Lewis, *Anthropology, Development and the Post-modern Challenge* (London: Pluto Press, 1996), pp. 12-13.

<sup>19</sup> Gardner and Lewis, *Anthropology, Development and the Post-modern Challenge*, pp. 12-13; Marx Weber, *General Economic History* (New York: Collier, 1961); Georg Simmel, *The Philosophy of Money* (London: Routledge, 1978).

<sup>20</sup> Gardner and Lewis, *Anthropology, Development and the Post-modern Challenge*, pp. 12-13.

Rostow's stages-of-growth model of development came as a result of the politics of the Cold War, as the world superpowers – the US and the Union of Soviet Socialist Republic (USSR) – competed for global supremacy and the allegiance of newly independent countries.<sup>21</sup> The US supported the capitalist mode of production while the Soviet Union supported the socialist, communist, or command economy. According to Rostow, the transition from lack of development to development could be achieved through a series of stages that all countries had to go through. First, there was the 'traditional stage', which was rural, characterised by poverty and irrationality among people. Rostow asserts that people's ways of doing things, in this stage, are highly influenced by their cultural belief systems. Secondly, there was the stage of 'preconditions for take-off'. In this stage, investments have to be channelled towards infrastructure, manufacturing, agriculture and effective government to pave way for the third stage of development, which was the 'take-off' stage – the stage of high levels of investment and technological transformation to the fourth stage, the 'drive to maturity'. He argued that this was a self-sustaining stage of growth and high technological development. The final stage was 'high mass consumption', and it was typified by high levels of productivity and urbanisation.<sup>22</sup>

Newly independent countries had to choose between following the US-led capitalist free market economy or the USSR socialist economy. Those that opted for capitalism had to create a vibrant economy to develop, as prescribed by the modernisation development ideology.<sup>23</sup> During this period, business development debates were focused on the perceived limitations that culture imposed on individuals' entrepreneurial abilities. The argument was that cultural beliefs and traditions in developing countries hindered and discouraged individual private accumulation and innovation. Entrepreneurial initiatives and skills of indigenous business owners were, consequently, questioned and judged as

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<sup>21</sup> Michael P. Todaro and Stephen C. Smith, *Economic Development* (Boston: Addison Wesley, 2003), p. 112.

<sup>22</sup> Todaro and Smith, *Economic Development*, p. 112; Gardner and Lewis, *Anthropology, Development and the Post-modern Challenge*, pp. 12-13.

<sup>23</sup> <http://thememorybank.co.uk/book/chapter-3/>, [October 07, 2012, 06:21].

inadequate.<sup>24</sup> Basically, developing countries were perceived to be still in the traditional stage of the development evolution.

Modernisation-inspired scholars argued that indigenous business owners lacked economic rationality; they did not perform well in business because they supported huge extended families and they also tended to want to please family members with business resources. They also argued that indigenous business owners pursued economically imprudent 'hand-to-mouth' management practices, which hindered them from saving, reinvesting and expanding their businesses. Finally, these scholars also maintained that indigenous business owners participated in business for prestige and status inflation, rather than to maximize profits.<sup>25</sup>

Scholars who disagreed with these modernisation views emphasised, instead, the difficult and complex political-economic environments in which indigenous business owners had to operate under during the colonial and post-colonial periods.<sup>26</sup> For example, in Zimbabwe, M. J. M Sibanda used the case study of bus operators in the rural periphery of Salisbury (now Harare) to challenge colonial stereotypes and modernisation perceptions of the development of African business and also to demonstrate that, in cases where colonial institutional constraints were less developed, African business owners demonstrated better economic performance.<sup>27</sup> In his study of the rise of middle-classes in Zimbabwe, Michael O.

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<sup>24</sup> Zafr Altaf, *Entrepreneurship in the Third World: Risk and Uncertainty in Industry in Pakistan* (New York: Croom Helm Ltd, 1988), pp. 162-174; Bruce Dinwiddy, *Promoting African Enterprise* (London: Croom Helm, 1974); Volker Wild, *Profit not for Profit's Sake: History and Business Culture of African Entrepreneurs in Zimbabwe* (Harare: Baobab Books, 1997).

<sup>25</sup> Wild, *Profit not for Profit's Sake*; Theodore Geiger and Winifred Armstrong, *Development of African Private Enterprises* (Washington: National Planning Association, 1964); Peter Marris and Anthony Somerset, *African Businessmen: A Study of Entrepreneurship and Development in Kenya* (Nairobi: Routledge, 1971), pp. 13-19; Bruce Dinwiddy, *Promoting African Enterprise* (London: Croom Helm, 1974).

<sup>26</sup> John Iliffe, *The Emergence of Capitalism in African* (London: Macmillan Press Ltd, 1983); Alois Mlambo, "Cultural Obstacles or Colonial Barriers? A Review of Profit not for Profit's Sake: History and Business Culture of African Entrepreneurs in Zimbabwe by Volker Wild", *The Zimbabwean Review*, January (1993), pp. 12-13.

<sup>27</sup> M. J. M. Sibanda, "Internal Dependency and African Economic Performance in Colonial Rhodesia: The Case of Bus Operators in the Rural Periphery of Salisbury, 1938-1970", *Mohlomi, Journal of Southern African Historical Studies*, iii: iv (1981), pp. 1-11.

West demonstrated that African business owners experienced difficulties because of the colonial economic setup and hostility, which prevented them from emerging as a defined economic class.<sup>28</sup>

### **Renewed Interest in Entrepreneurship and Small Businesses in Developing Countries**

In the 1970s, the global economic boom of the post-WWII reconstruction years came to an end with ruinous effects on developing economies. Until then, countries around the world had placed the state at the centre of economic development. Now the focus shifted to individual entrepreneurship, as the state was increasingly regarded as inefficient and the focus was more on rolling back the state in order to allow for a greater role to free enterprise. As many developing countries were experiencing severe poverty in the 1980s, interest in business and role of individuals, as the engine for development, was also renewed world-wide.<sup>29</sup> This shift began in England and the US when Margret Thatcher and Ronald Regan pushed for deregulation of their economies in what came to be known as the neo-liberal or free market or self-regulating market policies – also known as the *Washington Consensus* of 1989.<sup>30</sup>

In an attempt to address poverty, unemployment, inequality and the poor performance of many developing economies, international financial institutions promoted the entrepreneurial role of individuals in the economy. The understanding continued to be that the economies and people needed to be innovative as in the immediate post-WWII period. Efforts by governments, non-governmental organisations and international institutions were

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<sup>28</sup> Michael O. West, *The Rise of an African Middle Class: Colonial Zimbabwe, 1898-1965* (Bloomington: Indiana University Press, 2002).

<sup>29</sup> <http://thememorybank.co.uk/book/chapter-3/>, [October 07, 2012, 06:21].

<sup>30</sup> Hart, Laville and Cattani, “Building the Human Economy Together”, p. 1.

then geared towards propagating the spirit of entrepreneurship.<sup>31</sup> Therefore, unsurprisingly, the IMF and the World Bank introduced Structural Adjustment Programmes in Africa from the 1980s onwards. The SAPs worsened the poverty ordeal in Africa (also see Chapter 6 and 7).<sup>32</sup>

From the 1990s onwards, interest in entrepreneurship as the driver of economies intensified the world over.<sup>33</sup> With assistance from international institutions, governments channelled their efforts into designing policies and creating infrastructure to guide entrepreneurship for economic development. Their efforts were targeted at small-to-medium businesses.<sup>34</sup> The post-WWII spirit, which upheld that large corporations would dominate economies, began to deteriorate from the 1970s into the 1980s and 1990s. Small businesses were then seen as more flexible, innovative and crucial for employment-creation for the majority of the people, as compared to their larger business counterparts – the corporations.<sup>35</sup>

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<sup>31</sup> Irma Booyens, “Are Small, Medium and Micro-sized Enterprises Engines of Innovation? The Reality in South Africa”, *Science and Public Policy*, 38: 1 (2011), pp. 67-78; Moses N. Kiggundu, “Entrepreneurs and Entrepreneurship in Africa: What is Known and What Needs to be Done”, *Journal of Developmental Entrepreneurship*, 7: 3 (2002), pp. 239-258; Peter J. Boettke, “Editorial: Entrepreneurial Responses to Poverty and Social Conflict – The Enterprise Africa Project!” *Economic Affairs*, 27: 2 (2007), pp.2-5; Daniel N. Dalohoun, Andy Hall and Paul Van Mele, “Entrepreneurship as a Driver of a ‘Self-organising System of Innovation’: The Case of NERICA in Benin”, *International Journal of Technology and Sustainable Development*, 8: 2 (2009), pp. 87-101.

<sup>32</sup> For more information on the history and impact of the SAPs in Africa see; A. S. Mlambo, “Towards an Analysis of IMF Structural Adjustment Programmes in Sub-Saharan Africa (SSA): The Case of Zimbabwe”, *African Development*, XX: 2 (1995), pp. 77-98; Joseph Kipkemboi Rono, “The Impact of the Structural Adjustment Programmes on Kenyan Society”, *Journal of Sociological Development in Africa*, 17: 1 (2002), pp. 81-98; A. S. Mlambo, E. S. Pangeti and I. Phimister, *Zimbabwe: A History of Manufacturing, 1890-1995* (Harare: University of Zimbabwe Press, 2000), pp. 110-122.

<sup>33</sup> Bjerk, *Understanding Entrepreneurship*, p. viii.

<sup>34</sup> Donald C. Mead and Carl Liedholm, “The Dynamics of Micro and Small Enterprises in Developing Countries”, *World Development*, 26:1 (1998), pp. 66-74; Wim Naudé, “Promoting Entrepreneurship in Developing Countries: Policy Challenges”, *United Nations University Policy Brief November 4<sup>th</sup> 2010*, [www.unu.edu](http://www.unu.edu), [March 10, 2014, 15:58].

<sup>35</sup> Cooper, “Entrepreneurship: The Past, the Present, the Future”, p. 28; David J. Storey, “Entrepreneurship and Small and Medium Sized Enterprises and Public Policies” in Zoltan J. Acs and David B. Andretch (eds) *Handbook of Entrepreneurship Research: An Interdisciplinary Survey and Introduction* (London: Kluwer Academic Publishers, 2005), p. 474.

Entrepreneurship was particularly seen as an important economic solution for the majority of developing countries, since they were, and still are, characterised by poverty, inequality, high levels of unemployment, poor infrastructure and living conditions. Entrepreneurship was thus viewed in a positive light as a panacea for many economic problems faced by developing countries.<sup>36</sup> This explains why literature on entrepreneurship has been positivist in nature.<sup>37</sup> For example, the Global Entrepreneurship Monitor (GEM), the world-wide research project that collects empirical data on entrepreneurship in developed and developing countries, reports that Africa's real GDP increased by 4.9% from 2000 to 2008 due to the adoption of entrepreneurship development policies. GEM observed that the kind of growth was twice as much as that of the 1980s and 1990s before interest in entrepreneurship intensified.<sup>38</sup>

In 2012, GEM conducted a study in sub-Saharan Africa. It reported that due to the impact of entrepreneurship, countries like Angola, Ethiopia, Ghana, Namibia, Nigeria and Zambia had GDP growth rates of about 5%, with Ethiopia as the highest with 8.5%.<sup>39</sup> Donna J. Kelley, co-author of the study, commented:

This shows an incredible ability for people here to create their own jobs, and in many cases, jobs for others. As a result, entrepreneurship in sub-Saharan Africa can contribute substantially toward providing income for families and lifting communities out of poverty.<sup>40</sup>

With business and entrepreneurship seen as the driving engine of economies, studies were focused on identifying constraints that hampered individuals' entrepreneurial flair to flourish. Constraints were seen as poor business infrastructure, lack of funding and access to

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<sup>36</sup> Cooper, "Entrepreneurship: The Past, the Present, the Future", p. 28; Charlotte M. Echtner, "Entrepreneurial Training in Developing Countries", *Annals of Tourism Research*, 22:1(1995), pp. 119-134.

<sup>37</sup> Bjerk, *Understanding Entrepreneurship*, p. viii.

<sup>38</sup> <http://www.gemconsortium.org/news/785/entrepreneurs-in-africa-help-boost-employment-and-gdp-rates>, [February 27, 2014, 12:45].

<sup>39</sup> <http://www.gemconsortium.org/news/785/entrepreneurs-in-africa-help-boost-employment-and-gdp-rates>, [February 27, 2014, 12:45].

<sup>40</sup> <http://www.gemconsortium.org/news/785/entrepreneurs-in-africa-help-boost-employment-and-gdp-rates>, [February 27, 2014, 12:45].

credit, and marketing opportunities, poor governance and corruption, poor business networks, and cultural barriers, among others.<sup>41</sup> Scholars from various academic disciplines, who were attempting to solve inequality and poverty, also emphasised the need to include marginalised groups such as women, youth and people with disabilities through entrepreneurship.<sup>42</sup>

Meanwhile, however, due to challenges and lack of growth, indigenously-owned business continue to be criticised in developing countries. For example, in India, Mexico and Brazil, Arnold Cooper and Xiaoli Yin categorise indigenously owned business as ‘necessity-based’ entrepreneurship. They argue that this is ‘survival’ entrepreneurship in response to lack of employment opportunities and to low household income in developing countries. They distinguish it from what they call ‘opportunity-based’ entrepreneurship. This refers to pursuing business opportunities for personal interest. In China, they identified indigenous small-scale business, locally called *getihu*, as ‘necessity-based’ entrepreneurship.<sup>43</sup> ‘Necessity-based’ or ‘survival-driven’ entrepreneurship is not regarded as innovative enough to drive economies.<sup>44</sup>

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<sup>41</sup> Gideon Nieman, Thea Visser and René van Wyk, “Constraints Facing Tourism Entrepreneurs in South Africa: A Study of the Gauteng and Mpumalanga”, *Development Southern African*, 25: 3 (2008), pp. 283-296; E. B. J. Iheriohanma, “Capacity Building, Leadership Question and Drains of Corruption in Africa: A Theoretical Discourse”, *Asian Social Science*, 7: 3 (2011), pp. 131-138; Peter Koveos, Pierre Yourougou and Ben Amoaku-Adu, “Entrepreneurship in Africa: Editors’ Note”, *Journal of Developmental Entrepreneurship*, 16: 1 (2011), pp. 1-7; Boris Urban, “Entrepreneurship in the Rainbow Nation: Effect of Cultural Values and ESE on Intentions”, *Journal of Development Entrepreneurship*, 11: 3 (2006), pp. 171-186.

<sup>42</sup> Mohd Hassan Mohd Osman, Muhammad Rashid, Fauziah Sheikh Ahmad and Amer Rajput, “Market Orientation – A Missing Link to Successful Women Entrepreneurship in Developing Countries: A Conspectus of Literature”, *International Journal of Academic Research*, 3: 4 (2011), pp. 232-236; Linda Scott, Catherine Dolan, Mary Johnstone-Louis, Kimberly Sugden and Maryalice Wu, “Enterprise and Inequality: A Study of Avon in South Africa”, *Entrepreneurship: Theory and Practice*, 36: 3 (2012), pp. 543-568; Been H. Becka and Mike Rimmingto, “Entrepreneurship as a Career Option for Youth”, *Journal of Developmental Entrepreneurship*, 16: 1 (2011), pp. 145-164; Fred Ahwireng-Obeng, “Gender, Entrepreneurship and Socio-economic Reparation in South Africa”, *Review of Black Political Economy*, 22: 2 (1993.), pp. 151-165.

<sup>43</sup> Arnold C. Cooper and Xiaoli Yin, “Entrepreneurship in Developing Countries” in Arnold C. Cooper, Sharon A. Alvarez, Alejandro A. Carrera, Luiz F. Mesquita and Roberto S. Vassolo (eds) *Entrepreneurship Strategies: New Technologies and Emerging Markets* (Oxford: Blackwell Publishing Ltd, 2006), p. 74.

<sup>44</sup> Marco Vivarelli, “Is Entrepreneurship Necessarily Good? Microeconomic Evidence from Developed and Developing Countries”, *Industrial and Corporate Change*, 22:6 (2013), pp. 1453-1495.

Some studies have simply compared more successful foreign entrepreneurs with struggling indigenously-owned business with a view to show the effective role of the former in economic growth.<sup>45</sup> However, there have also been studies that have focused their attention on tracing some success stories in indigenously-owned businesses in developing countries. They have sought to show how such stories can be used to illustrate lessons for effective policy design to guide entrepreneurship to play a more influential role in economies.<sup>46</sup>

### **Critique of Literature on the Renewed Interest in Entrepreneurship and Small Businesses in Developing Countries**

To date, attention continues to be placed on the free market as the main creator and distributor of wealth. Also, the entrepreneurial behaviour of an individual as an *economic man*, a rational economic thinker geared towards maximizing profits, in the market economy, continues to be placed at the centre of development policies. However, Max Weber demonstrated that the spirit of capitalism was supplied by social factors. Weber argued that the Protestants facilitated the rationalisation of religion by dissolving the powers of magic. These were seen as irrational and, thus, had to be weeded out for a rational economic ethic to develop.<sup>47</sup>

As Weber argued, that was a key aspect of modern capitalism. This gave rise to the role of an individual as a rational economic thinker. Weber argued that Calvinism achieved this by its underpinning philosophy, which appreciated that “. . . man was only an administrator of what God has given him.” He argued that: “Out of this system of thought came our word “calling”.” He pointed out that “[i]t expressed the value placed upon rational activity carried

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<sup>45</sup> Vijara Ramachandran and Majun Kedia Shah, “Minority Entrepreneurs and Firm Performance in Sub-Saharan Africa”, *Journal of Development Studies*, 36:2 (1999), pp. 71-87, DOI: [10.1080/00220389908422621](https://doi.org/10.1080/00220389908422621), [March 10, 2014, 15:40].

<sup>46</sup> C. M. Rogerson, “In Search of the African Miracle: Debates on Successful Small Enterprise Development in Africa”, *Habitat International*, 25 (2001), pp. 115-142; Simeon Nichter and Lara Goldmark, “Small Firm Growth in Developing Countries”, *World Development*, 37: 9 (2009), pp. 1453-1464, DOI:[10.1016/j.worlddev.2009.01.013](https://doi.org/10.1016/j.worlddev.2009.01.013), [March 10, 2014, 15:45].

<sup>47</sup> Weber, *General Economic History*, p. 269.



on according to the rational capitalistic principle, as the fulfilment of a God-given task.” The concept of “calling” gave rise to the modern entrepreneur.<sup>48</sup>

Hart has also demonstrated that entrepreneurs, a term associated with economic leadership in capitalism or what he terms the ‘human face of capitalism’, are not purely driven by rational economic choice when engaging in exchange with others. Writing about a trans-local ethnic group in Ghana, the Frafras of Nima slumps, Hart demonstrates that the Frafras pursue individual gain, while simultaneously maintaining their various social obligations, without contradictions. He emphasised the plurality of their economic motivations and behaviour. In their exchanges, the Frafras demonstrated mutual trust, reciprocity, loyalty, gift-giving, solidarity, concern for others and goodwill.<sup>49</sup>

Writing about minority elite entrepreneurs in post-colonial Botswana, Richard Werbner explored trust and mutuality among the Kalanga ethnic group. Instead of focusing on competition and rivalry in business, he focused on how the Kalanga elite created businesses that complemented each other. He also showed how they were able to maintain their cultural heritage and navigate between their village ties and urban life. In complex socio-economic and political relations, the Kalangas, rose from being an insignificant ethnic group to being one of the richest, influential and admired groups in Botswana. Their exchanges were not only anchored in rational economic thinking but also in trust and mutuality.<sup>50</sup>

The above debates demonstrate that people’s decisions are not only driven by rational economic ethic. There are other elements as well that invoke people’s agencies in the economy. In light of this, Hart, Laville and Cattani affirm that they “. . . reject an over-determined view of our society as being merely ‘capitalistic’ in nature.”<sup>51</sup> Weber puts it even more bluntly that: “The notion that our rationality and capitalistic age is characterised by a

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<sup>48</sup> Weber, *General Economic History*, p. 269.

<sup>49</sup> <http://thememorybank.co.uk/book/chapter-3/>, [October 07, 2012, 06:21].

<sup>50</sup> Richard Werbner, “Cosmopolitan Ethnicity, Entrepreneurship and the Nation: Minority Elites in Botswana”, *Journal of Southern African Studies*, 28:4 (2002), pp. 731-753.

<sup>51</sup> Hart, Laville and Cattani, “Building the Human Economy Together”, p. 10.

stronger economic interest than other periods is childish”.<sup>52</sup> In a more recent 2005 entrepreneurship study in developing countries, David Lingelbach and Paul Asel affirm that the:

Scholars and practitioners alike have implicitly assumed that entrepreneurship was largely the same the world over—driven by the same impulses that played on *homo economicus* everywhere.<sup>53</sup>

In the field of entrepreneurship, there has also been a shift from the dominant “traits” school of thought to entrepreneurial behavioural and cognition approaches, which are focused on the discovery and exploitation of opportunities in the economy. This broadens the scope of the field of entrepreneurship beyond an individual to cover other external factors which affect entrepreneurial behaviour such as political-economic factors, institutions and cultural environments, which contribute and affect business practice.<sup>54</sup> Björn Bjerck supports this by arguing that the

Subject of entrepreneurship belongs to the whole of society, not only to its economy. [And, it] is closer to the arts and aesthetics than science and mathematics. [As a result,] philosophy is a good ground to stand on when trying to understand entrepreneurship . . .<sup>55</sup>

### **Business and Entrepreneurship Studies in Lesotho**

In Lesotho, literature on the history of business, entrepreneurship and local business development is still in its infancy. Two books have been published about the history of the

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<sup>52</sup> Weber, *General Economic History*, p. 261.

<sup>53</sup> David Lingelbach and Paul Asel, “What’s Distinctive About Growth-Oriented Entrepreneurship in Developing Countries?”, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=742605](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=742605), [March 13, 2014, 16:22], p. 2.

<sup>54</sup> Shane Scott, *A General Theory of Entrepreneurship: The Individual – Opportunity Nexus* (Cheltenham: Edward Elgar, 2003), pp. 2-5; Zoltan J. Acs and David B. Audretsch, “Introduction” in Zoltan J. Acs and David B. Audretsch (eds), *Handbook of Entrepreneurship Research: An Interdisciplinary Survey and Introduction* (London: Kluwer Academic Publishers, 2005), p. 4; Cooper, “Entrepreneurship: the Past, the Present, the Past”, p. 25; Martin A Carree and Roy Thurik, “The Impact of Entrepreneurship on Economic Growth” in Zoltan J. Acs and David B. Audretsch (eds), *Handbook of Entrepreneurship Research*, p. 437.

<sup>55</sup> Bjerck, *Understanding Entrepreneurship*, pp. vii-viii.

European business activities in Lesotho. These are *Father of Kindness and Father of Horses - Ramosa le Ralipere: the Story of Frasers Limited* (1958) and *A Traders' Century: the Fortunes of Frasers* (1979) by James Walton and Christopher Danziger, respectively.<sup>56</sup> They trace the origins and success of Frasers Limited, which was established by two brothers – Donald and Douglas Fraser – who first arrived in Lesotho in the late 1870s. However, the history provided is one-sided as it is about European entrepreneurs.

Another business group which has attracted more scholarly attention in recent years has been the Chinese business migrants in Lesotho. Mothusi Turner and Terence McNamee carried out research on the activities of the Chinese in Lesotho. Turner focused his study on Lesotho,<sup>57</sup> while McNamee studied Chinese economic activities in the local economies in southern Africa, and this included Lesotho.<sup>58</sup> Both scholars focused on how the Fujianese migrants dominated local economies in southern Africa through transnational economic networks based on kinship relations. They also explored complex dynamics, which their business activities have produced in the local economies.<sup>59</sup>

Motlatsi Thabane's chapter on "Aspects of the Colonial Economy and Society, 1868-1966" in *Essays on Aspects of the Political Economy of Lesotho, 1500-2000* traces the broader economic history of colonial Lesotho. He argues that Lesotho's commerce was dominated by European traders who, together with the colonial government, strategically excluded Basotho from commerce by restricting their access to trading licences. Those Basotho who finally broke into local business circles faced problems of access to credit and supply of stock

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<sup>56</sup> James Walton, *Father of Kindness and Father of Horses - Ramosa le Ralipere: A History of Frasers Limited* (Moriya: Morija Printing Works, 1958); Christopher Danziger, *A Traders' Century – The Fortunes of Frasers* (Cape Town: Purnell, 1979).

<sup>57</sup> Mothusi Turner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", <http://www.slideshare.net/eolander/rethinking-the-peripheral-a-study-of-chinese-migrants-in-lesotho>, [July 25, 2014, 10:04].

<sup>58</sup> Terence McNamee, "Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola", Discussion Paper 2012/03, [http://www.thebrenthurstfoundation.org/files/brenthurst\\_commissioned\\_reports/Brenthurst-paper-201203-Africa-in-their-Words-A-Study-of-Chinese-Traders.pdf](http://www.thebrenthurstfoundation.org/files/brenthurst_commissioned_reports/Brenthurst-paper-201203-Africa-in-their-Words-A-Study-of-Chinese-Traders.pdf), [November 22, 2014, 10:09].

<sup>59</sup> Terence McNamee, "Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola".

in their businesses. As a corollary to this, Thabane argues that Basotho traders established *Thekommoho* to buy stock in bulk from South African manufacturers and wholesalers together. However, it collapsed under complex political and economic factors, together with many of Basotho's businesses, as will be shown in Chapter 4.<sup>60</sup>

In the *International Handbook of Research on Indigenous Entrepreneurship*, published in 2007, Léo Paul Dana's chapter on Basotho's culture and entrepreneurship in Lesotho aimed to evaluate the impact of culture on entrepreneurship in the country. The author argued that culture plays a vital role in Basotho's entrepreneurial initiative. In Lesotho, business and exchange of wealth are intricately interwoven with culture. As a result, economic rationality and private property, which are prerequisites for capitalistic accumulation, are compromised. He argued that the Basotho have difficulties of exchanging their property for profit because they attach more cultural values rather than exchange values to their property.<sup>61</sup>

Therefore, in view of the above, this study seeks to contribute to the literature on entrepreneurship using lessons from Lesotho on how indigenously-owned business has survived in the local economy. In this entrepreneurship literature, greater focus is on aspects of the market economy or market-related-factors and individual entrepreneurial "traits" and behaviour. This study also seeks to add to the literature on the role of non-market-related factors, which affect entrepreneurship. The study builds on existing scholarly debates by examining the dynamics and conditions under which local entrepreneurship had to operate, and how indigenously-owned business has survived in the post-colonial period in Lesotho.

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<sup>60</sup> Thabane, "Aspects of Colonial Economy and Society".

<sup>61</sup> Léo Paul Dana, "Basuto Culture and Entrepreneurship" in Léo Paul Dana and Robert B. Anderson (eds), *International Handbook of Research on indigenous Entrepreneurship* (Cheltenham: Edward Elgar Publishing Limited, 2007).

## CHAPTER 3

### Colonial Economy, 1870s-1966

#### Introduction

This is a background chapter that demonstrates the rise and fall of Basotho's pre-colonial economic independence and the emergence of colonial commerce in the nineteenth century. The economy of Lesotho after independence has its historical roots in this period. Like many African societies, from a pre-capitalist society, Lesotho was transformed into a capitalist economy as a result of the European-encounter. The process was initiated with the arrival of missionaries in 1833. It was taken further by contact with Afrikaners/Boers, who migrated from the Cape into the interior of the region, in the 1840s, during a migration known in southern African historiography, as the *Great Trek* or *Boer Trek*.

Basotho's contact with Europeans at this time, rejuvenated trade, which had been disrupted by the *Mfecane* wars<sup>1</sup> of the early 1800s. In particular, these were the Christian missionaries from Europe, who had started to make their way into the interior of the southern African region, as elsewhere in Africa. They came to Africa to spread their teachings of the Bible and to promote commerce and other European cultures.<sup>2</sup> In 1833, when the missionaries of the Paris Evangelical Missionary Society (PEMS) arrived in Lesotho, they promoted commerce alongside evangelicalism. As a result, various Basotho converts took advantage of their activities. The missionary activities facilitated the growth of the Basotho as the main exporters of grain to newly emergent mining towns in South Africa, later in the 1870s.<sup>3</sup> However, Basotho's economic independence collapsed due to the appropriation of their land and the colonial policy designed to turn Basotho into cheap labour, as was the case in

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<sup>1</sup> For the history and debates surrounding the *Mfecane* see, C. Hamilton (ed.), *The Mfecane Aftermath: Reconstructive Debates in Southern African History* (Pietermaritzburg: University of Natal Press, 1995).

<sup>2</sup> See, Jean Comaroff and John Comaroff, *Of Revelation and Revolution: Christianity, Colonialism and Consciousness in South Africa, Volume 1* (Chicago: University of Chicago, 1991).

<sup>3</sup> Collin Murray, "From Granary to Labour Reserve: An Economic History of Lesotho", *South African Labour Bulletin*, 6: 4 (1980), pp. 3-20.

other neighbouring southern African countries.<sup>4</sup> Henri Brunschwig aptly captured the fact that:

From the African point of view, this long . . . period [1830-1880] entailed an incubation of European influences which took a much stronger hold than any foreign influence in the past . . . The evolution took place at the pace of the Black, who was free to accept or refuse the novelties: the African did not feel dominated or constrained, in himself being carried away in spite of . . . [the] path which was alien to him. This evolution could have continued. It was interrupted in the last quarter of the nineteenth century. The European conquest did not give a different direction to the path on which the African had now started. The break did not come from the change of direction, but from a brutal thrust which took away from the Africans control over their progress.<sup>5</sup>

Writing specifically with reference to conditions in the southern African region, Charles Feinstein adds that:

[African economies were] totally transformed by the discovery of diamonds and gold in the late nineteenth century. From that point forward, the economic history of [southern Africa] becomes, in essence, a story of how this unique combination of indigenous populations, European settlers, and mineral resources was brought together in a process of conquest, dispossession, discrimination, and development to promote rapid economic progress . . . It is this history of the incorporation of the African people that paved the indispensable labour for a modern economy . . . Africans progressively lost the possibility of continuing to farm independently . . .<sup>6</sup>

As pre-colonial economic formations collapsed, a new configuration emerged in the domestic economy. This was colonial commerce, namely, retailing and wholesaling in groceries, clothing, blankets, wool, mohair, skins and hides. It was dominated by Europeans of British descent who were later joined by the Indian traders. This chapter has six major sections. The first section summarises the origins and political and economic formations of Basotho before European contact. The next section explores the rise of Basotho's pre-colonial economic independence within the arrival and activities of Europeans. The third section accounts for the collapse of Basotho's pre-colonial economic independence as Lesotho became a labour reserve for South African mines and industries. The fourth section

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<sup>4</sup> Charles H. Feinstein, *An Economic History of South Africa: Conquest, Discrimination, and Development* (Cambridge: Cambridge University Press, 2005), p. 65.

<sup>5</sup> As quoted in Samir Amin, *Neo-colonialism in West Africa* (Middlesex: Penguin Books Ltd, 1973), pp. vii-ix.

<sup>6</sup> Feinstein, *An Economic History of South Africa*, p. 47.

introduces the emergence of colonial commerce and the subsequent section outlines how Europeans dominated and excluded Basotho and the Indian traders from participation in colonial commerce. The last section provides the history of the arrival and activities of the Indian traders in Lesotho.

### **Society and Economy before the European Encounter, 1500-1820s**

The people of Lesotho, Basotho, are south *Sotho* speaking groups who descended from Iron Age *Bantu* communities that settled in southern Africa in the 16<sup>th</sup> century. Particularly, these were communities that settled in an area that was known as the Highveld, which forms part of what are today South Africa's southern parts of the Gauteng Province and the Free State Province. These communities were organised into small semi-autonomous chiefdoms, who expressed their identity through clan totems (*liboko*).<sup>7</sup>

Economically, *Bantu*-speaking communities depended on crop production and pastoralism, which they complemented by gathering wild vegetables and hunting – with women responsible for the former and men for the latter.<sup>8</sup> They engaged in reciprocal economic exchanges within their groups<sup>9</sup> but also participated in long-distance trade with other communities in the region like the *Nguni*-speaking communities on the east coast (modern-day Natal and Eastern Cape areas). Trade items included household utensils made from iron and copper, iron hoes, animal skins, cattle and tobacco, among others.<sup>10</sup> Beads were the medium of exchange for long distance trade because they were “. . . fungible, could not easily be obtained, and could be given different values according to their size and colors . . .” They were “. . . considered as *money*, to be employed only as medium of trade with distant

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<sup>7</sup> See, Tefetso Mothibe, “Early Communities of the Southern Highveld, 1500-1800” in Neville W. Pule and Motlatsi Thabane, (eds), *Essays on Aspects of the Political Economy of Lesotho*.

<sup>8</sup> For a more detailed history of pre-colonial Basotho communities, see, Mothibe, “Early Communities of the Southern Highveld, 1500-1800”; Steven Gill, “Introduction Essay” in D. F. Ellenberger, *History of the Basuto: Ancient and Modern* (Moriya: Morija Museum and Archives, [Reprinted in 1992], 1912).

<sup>9</sup> Elizabeth A. Eldredge, *A South African Kingdom: The Pursuit of Security in Nineteenth Century Lesotho* (Cambridge: Cambridge University Press, 1993), p. 19.

<sup>10</sup> Eldredge, *A South African Kingdom*, p. 21.

tribes, and for the purchase of more expensive articles.. .”<sup>11</sup> Additionally, “. . . beads facilitated the relay trade system in which groups who traded directly with one another but did not need each other’s trade goods accepted compensation in beads that could be used elsewhere to obtain the goods they did need.”<sup>12</sup>

Beads appear to have been introduced in the eighteenth century at the time of one senior chief, traditional healer, traveller and sage, called Mohlomi, who died in 1814. Early beads were named after him. They were called “beads of Mohlomi”.<sup>13</sup> Oral tradition also recalls that beads were earned through trade with communities on the eastern coast.<sup>14</sup> When beads were in short supply, a barter system was also used to exchange commodities among various groups. *AmaHlubi* and *MaZizi, Nguni* groups from the east coast “. . . crossed the mountains [in Lesotho] to trade with the *BaKoena* as early as the seventeenth century, bringing knives, spatulas, and hoes to exchange for animal skins, cattle, and tobacco.”<sup>15</sup>

South *Sotho*-speaking groups became more centralised and ethnically more heterogeneous in the early nineteenth century. Between 1820 and 1824, Moshoeshoe, a son of a junior chief of the *Mokoteli* lineage of the *Kuena* (crocodile) clan, accumulated large herds of cattle through raiding weaker neighbouring chiefdoms. Through his raids, he emerged as an impressive young leader who then gathered people around him to form a dominant chiefdom. He was able to gather more people as a result of the *Mfecane* wars of the 1820s. He re-distributed cattle and land, and provided security to the *Mfecane* war refugees. His chiefdom has popularly been taken to be the origins of the Lesotho state in the country’s historiography.<sup>16</sup>

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<sup>11</sup> Alan Smith as quoted in Eldredge, *A South African Kingdom*, p. 21.

<sup>12</sup> Eldredge, *A South African Kingdom*, p. 21.

<sup>13</sup> Eldredge, *A South African Kingdom*, p. 21.

<sup>14</sup> Eldredge, *A South African Kingdom*, pp. 20 and 21.

<sup>15</sup> D. F. Ellenberger cited in Eldredge, *A South African Kingdom*, pp. 20-21.

<sup>16</sup> See, Peter Sanders, *Moshoeshoe: Chief of the Sotho* (London: Heinemann, 1975); Leonard Thompson, *Survival in Two Worlds: Moshoeshoe, 1786-1870* (Oxford: Clarendon Press, 1975); Tefetso Mothibe, “State and Society, 1824-1833” in Neville W. Pule and Motlatsi Thabane (eds), *Essays on Aspects of the Political Economy of Lesotho*.



Under conditions of disgruntlement and insecurity, due to the *Mfecane* wars, Moshoeshoe re-distributed cattle to his people through socio-economic and political systems known as *mafisa* and *bohlanka*. *Mafisa* was a patronage system of cattle loaning where the recipient took care of animals loaned to them and had usufruct rights. *Bohlanka* was also a patronage system wherein a chief assisted young men to marry by providing *lobola* (bride wealth) for them. Their children and labour belonged to the chief. *Lobola* provided when marrying women from such arrangements was given to the chief and not to the biological parents.<sup>17</sup> For agricultural production, people also engaged in communal work parties known as *matsema*. *Matsema* were mainly used to produce food for chiefs' senior wives, orphans and refugees.<sup>18</sup> These traditional socio-economic redistribution strategies promoted people's dependence on chieftainship. Chiefs were indispensable because they had wealth, which people needed most after the devastations of the *Mfecane* wars. In return, people owed their allegiance to chiefs who provided for them. Again, the wars had disrupted the vibrancy of most of the trading networks that had existed before.<sup>19</sup> Therefore, people's economic means of survival had been limited, making chiefs even more central in the society.

Although people could benefit from such arrangements, benefits were incidental and momentary.<sup>20</sup> People were obliged to participate in long and strenuous production activities, which mainly benefited the chiefs. In fact, some scholars have argued that such systems had exploitative tendencies<sup>21</sup> and were feudal in nature.<sup>22</sup> There was a proliferation of chiefs who acquired more lands and required people to work on them. Instead of *matsema* being used for social and chiefly use, as was traditionally the case, the chiefs

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<sup>17</sup> Mothibe, "State and Society, 1824-1833", pp. 18-23.

<sup>18</sup> Mothibe, "State and Society, 1824-1833", pp. 18-23.

<sup>19</sup> Eldredge, *A South African Kingdom*, p. 23.

<sup>20</sup> Motlatsi Thabane, "Social Relations in the Nineteenth Century" in Neville W. Pule and Motlatsi Thabane (eds), *Essays on Aspects of the Political Economy of Lesotho*, p. 60.

<sup>21</sup> Judy Kimble, "Towards an Understanding of the Political Economy of Lesotho: The Origins of Commodity Production and Migrant Labour, 1830-1885", Dissertation submitted in partial fulfilment of the requirements for the Master of Arts degree in the Department of History, National University of Lesotho, Faculty of Humanities, 1978.

<sup>22</sup> Thabane, "Nature of Social Relations in the Nineteenth Century", p. 77.

exchanged produce from *matsema* in markets.<sup>23</sup> There were even episodes where some people who refused to participate in *matsema* were brutally assaulted by their chiefs.<sup>24</sup> The arrival of missionaries in Lesotho in 1833 and their activities served to expand economic opportunities for individual Basotho. The missionaries challenged traditional Basotho economic and political formations and promoted commerce.

### **Economic Recovery and the Rise of Basotho's Economic Independence, 1833-1870s**

In 1833, the Paris Evangelical Missionary Society (PEMS) arrived in Lesotho at Moshoeshoe's request. When they arrived, they observed that: "The trade which the natives [carried] on among themselves [was] not worthy to be enumerated as one of their means of existence. It [was] yet a very small matter."<sup>25</sup> Though the missionaries' observations were accurate, they were oblivious of trading networks which had existed before and had been disrupted by the *Mfecane* wars. The missionaries' observations were limited to the emergent and temporary economic situation in the period of transition and political stabilisation after the *Mfecane* wars. Missionaries promoted commerce alongside their teachings of the bible. Judy Kimble points out that the missionaries promoted private property and individual rights in an attempt to undermine Basotho's customs, especially *matsema*, *mafisa* and *bohali (lobola)*, which increased people's dependence on chieftaincy. Kimble argues that the missionaries ". . . were aiming at the dissolution of the existing social relations [by] encouraging their followers to refuse to participate in the various forms of obligatory labour-service . . ."<sup>26</sup> She notes that, as elsewhere in Africa, the PEMS ". . . explicitly tie[d] the propagation of the gospel to their encouragement of commodity production, particularly wheat, the

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<sup>23</sup> See also, Roger Leys, "Some Observations on Class Differentiation and Class Conflict within the Labour Reserve of Basutoland", [http://sasspace.sas.ac.uk/4099/1/Roger\\_Leys\\_Some\\_observations\\_on\\_class\\_differentiation\\_and\\_class\\_conflict\\_within\\_the\\_labour\\_reserve\\_of\\_basutoland.pdf](http://sasspace.sas.ac.uk/4099/1/Roger_Leys_Some_observations_on_class_differentiation_and_class_conflict_within_the_labour_reserve_of_basutoland.pdf), [April 15, 2015, 16:40].

<sup>24</sup> For a more insightful account of the nature of social relations in nineteenth century Lesotho see, Thabane, "Nature of Social Relations in the Nineteenth Century Lesotho".

<sup>25</sup> Eugene Casalis, *The Basutos: Or, Twenty Years in South Africa* (London: James Nisbet&Co. Berners Street, 1861), p. 169.

<sup>26</sup> Kimble, "Towards an Understanding of the Political Economy of Lesotho", pp. 106-108.

consumption of European goods, and labour for the white colonists.”<sup>27</sup> The missionaries’ promotion of commerce offered a means of emancipation from these oppressive systems to most Basotho converts. Tefetso Mothibe and Maria Ntabeni affirm that:

. . . three decades of the nineteenth century Lesotho [after the arrival of the missionaries] can be seen as transformational because of a number of changes that occurred within Basotho society. During that time, a class of small independent Basotho commodity producers emerged in and around the mission stations as a result of missionary activities . . .<sup>28</sup>

Better trading opportunities for individual Basotho producers came with the arrival of the Boers from the Cape in the 1840s. Basotho exchanged grain with them.<sup>29</sup> Casalis, one of the PEMS missionaries, observed that:

Some tribes have recently adopted the culture of our cereals, especially that of wheat. The corn which is brought from the country of the Basutos to the markets of the colony is remarkable for its extreme purity . . . It is with white men that the natives transact the most profitable business. In this respect the Basutos are particularly favoured by the fertility of their country.<sup>30</sup>

Trade increased due to the penetration of the Europeans. It was noted in the Annual PEMS Conference Report of May 1842 in Morija that: “Civilization continues to make great progress . . . the inhabitants have strongly applied themselves to the cultivation of European corn, they sell it to the farmers who barter it for cattle, clothes, soap, salt, etc.”<sup>31</sup> In May 1854, Arbousset, one of the PEMS missionaries, observed that the mission station of Morija was a favourite hub for Basotho producers and customers, particularly those from the Orange Free State.<sup>32</sup>

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<sup>27</sup> Kimble, “Towards an Understanding of the Political Economy of Lesotho”, p. 102.

<sup>28</sup> Tefetso Mothibe and Maria Ntabeni, “The Role of the Missionaries, Boers and British in Social and Territorial Changes, 1833-1868” in Neville W. Pule and Motlatsi Thabane (eds), *Essays on Aspects of the Political Economy of Lesotho*, p. 35.

<sup>29</sup> Walton, *Father of Kindness and Father of Horses*, p. 14.

<sup>30</sup> Casalis, *The Basutos*, pp. 169 and 170.

<sup>31</sup> Annual PEMS Conference Report of May 1842 as quoted in R. C. Germond, *Chronicles of Basutoland: A Running Commentary on the Events of the Years 1830-1902 by the French Protestant Missionaries in Southern Africa* (Morija: Morija Sesuto Book Depot, 1967), p. 441.

<sup>32</sup> T. Arbousset in Germond, *Chronicles of Basutoland*, p. 451.

However, Basotho-Afrikaner relations changed and became violent as Afrikaners settled permanently on the territory that Moshoeshoe had allowed them to occupy temporarily. Conflicts between these groups led to the shrinking of Basotho's territories. Basotho lost most of their arable land on the western parts. Lesotho's territory stretching all the way from the Vaal River (in modern-day Free State) was appropriated by the Afrikaners. In the 1850s, in what came to be known as the Basotho-Boer Wars, Basotho fought with the Boers over land and pastures.<sup>33</sup> Due to the Boer's aggression, Moshoeshoe successfully negotiated for British protection. Finally in 1868, Lesotho became a British Protectorate.<sup>34</sup>

In the same year, 1868, diamonds were discovered in Kimberley, South Africa.<sup>35</sup> This marked the beginning of industrialisation in southern Africa. Basotho took advantage of commercial opportunities that came with the discovery and exploitation of minerals and industrial developments by supplying grain to the populations of the newly emerging mining and industrial towns.<sup>36</sup> Lesotho became the 'granary'<sup>37</sup> of these South African towns.<sup>38</sup> In the documents he found in Paris, while compiling the *Chronicles of Basutoland*, Robert Germond discovered reports stating:

[In 1873, the] population which have profited most from the discovery of the diamond beds are those which, comparatively far from them, have assiduously applied themselves to agricultural pursuits. The Basuto of our stations witness the daily influx in their midst of crowds of people, who do nothing else but buy the wheat and other food crops, with the object of selling them again to the mines.<sup>39</sup>

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<sup>33</sup> For more information in the history, origins and dynamics of the Basotho-Boer Wars, see, Mothibe and Ntabeni, "The Role of the Missionaries, Boers and British in Social and Territorial Changes, 1833-1868".

<sup>34</sup> For more information on how Lesotho became a British Protectorate see, Motlatsi Thabane, "Reconsidering the Motives for Colonisation" in Neville W. Pule and Motlatsi Thabane (eds), *Essays on Aspects of the Political Economy of Lesotho*.

<sup>35</sup> Kevin Shillington, *History of Africa* (London: Macmillan Education LTD, 1989), p. 317.

<sup>36</sup> Paul Germond in Germond, *Chronicles of Basutoland*, pp. 323-324; Dr. Eugène Casalis in Germond, *Chronicles of Basutoland*, p. 322.

<sup>37</sup> This term was used and popularised by Colin Murray to describe Lesotho's position as the main exporter of grain to South African mining and industrial towns in the last three decades of the nineteenth century.

<sup>38</sup> Murray, "From Granary to Labour Reserve: An Economic History of Lesotho".

<sup>39</sup> Germond, *Chronicles of Basutoland*, p. 323.

In 1874, a missionary, Paul Germond, also noted:

Although far removed from the main current of events, the Basuto have nonetheless reaped their share of the general prosperity. The price of cereals has doubled, their flocks are multiplying and wool commands a good price; as money is easily earned, people are better clothed, the traditional hut is being superseded by more comfortable dwellings . . .<sup>40</sup>

Basotho's trading activities flourished to a point that they even worried the missionaries. They were scared that the perceived love of gain would turn Basotho away from their religious obligations and beliefs. For example, Dr. Eugène Casalis, son of Eugène Casalis of the PEMS, commented in May 1873 that:

A danger which now threatens our churches and to which we must draw your attention, is the love of gain. Basutoland is traversed in every direction by the wagons of traders who, in exchange for their money and their commercial ware, convey to the diamond fields and the Free State, Europeans and native corn, also the maize which the Basuto grow on a vast scale. The high prices which their cereals command, and the ease with which their produce is sold, tend to favour among them the love of money; material interests are in danger of turning many souls away from spiritual values.<sup>41</sup>

The decade of the 1870s was a period of economic recovery and rehabilitation after the Basotho-Boer war and the economic depression of the 1860s. Basotho responded positively to trading and economic opportunities that came along with the European encounter and the discovery of minerals in South Africa. However, this growth could not be sustained. The mineral revolution in South Africa, alongside colonialism in the latter part of the nineteenth century changed the history and fate of many indigenous southern African societies. These included the Basotho, the Xhosa, the Zulu, the Shangaan from Mozambique, the Tswana, the Pedi and other groups.<sup>42</sup>

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<sup>40</sup> Paul Germond in Germond, *Chronicles of Basutoland*, p. 324.

<sup>41</sup> Dr. Eugène Casalis in Germond, *Chronicles of Basutoland*, p. 322.

<sup>42</sup> Colin Bundy, *The Rise and Fall of the South African Peasantry* (Berkeley: University of California Press, 1979).

## The Collapse of Basotho's Economic Independence, 1880s-1920s

Industrialisation and the discovery of minerals in South Africa led to a high demand for labour. Neighbouring African communities, within South Africa and outside, were seen as sources of labour.<sup>43</sup> Basotho responded to these labour demands. Because of their economic prosperity and labour competition among industries in South Africa, Basotho were able to dictate the terms of employment. They could easily move from one employer to the next in search of better wages or choose method of payment. In the country's historiography, this has been theorised as 'discretionary labour migration'.<sup>44</sup> Significantly, Basotho demanded to be paid in guns. They needed guns to replace obsolete weapons which they had used to protect themselves and their country; since the nineteenth century Lesotho was characterised by constant and militant conflicts.<sup>45</sup> In the 1870s, and within a very short time, Basotho were described as a well-armed African society.<sup>46</sup>

The status of Basotho as a prosperous and well-armed society was seen as an obstacle to industrial capitalist developments taking place in southern Africa. Colonial officials and missionaries in Lesotho also resented the fact that Basotho were well-armed.<sup>47</sup> As a result, Basotho's autonomy had to be undermined to turn them into wage labourers and their territory into a reservoir of cheap labour. European imperialists attempted to achieve that by dismantling their pre-colonial socio-economic, political formations and trading activities which had supported their autonomy. To that end, colonial authorities introduced laws meant to undermine Basotho's pre-colonial socio-economic structures.<sup>48</sup>

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<sup>43</sup> Feinstein, *An Economic History of South Africa*, p.65; Murray, "From Granary to Labour Reserve: An Economic History of Lesotho".

<sup>44</sup> Thabane, "Aspects of Colonial Economy and Society, 1868-1966", p. 108.

<sup>45</sup> Eldredge, *A South African Kingdom*, p. 147.

<sup>46</sup> Rok Ajulu, "The Gun War in Basutoland, 1880-1881: Some Aspects of the Destruction of the Natural Economy and the Origins of Articulation", Research project submitted in partial fulfilment of the requirements for the Bachelor of Arts degree in the Department of History, National University of Lesotho, Faculty of Humanities, 1979, p. 30.

<sup>47</sup> Ajulu, "The Gun War in Basutoland, 1880-1881", pp. 1-32.

<sup>48</sup> Thabane, "Aspects of Colonial Economy and Society, 1868-1966", pp. 104-105.

From 1868 to 1870, when Basotho's territory became a British protectorate, Lesotho was placed under a High Commissioner, Sir Philip Wodehouse.<sup>49</sup> Wodehouse's approach to imposing colonial laws was that they had to be introduced gradually so that Basotho would not be hostile. In 1871, the country was handed over to the Cape Colony because it was closer than Britain. As such, it was seen as ideal to better manage the protectorate. The Cape government aggressively introduced colonial laws to undermine Basotho's pre-colonial socio-economic and political arrangements.<sup>50</sup> Primarily, colonial authorities dismantled Basotho pre-colonial socio-economic and political systems and structures by ensuring that money became the primary means for securing basic necessities.<sup>51</sup> To that end, they introduced the Hut Tax in 1870. This compelled Basotho to depend on wages from the mines and industries. The authorities insisted that tax should be paid in monetary, and not in kind, as was the norm. The shift to money-based tax payments was so rapid that the Governor's Agent commented that:

As a marked sign of progress in the material wealth of the Basutos . . . in 1870, the first year that the Hut Tax was collected, several thousand sheep and as many muids of grain were received in lieu of money; last year only a few hundred sheep and as many muids of sheep were collected; and this year I think the Hut Tax will be paid almost entirely in money.<sup>52</sup>

These early attempts to dismantle Lesotho's autonomy coincided with the death of Moshoeshe in 1870. Succession conflicts following his death provided the colonial authorities with the political conditions they needed to advance their interests. With his death, the friability of Basotho's polity became apparent. Though dominant, the *Mokoteli* lineage had not fully consolidated its power as Lesotho's monarchy before the country

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<sup>49</sup> For the role played by Wodehouse in the colonisation and early management of the Lesotho Protectorate, see, Thabane, "Reconsidering Motives for Colonisation of Lesotho".

<sup>50</sup> Thabane, "Aspects of Colonial Economy and Society, 1868-1966", pp. 104-105.

<sup>51</sup> Motlatsi Thabane, "Indigenous Entrepreneurial Initiative and Attempts to Solve Problems of Access to Credit in Lesotho, 1868-1975", Seminar Paper Presented at the National University of Lesotho, Roma, September 11, 2009.

<sup>52</sup> Governor's Agent in Basutoland to Colonial Secretary in the Cape Colony, August 26, 1872 in G. M. Theal, *Basutoland Records: Volume VI, 1871-1872* (Roma: Institute of Southern African Studies, 2002), p. 500.

became a British Protectorate.<sup>53</sup> Two significant events demonstrated this. First, the sons of Moshoeshoe fought over succession. Moshoeshoe had identified his eldest son, Letsie, as his successor. However, within Moshoeshoe's senior family, his two other sons, Molapo and Masopha, found it difficult to recognise their elder brother as the successor. Growing up, they had demonstrated keen interest and acumen in their father's political affairs, especially Masopha, while Letsie had proven to be the opposite. They believed that their father had risen to his position on merit, and not by birth-right.<sup>54</sup>

It was only with colonial intervention that these disputes were addressed. Colonial authorities were eager to promote the idea that various groups living in the colonised territory were to be put "under one Family", as Henry Barkey, High Commissioner and Governor of the Cape Colony, stated.<sup>55</sup> To that effect, they established an institution called "the Sons of Moshoeshoe", which was meant to be a central political body. The colonial government then moved to divide Lesotho into three major districts, which were then placed under the three senior sons of Moshoeshoe: Letsie, Masopha and Molapo.<sup>56</sup>

Second, and linked to the above, some groups in Lesotho did not identify themselves as subjects of the *Mokoteli* lineage. More profoundly, these were *Baphuti*, who saw themselves as only allies.<sup>57</sup> With the colonial government's attempts to create a money economy and introduce colonial laws, their chief, Morena 'Moorosi, had been the first to openly challenge these intentions.<sup>58</sup> His position was that the use of money would destroy

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<sup>53</sup> Though Africanist historian, like Peter Sanders, Leonard Thompson and Omer Cooper, have attempted to create Lesotho's pre-colonial period similarly to those of, say, the Swazi or the Zulu states, as defined 'pre-colonial states' with effective political institutions and legitimacy, this was not entirely the case for Lesotho. Lesotho's monarchy and state was consolidated by colonial authorities in order to ensure stability, transition and the launching of colonialism proper.

<sup>54</sup> Thabane, "Aspects of Colonial Economy and Society, 1868-1966", p. 124.

<sup>55</sup> Henry Barkly to C. D. Griffith (Governor's Agent in Basutoland) September 2, 1871 in *Basutoland Records: Volume VI*, p. 290.

<sup>56</sup> Thabane, "Aspects of Colonial Economy and Society, 1868-1966", p. 124.

<sup>57</sup> Thabane, "Aspects of Colonial Economy and Society, 1868-1966", p. 125. Other groups were: *Makhoakhoa*, *Batlokoa* and *Bataung*.

<sup>58</sup> Ajulu, "The Gun War in Basutoland, 1880-1881", p. 36; Thabane, "Aspects of Colonial Economy and Society, 1868-1966", p. 124.



the traditional social fabric of their society. To support this view, and speaking to the specific case of the commercialisation of traditional beer, he warned:

. . . you know that if people begin selling beer, then travellers will suffer hunger if they don't have money to buy and besides I know it will be extended to bread also and they will be asking sixpence for that.<sup>59</sup>

The colonial government and the *Mokoteli* lineage considered 'Moorosi to be an unruly rebel. The *Mokoteli* lineage had formed a perception that ". . . he was not always a very obedient vassal."<sup>60</sup> To demonstrate his autonomy, on the other hand, 'Moorosi openly and persistently considered "himself to be totally emancipated from Moshoeshoe".<sup>61</sup> 'Moorosi's rebellious proclivities posed a problem for the colonial government as it sought to centralise authority under one chief for ease of control. As a corollary of this, Letsie was militarily supported by the colonial government to attack 'Moorosi in 1878.<sup>62</sup> 'Moorosi was defeated and killed. Immediately after that, the colonial government swiftly moved to enforce colonial laws in 1879. Now the *Mokoteli* lineage resisted. As a result, in 1880-81, Basotho went to war against the Cape Colony in a conflict that came to be known in southern African historiography as the Gun War. A summary of more salient aspects of the Gun War follows.

As noted, Basotho's status as a well-armed society continued to threaten the Cape government's introduction of colonial laws. As a result, Basotho had to be disarmed to undermine any potential for resistance. The need for this had been demonstrated 'Moorosi and Masopha.<sup>63</sup> In May 1878, a Disarmament Bill was introduced in the Cape Parliament. In August 1878, the Bill received Royal Assent under the title of the "Peace Preservation Act" (Act 3 of 1878). The Act was seen as an attempt to "remove an obvious temptation to resist

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<sup>59</sup> As quoted in Ajulu, "The Gun War in Basutoland, 1880-1881", p. 34.

<sup>60</sup> John Burnet (British Agent) to the Secretary of the High Commissioner, Aliwal North, February 14, 1857, in Germond, *Chronicles of Basutoland*, p. 332.

<sup>61</sup> John Burnet (British Agent) to the Secretary of the High Commissioner in Aliwal North, February 14, 1857, in Germond, *Chronicles of Basutoland*, p. 329.

<sup>62</sup> Ajulu, "The Gun War in Basutoland, 1880-1881", p. 30.

<sup>63</sup> Ajulu, "The Gun War in Basutoland", p. 36.

unlawful authority and even to rebellion”.<sup>64</sup> On October 16, 1879, Gordon Sprigg, as new Cape Prime Minister, held a public gathering (*pitso*) in Maseru to inform Basotho that they were to be disarmed. Basotho were dissatisfied with this, together with the doubling of taxation and with the colonial government’s intention to alienate *Baphuthi’s* country from the rest of Lesotho and demarcate it for European settlement. Despite this resistance, the colonial government pursued its agenda to disarm Basotho. As a result, in September 1880, Basotho and the Cape Colony went to war. The war lasted seven months and ended in April 1881. Colonial officials titled the war the *Basutoland Rebellion*.<sup>65</sup> The Basotho defeated, and won the war against, the Cape Colony despite the financial and artillery resources it had at its disposal. The Cape colonial government had to borrow more than £1,300,000 from Standard Bank, without security, in order to fight the war.<sup>66</sup>

After the Gun War, in 1884, Lesotho was handed back to Britain. As mentioned previously, colonial laws were now gradually introduced. With the defeat of ‘Moorosi and support from the colonial government, the *Mokoteli* lineage emerged as a dominant group and so it assumed the status of being the country’s uncontested monarchy. ‘Moorosi’s territory was appropriated to form the fourth district of the country, Cornet Spruit district. With all these measures in place, the chieftainship became a conduit for the colonial government to control Lesotho more effectively. *Marena* (chiefs) became instrumental in enforcing the payment of Hut Tax, and in labour recruitment for South African mines. In return for their services, *marena* received commission from labour recruiting agents and the colonial government, respectively.<sup>67</sup>

The emergent relationship between the colonial government and the monarchy was consolidated by the formation of the National Council in 1903, under Paramount Chief

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<sup>64</sup> As quoted in Ajulu, “The Gun War in Basutoland”, p. 36.

<sup>65</sup> Ajulu, “The Gun War in Basutoland”, pp. 36-42.

<sup>66</sup> J. A. Henry as quoted in Thabane, “Aspects of Colonial Economy and Society, 1868-1966”, p. 111. The same year, 1879, the British went to war against the Zulus. In the Anglo-Zulu War, Standard Bank lent the Cape Government no less than £400,000 per month.

<sup>67</sup> Thabane, “Aspects of Colonial Economy and Society, 1868-1966”, p. 123.

Lerotholi. The Council functioned as a ‘parliament’ and sat once a year. It was meant “to deal with [tribal] affairs in consultation with the [colonial] government”.<sup>68</sup> It consisted of not more than hundred members, five nominated by the Resident Commissioner and the rest by *Morena-e-Moholo* (the Paramount Chief). The Resident Commissioner was recognised as its President.<sup>69</sup> The Council was first proposed in 1886 by the Resident Commissioner, Marshall Clarke. In a letter he sent to *Morena-e-Moholo*, Letsie I, Clarke wrote: “I send a proposal for the making and the work of a council; this is my own suggestion and is not from the Government.”<sup>70</sup>

In talks leading to the establishment of the National Council, tax and its redistribution became one of the central issues of discussion. Apart from national affairs, Clarke proposed that it would be an ideal structure to administer collected tax. He proposed that it would “receive an account of the manner in which hut tax was spent.” Letsie I supported this, saying: “. . . I say that this matter of the Council, I find that this will be a work that will show well; that the hut tax of Basutoland will be of use to the whole country . . .”<sup>71</sup> In practice, the Council became a chieftain-dominated institution. It was criticised by some Basotho as undemocratic since it only represented the interests of *marena* and colonial authorities. In its composition, only five commoners, appointed by *Morena-e-Moholo*, formed part of its membership. The majority were the chiefs. Josiel Lefala, one of the founders and spokesperson of *Lekhotla la Bafo*<sup>72</sup> (League of Commoners)<sup>73</sup> argued that “. . . commoners’

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<sup>68</sup> Richards P. Stevens, *Lesotho, Botswana, & Swaziland: The Former High Commission Territories in Southern Africa* (London: Pall Mall Press, 1967), p. 35.

<sup>69</sup> Stevens, *Lesotho, Botswana, & Swaziland*, pp. 35-36.

<sup>70</sup> As quoted in Stevens, *Lesotho, Botswana, & Swaziland*, p. 33.

<sup>71</sup> Stevens, *Lesotho, Botswana, & Swaziland*, p. 34.

<sup>72</sup> The next chapter will provide more details on the history and activities of LLB in Lesotho’s local commerce.

<sup>73</sup> Lefela was himself a member of the National Council. His activism was well informed with first-hand participant observation. As a result, he proposed the formation of the Council of Commoners. That, he believed would be an important democratic institution for the ordinary people. However, the National Council rejected his proposal. As a corollary to that, he took steps to form the League of Commoners (LLB) in 1919.

voices . . . [were] being totally neglected.” He accused the “chiefs of cutting themselves off from the ordinary Basotho and abusing their positions”<sup>74</sup> through the Council.

Colonial efforts to turn Lesotho into a labour reserve money economy were buttressed by other political economic and environmental factors. This is important because they led to Basotho being forced to depend on wages from South Africa. First, the Free State imposed tariffs on Basotho’s produce in the 1890s, thereby forcing Basotho to sell at higher prices. As a result, they could not compete with cheaper grain imported from overseas after railway networks were completed into the interior. Second, in the mid-1890s, Basotho’s livestock was decimated by the rinderpest epizootic. Last, due to land they had lost to the Boers and the mountainous topography of the country, arable land was reduced further by soil erosion. This undermined Basotho’s agricultural productivity.<sup>75</sup>

By 1904, out of a population of some 349,500, there were more than 86,000 Basotho males working in South Africa.<sup>76</sup> These numbers continued to increase after a railway line connecting Maseru, Lesotho’s capital, with South Africa was completed in 1906.<sup>77</sup> It facilitated the increased mobility of migrant workers. By the 1920s, many Basotho depended on wages from South Africa. From then on, Basotho could no longer be described as an agricultural society.<sup>78</sup> Lesotho was turned into a labour reserve money economy. This was achieved through coercive taxes, wars and strategic colonial policy meant to transform Lesotho’s pre-capitalist economy into a reservoir of cheap labour for a regional capitalist economy. To achieve this, Basotho’s pre-colonial economic independence was undermined. After the collapse of Basotho’s economic independence, the colonial economy emerged. The next section explores the origins and development of Lesotho’s colonial economy.

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<sup>74</sup> As quoted in Nyeko, “Resistance to Colonial Rule and the Emergence of Anti-Colonial Movements” in Neville W. Pule and Motlatsi Thabane (eds), *Essays on Aspects of the Political Economy of Lesotho*, p. 140.

<sup>75</sup> For a more insightful account, see Collin Murray’s work on the rise and fall of Lesotho’s peasant economy; “From Granary to Labour Reserve: An Economic History of Lesotho”.

<sup>76</sup> Stevens, *Lesotho, Botswana, & Swaziland*, p. 39.

<sup>77</sup> Stevens, *Lesotho, Botswana, & Swaziland*, p. 39.

<sup>78</sup> Murray, “From Granary to Labour Reserve: An Economic History of Lesotho”.

## Emergence of Colonial Commerce, 1870 - 1920s

The purpose of this section is to discuss Lesotho's economy and its transformation from pre-colonial to colonial configurations. In Lesotho, commerce became the dominant economic activity in the colonial period. European encounter transformed the way trading was practiced by introducing enterprises as the dominant platforms of trade. Colonial laws became instrumental in creating this form of an economy. In 1871, the Cape colonial government passed the trading laws and regulation (Mercantile Law of 1871) in Lesotho. They made it obligatory to have a licence issued by the colonial government in order to conduct trade.<sup>79</sup> After the introduction of the trading laws, the number of European trading stations increased in Lesotho. For example, in 1871 there were 20 European-owned stores, and by the following year, the number had increased to 30. By 1878, there were as many as 50 of these trading stations in Lesotho – all owned by Europeans.<sup>80</sup>

Colonial laws undermined the powers of *marena* and Basotho's traditional customs.<sup>81</sup> *Marena* and many Basotho people were dissatisfied with the impact of these new colonial laws and regulations. As a result, in 1880-81 they went to war against the Cape Colony and were victorious in the Gun War, as shown.<sup>82</sup> In the aftermath of the Gun War, Lesotho was handed back to Britain in 1884. That same year, colonial authorities passed the Trading Regulations Act of 1884 to enforce the previously promulgated trade laws of 1871.<sup>83</sup> The 1884 Act regulated the procedure for opening a trading store in the country. In terms of this law, applications for a trader's licence and site were to be lodged with the Resident Commissioner in Maseru. Assistant commissioners, in charge of districts, received

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<sup>79</sup> G. M. Theal, *Basutoland Record: Volume VI*, p. 124; A. C. Thompson, *The Laws of Basutoland: Containing the Orders in Council, Proclamations and Notices, Volume I* (Cape Town: Cape Times Limited, 1961), p. 855.

<sup>80</sup> Danziger, *A Traders' Century*, p. 20.

<sup>81</sup> Thabane, "Aspects of Colonial Economy and Society", pp. 104-105.

<sup>82</sup> Ajulu, "The Gun War in Basutoland".

<sup>83</sup> *Basutoland High Commissioners' Proclamations and Notices: From March 12, 1868 to June 30, 1909* (Cape Town: Argus Printing, 1909), p. 80.

applications in their districts and passed them to the Resident Commissioner, who transmitted his decisions to applicants.

At the beginning of the twentieth century, a number of changes took place in the administration of trading licences. Proclamation No. 30 of 1918 consolidated all the laws and regulations relating to trade. In terms of this proclamation, a licence known as the General Dealers' Licence was created. It allowed traders to venture into any form of trading, including opening stores, operating a mill, and selling wool and mohair, and to hawk.<sup>84</sup> The proclamation also established a Licencing Board with the powers of granting, renewing and transferring licences. This Board consisted of three civil servants. The High Commissioner appointed two people annually, by notice in the *Government Gazette*. The third member was the Assistant Commissioner of the district in which the application was made. The High Commissioner appointed the chairperson of the Board, who had deliberative powers, but not a casting vote.<sup>85</sup>

Applicants who had grievances with the decisions taken by the Board could appeal to the Resident Commissioner who had the power to make sure that all Board and licence matters were consistent with the proclamation. Subject to the decisions of the Board, the Resident Commissioner could issue or refuse licences without any explanation. The Resident Commissioner also had the power to renew licences annually at his own discretion. In cases where license renewal had been refused, he could issue a temporary licence which helped a trader to dispose of his remaining stock before the store was closed. Finally, he could instruct the police to inspect the trading stations at any time.<sup>86</sup>

Traders who wished to open stores had to seek permission to do so and had to be granted a site by *Morena-e-Moholo* through his subordinate *marena*. In the case of district centres, the Resident Commissioner was responsible for the granting of a trading site. Only after

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<sup>84</sup> *Basutoland Proclamations and Notices, 1918*; H. Ashton, *The Basuto: A Social Study of Traditional and Modern Lesotho* (London: Oxford University Press, 1967), p. 167.

<sup>85</sup> *Basutoland Proclamations and Notices, 1918*; *Proclamation No. 4 of 1919, Basutoland Proclamations and Notices, 1919*.

<sup>86</sup> *Basutoland Proclamations and Notices, 1918*.

acquiring a trading site could a trader apply for a licence. The application was then posted on the notice boards at the offices of the Assistant Commissioner where the application was made. This gave other traders the opportunity to object or support, in writing, the granting or refusal of the particular licence. The Board also set a date to hold a sitting where all sides for and against the application were present to support their positions. After considering all the arguments for and against the granting of a licence, the Licencing Board issued or refused to grant the licence.<sup>87</sup>

European traders became immediate beneficiaries of the introduction of colonial laws and regulations. These measures became instrumental in shaping and consolidating their dominance over local commerce. Europeans, led by Frasers Ltd, a large trading company, used these newly-enacted formal colonial structures to advance their economic interests. They pursued these in a cartel formation organised around and legitimised by the Basutoland Chamber of Commerce. As will be seen in the first section of next chapter, European traders became so powerful that it was not until later in the twentieth century that Basotho were able to gain entry into local commerce.

### **Emergence and Consolidation of European Traders' Monopoly Over Colonial Commerce, 1890s-1950**

In 1874, Donald Fraser arrived in Lesotho. He was the son of William Fraser of Ipswich, England, who had been a prominent wool merchant since 1837 and was the owner of a prosperous business entity called William Fraser & Company.<sup>88</sup> In the 1860s, Donald Fraser went to East London, South Africa, as a representative of his father's company. However, the demand for the expensive and sophisticated type of clothing they dealt in was low in South Africa. When he learnt of the booming southern African economy, following the discovery of diamonds in Kimberley, Donald Fraser moved into the interior to establish trading stores. In 1877, he bought his first store in Lesotho from George Nutter Tudhope

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<sup>87</sup> Trade Regulations promulgated under Notice No.1 of 1929, *Basutoland Proclamations and Notices, 1929*. These regulations were additional to the existing principal law relating to trade, which was Proclamation No. 28 of 1928.

<sup>88</sup> Danziger, *A Traders' Century*, p. 18.

and William Wells at Liphiring in the Mafeteng district.<sup>89</sup> Douglas Henry Fraser, his brother, soon joined Donald in Lesotho. Thereafter, the two Fraser brothers acquired more stores in Lesotho. By 1880, they were described as the “leading traders in the territory”.<sup>90</sup> They had achieved this status by taking advantage of the Gun War (1880–1881) and the diamond price recession of 1882 to 1883, which followed the war, as will be seen below.

As events that eventually led to the outbreak of the Gun War unfolded, European traders were amongst the first to recognise the precipitation of the war. Many of them abandoned their stores.<sup>91</sup> They took their merchandise and property out of Lesotho into the Orange Free State. Fearing that the traders’ exodus would create panic in Lesotho, the colonial government threatened that the trading licences of those who left would not be renewed and those who left would not be allowed to return to Lesotho when the war was over. This discouraged the movement to a degree. However, those who stayed on sent their families away for safety, while the men remained to defend their stores.<sup>92</sup>

The Gun War brought trade to a standstill in Lesotho. Trading stores were damaged and, in some instances, totally ruined. In 1882, a delegation consisting of Charles D. Griffith (former government agent in Basutoland), J.A. Burger (the chairperson of the delegation), A. Auret and Cecil John Rhodes (who was a member of the Cape parliament), was mandated to inquire into the losses of loyal Basotho, missionaries and European traders. Basotho’s response to events and activities that led to the Gun War was not unanimous. Some segments of the society complied with the colonial authorities’ demands. Specifically, these were the people who agreed to return their guns. The Cape government compensated such ‘loyal’ Basotho, but European traders received no compensation. The delegation argued that European traders could not be compensated because the colonial government was not responsible for the losses they incurred. Instead it recommended that they should take

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<sup>89</sup> Danziger, *A Traders’ Century*, p. 18.

<sup>90</sup> Walton, *Father of Kindness*, p. 21.

<sup>91</sup> For more information on the Gun War see, P. Sanders, “*Throwing down the white man*”: *Cape Rule and Misrule in Colonial Lesotho, 1871-1884*(Morija: Morija Museum and Archives, 2011).

<sup>92</sup> Walton, *Father of Kindness*, p. 21.



insurance to ensure that they would be protected should similar catastrophes occur in the future.<sup>93</sup> Many traders could not re-establish their stations; because trade was sluggish in the wake of the Gun War, many European traders were eager to sell their trading stations.<sup>94</sup>

Furthermore, in 1882 and 1883, diamond prices slumped on the world market. Because of the resulting economic depression, the level of trade dropped due to low market prices that Lesotho's exports fetched in South Africa. Consequently, more trading stations closed down in Lesotho. Their number dropped from 82 to 73 between 1882 and 1883. In the district of Mafeteng alone, seven stores closed down.<sup>95</sup> As some European traders closed their stores, the Fraser brothers bought them. They formed a company called D. & D.H Frasers Limited, which proceeded to acquire more stores around the country.<sup>96</sup> It later became known as Frasers Company in 1920 (and thereafter, simply as Frasers).<sup>97</sup> On September 12, 1890, European traders held a meeting in Morija. They called the meeting in order to explore ways in which they could resolve the economic hardship that they had faced in Lesotho. The result of this meeting was the establishment of the Basutoland Traders' Association to protect their interests in times of economic recession and wars, as well as to represent them collectively in local commercial matters. Membership of the association was open to European traders only.<sup>98</sup> On September 14, 1893, they changed the name of the organisation to the Basutoland Chamber of Commerce.<sup>99</sup>

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<sup>93</sup> *Report and Proceedings of the Government Commission on Basutoland Losses* (Cape Town: Richards & Sons, 1883), pp. 3-9.

<sup>94</sup> Walton, *Father of Kindness*, p. 29.

<sup>95</sup> Walton, *Father of Kindness*, p. 29.

<sup>96</sup> Walton, *Father of Kindness*, pp. 32-33.

<sup>97</sup> *Lesotho National Archives (hereafter LNA), Trade, S3/26/1/2*, Frasers Company Registration Documents, March 24, 1920.

<sup>98</sup> J. R. Ashdown, "Basutoland Chamber of Commerce", Address at the Social Course for Catholic Men at the Mission Seminary, Roma, June, 1961, p. 1; Ambrose, *Maseru*, p. 101.

<sup>99</sup> Ashdown, "Basutoland Chamber of Commerce", p. 1. Attempts were made to find more records on the Basutoland Chamber of Commerce but to no avail.

Trade vibrancy in the country only resumed during the South African War (the Anglo-Boer War) of 1899-1902. This was due to the influx of refugees from the Orange Free State into Lesotho. A number of Europeans, Indians and Basotho applied for trading licenses to take advantage of the opportunity, but few obtained them because of strong opposition from the European traders that were already established.<sup>100</sup> They argued that there were more than enough trading stations in the country. Moreover, since they had suffered greatly due to earlier wars, depressions and natural disasters, they felt that they deserved to benefit exclusively. For example in 1902, John Alan Nash, Frasers' store manager in Morija, pointed out that:

. . . existing stores in Maseru are quite sufficient for the trade of the place in normal times . . . it is most difficult for the storekeepers to make a fair living, and . . . trade at the time [of the war] was abnormal. We are afraid . . . that with the prolongation of the war there may be many applications for licences and interest [will be] at a premium . . . We think it would be distinctly hard on firms like ourselves and others who have stood the brunt of many bad years in Basutoland, with some good ones, to allow parties to obtain . . . such licences for their immediate benefit [especially if they] have no intention of remaining in the country.<sup>101</sup>

George Hobson, the chairperson of the Basutoland Chamber of Commerce in 1902, supported this view. He argued that:

. . . the improvement in trade was mainly due to the advent of a large number of Dutch refugees, and Natives from the Orange River Colony, but on the return of peace, all these people will return to their homes, and local trade will resume its usual hum-drum character.<sup>102</sup>

That same year, the Chamber wrote to Paramount Chief Griffith Lerotholi in an attempt to convince him not to allow the issue of new licences. Although he was undecided at first, he responded in a letter to the Resident Commissioner, agreeing to the traders' request. Part of his letter read:

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<sup>100</sup> Walton, *Father of Kindness*, pp. 34-35.

<sup>101</sup> Walton, *Father of Kindness*, pp. 34-35.

<sup>102</sup> Walton, *Father of Kindness*, p. 50.

Whereas we have already agreed, I say that I am not in favour of new shops being established. Those that are already in the country are enough. I am not speaking about those in Maseru only but in the whole of Basutoland.<sup>103</sup>

Because of the objections voiced by the Chamber of Commerce, the colonial government turned down many traders' applications. It is clear that European traders collaborated with the colonial government to dominate local commerce; with the government doing all it could to protect the former. The Chamber played a critical role in facilitating and consolidating the relationship of the traders with the colonial government.

For a variety of reasons, including economic depression, locust epidemics and droughts,<sup>104</sup> the first three decades of the twentieth century were not a lucrative period in Lesotho's commerce.<sup>105</sup> In the face of these challenges, the Chamber of Commerce successfully negotiated with the colonial government to protect existing stores, the majority of which belonged to European traders. Further, in October 1923, the Chamber persuaded the government to give them a list of traders' licence applications and transfers in advance before they could be posted on the notice boards for the information of the public.<sup>106</sup> The list helped European traders to know well in advance who was applying for trading licences or transfers throughout the country. With that information, they were able to strategise and direct their opposition to specific applicants. At the time, reasons for and against traders licence applications contributed significantly to the final decision on whether licences were granted or not. If, at the Board's discretion, reasons against the licence application were deemed strong and were backed by many established traders or their organisation, then the Board would refuse to issue a new trading licence.

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<sup>103</sup> Walton, *Father of Kindness*, p. 36.

<sup>104</sup> Gill, *A Short History of Lesotho*, p. 178; *LNA, Trade, S3/26/1/8-11*, Letters of the Basutoland Chamber of Commerce, and those of its individual members, to the Resident Commissioner, Maseru, 1927 to 1932.

<sup>105</sup> *Financial and Economic Position of Basutoland: Report of the Commission Appointed by the Secretary of State for Dominion Affairs* (London: His Majesty's Stationery Office, 1935), p. 60.

<sup>106</sup> *LNA, Trade, S3/26/1/4*, Basutoland Chamber of Commerce to Government Secretary, Maseru, October 30, 1923.

Between November and December 1923, the Chamber also successfully negotiated for the colonial government to stop issuing traders' licences to protect European traders from competition, until such a time as the economy had recovered.<sup>107</sup> In addition, in January 1924, the Chamber convinced the colonial government to allow its committee to "have the prerogative of addressing Assistant Commissioners up to the time of sittings of the Licencing Board."<sup>108</sup> Armed with this, the Chamber had a strong say in the government's final decisions regarding the issuance of licences. Because of all these interventions by the colonial government on behalf of European traders, new trading licences were not issued in the name of protecting existing stores from competition in the period of the recession.<sup>109</sup>

By the 1930s, Lesotho's economy had been asymmetrically linked to the global economy through South Africa. As a result, the global depression of the 1930s (the Great Depression) adversely affected Lesotho's domestic economy. The international fall in prices and demand for South Africa's mineral and agricultural exports affected Basotho's wages and purchasing power. Businesses, mostly owned by the Europeans at this time were "hard hit by the recent fall in prices" since exports, which mostly consisted of wool, mohair, and cattle could not fetch satisfactory profits in South African markets.<sup>110</sup> As will be demonstrated further in the next chapter, businesses owned by those few Basotho who had managed to break into the local trading circles collapsed. In addition, between 1932 and 1933, there was a severe famine in Lesotho.<sup>111</sup>

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<sup>107</sup> *LNA, Trade, S3/26/1/5*, Basutoland Chamber of Commerce to Government Secretary, Maseru, December 8, 1923.

<sup>108</sup> *LNA, Trade, S3/26/1/6*, Basutoland Chamber of Commerce to Government Secretary, Maseru, January 23, 1924.

<sup>109</sup> *LNA, Trade, S3/26/1/1*, Proceedings of the Licencing Board Meeting, Maseru, May 27, 1919; *LNA, Indian Immigration, S3/14/1/3*, Petition of the Basutoland Indian Association to the Assistant Commissioner, Butha-Buthe, September 23, 1918; *LNA, Trade, S3/26/1/11*, Resident Commissioner in Maseru to M.E.F. Wessels of Winburg, South Africa, April 8, 1930.

<sup>110</sup> *Financial and Economic Position of Basutoland*, p. 61. See also, Walton, *Father of Kindness and Father of Horses*.

<sup>111</sup> *An Economic Survey of the Colonial Empire, 1936* (London: His Majesty's Stationery Office, 1938), p. 92.

By the mid-1930s, Lesotho's economy began to recover, and local trade revived.<sup>112</sup> However, European traders continued to argue that the economy had not fully recovered and asked the colonial government not to resume the issuance of trading licences.<sup>113</sup> European traders continued to strongly oppose Basotho licence applications. October 3, 1934, the Alan Pim Commission arrived in Lesotho. Pim was a British financial expert appointed by the British Colonial Office to investigate the financial and economic position of Lesotho. His Commission was funded by the Colonial Development Fund as part of the British's efforts to survey various economic aspects of its colonies. Similar studies had been carried out in other British colonies. In 1931, the survey was done in British Guiana, Leeward Islands, St. Lucia and Mauritius. Swaziland, Kenya, Tanganyika and Uganda were inspected in 1932 while Bechuanaland (now Botswana) and Seychelles were investigated in 1933. British Honduras was studied in 1934. The subsequent report of Lesotho observed that: "European traders have played a large part in the development of the country . . . [However, they] have naturally concentrated in the main on their own special interests."<sup>114</sup>

The Pim Commission further noted that a few European traders, particularly Frasers, monopolised local trade. It also revealed that: ". . . more than one-third of the 194 stores appear to be controlled directly or indirectly by two large firms and their influence extends even more widely so that competition has largely ceased to operate."<sup>115</sup> The commission's report also noted that other trading groups had been excluded from local trade for a long time, and stated: "Very few new licences have been granted during the last twenty years."<sup>116</sup> It established that only three licences of the 194 trading licences in operation were owned by Basotho traders. There were 16 businesses that belonged to Indian traders, while 175 commercial enterprises were operated by European traders.<sup>117</sup> As a result, the

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<sup>112</sup> *Financial and Economic Position of Basutoland*, p. 63.

<sup>113</sup> *LNA, Trade, S3/26/1/9*, Individual letters of members of the Basutoland Chamber of Commerce to the Resident Commissioner, Maseru, May 1930 to April 1931.

<sup>114</sup> *Financial and Economic Position of Basutoland*, p. 60.

<sup>115</sup> *Financial and Economic Position of Basutoland*, p. 60.

<sup>116</sup> *Financial and Economic Position of Basutoland*, p. 60.

<sup>117</sup> *Financial and Economic Position of Basutoland*, p. 60.

Commission recommended that Basotho should be given better opportunities in local trade. As Pim himself postulated, the European traders resisted this recommendation until 1951 when more Basotho were allowed access into the local business by the colonial government.<sup>118</sup> This will be demonstrated in greater depth in the next chapter.

It emerges, in this section, that the individual and collective agency of European traders was driven by the hardships they had faced. As a result, they acted to protect their interests. As an emergent dominant group, they attempted, and succeeded, to control the economy in their favour. Europeans in Lesotho were economically powerful (had capital resources) and held political power. They managed to strike a strong, mutually beneficial relationship with the colonial government. The rise of European traders' monopoly coincided with the arrival of Indian traders in Lesotho. The next section will chronicle their migration and business activities.

### **Arrival of the Indian Traders in Lesotho, early 1900s**

In the early nineteenth century, the Indians began migrating to other parts of the world. After the abolition of slavery in the British colonies in the early 1830s, sugar-producing countries experienced an acute labour shortage. In the 1840s, the Indians began migrating to places like Mauritius to provide alternative forms of labour under a system known as indentured labour. In the 1860s, similar trajectories of transnational mobility took place. Large numbers of the Indians migrated to Natal, South Africa. These Indians were mainly from Madras, Calcutta and Hyderabad. They signed five-year contracts. When their contracts ended, they had the option of returning to India or staying in Natal to explore various economic opportunities.<sup>119</sup>

Between 1895 and 1914, a second wave of Indians migrated to South Africa in search of business opportunities. These were non-contracted Indians employed by members of the

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<sup>118</sup> *Financial and Economic Position of Basutoland*, p. 64.

<sup>119</sup> L. Rantheba, "The History of the Indian Traders in Lesotho", Research project submitted in partial fulfilment of the requirements for the Bachelor of Arts degree in the Department of History, National University of Lesotho, Faculty of Humanities, 1985, pp. 1-2.

commercial class in Bombay and other Gujarat-speaking areas. They were called “passenger Indians”.<sup>120</sup> In South Africa, the Indian traders began to spread throughout the country. By the late 1880s, they had arrived in the Orange Free State.<sup>121</sup> Business activities run by the Indians thrived to the point that they threatened white traders. By 1885, Indian traders were selling at extremely low prices; so much so that their white counterparts could not compete with them.<sup>122</sup> Feeling the pressure, European traders complained to the government about this and as a result, in Natal and the Free State, the colonial authorities took steps to undermine Indian traders.<sup>123</sup> To mention only two examples, the Free State government passed an Ordinance in 1885 to prevent the Indians from buying or renting any fixed property. And in 1887, President Brand ordered the Indian traders to sell their merchandise within a period of two years and close their stores.<sup>124</sup> Owing to exclusive measures taken against the Indians in South Africa, by the end of the nineteenth and beginning of the twentieth century, many Indian traders sought new business avenues in Lesotho and elsewhere in the region. Some came to Lesotho as hawkers, peddling their wares between Lesotho and South Africa. From the early twentieth century, they began settling in Lesotho and by 1911, there were an estimated 179 Indian traders residing there.<sup>125</sup>

Before long, the Indian traders posed a threat to European traders in Lesotho as they had done earlier in South Africa. European traders feared the Indian traders because of their strong socio-economic networks that tied them closely with large Indian wholesalers in Natal. One example will be cited here. In May 1916, the Resident Commissioner in Lesotho wrote to the High Commissioner in South Africa complaining about the trading activity by

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<sup>120</sup> D. Du Bois, “The ‘coolie curse’: The Evolution of White Colonial Attitudes towards the Indian Question, 1860-1900”, *Historia*, 57:2 (2012), pp. 35-37.

<sup>121</sup> Rantheba, “The History of the Indian Traders in Lesotho”, p. 4.

<sup>122</sup> B. Pachaias quoted in Rantheba, “The History of the Indian Traders in Lesotho”, p. 4.

<sup>123</sup> Pachaias quoted in Rantheba, “The History of the Indian Traders in Lesotho”, pp. 2-3.

<sup>124</sup> Rantheba, “The History of the Indian Traders in Lesotho”, pp. 4-5.

<sup>125</sup> *LNA, Trade*, S3/14/1/4, Indian Traders’ Petition to the Resident Commissioner in Lesotho, September 23, 1918.

people of Indian descent. The commissioner explained that many Indian traders had “substantial means, representing a large amount of capital. Many are commercially connected with, and in some cases are branches of large wholesale Indian firms in Natal”.<sup>126</sup>

The colonial government also took steps aimed at frustrating the Indian traders by refusing to grant new licences and by not allowing them to transfer their existing licences.<sup>127</sup> In addition, they were confined to operating in selected areas of Lesotho, particularly, in the Butha-Buthe and Leribe districts in the north-western parts of the country.<sup>128</sup> They were also given licences to trade in peripheral areas.<sup>129</sup> One example will suffice to substantiate this point. In September 1918, the Indian traders submitted a petition to the High Commissioner in South Africa. They complained that two Indian traders had attempted to apply for trading licences in an urban centre but their applications were refused – only to be granted subsequently to European traders. However, colonial authorities ignored their grievances.<sup>130</sup>

The colonial government took further steps to undermine the Indian traders. In 1921, a Proclamation was passed in Lesotho compelling all the Indian traders to keep their accounting records in English. However, the Indian traders (not being fully conversant with English) were unable to comply with this. So, they applied for permission to employ Indian clerks who could fill this role. The colonial government rejected this compromise and the Indian traders continued to keep their books in their own language. By so doing, they gained the reputation of not being law abiders. This stigmatisation was used by the Chamber and

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<sup>126</sup> LNA, *Indian Immigration, S3/14/1/2*, Resident Commissioner in Maseru to the High Commissioner in South Africa, May 4, 1916.

<sup>127</sup> LNA, *Indian Immigration, S3/14/1/2*, Indian Traders’ Petition to the High Commissioner in South Africa, May 20, 1913.

<sup>128</sup> Rantheba, “The History of the Indian Traders in Lesotho”, p. 14.

<sup>129</sup> LNA, *Indian Immigration, S3/14/1/3*, Indian Traders’ Petition to the Resident Commissioner in Maseru, May 26, 1918.

<sup>130</sup> LNA, *Indian Immigration, S3/14/1/4*, Indian Traders’ Petition to the Resident Commissioner in Maseru, May 26, 1918.



the government as grounds to oppose the granting of licenses to the Indians. In contrast, white traders were encouraged to import clerks from Europe to reconcile their accounts.<sup>131</sup>

The Indian traders were quick to recognise the monopolistic tendencies of European traders. Soon after their migration into Lesotho, they formed an organisation which they called the Basutoland Mahomedan Community, a body through which they hoped to voice their grievances collectively.<sup>132</sup> It was not a business association, per se, but an association that represented them in various political, social and economic matters.<sup>133</sup> However, their efforts through this organisation did not amount to much against the powerful clout exercised by the Europeans and the colonial government.<sup>134</sup>

## Conclusion

This chapter has documented the emergence of colonial commerce as a background to understanding the historical conditions and various actors in Lesotho's commerce. The economic landscape of the country in the post-colonial period has its roots in colonial commerce and Lesotho's geo-historical position as a labour reserve economy. Basotho's pre-colonial economic independence was undermined by colonial policy, and other factors, to attain such a configuration. Basotho and Indian traders struggled to gain access to colonial commerce against European's restrictive measures. The next chapter will explore how Basotho attempted to gain access and control over local commerce.

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<sup>131</sup> LNA, *Indian Immigration, S3/14/1/4*, Indian Traders' Petition to the Resident Commissioner in Maseru, May 26, 1918.

<sup>132</sup> Due to few records, little is known about the history and other activities of this association or even when it was formed.

<sup>133</sup> LNA, *Indian Immigration, S3/14/1/1*, List of Committee Members of Basutoland Indian Association, November 20, 1916.

<sup>134</sup> LNA, *Indian Immigration, S3/14/1/4*, Indian Traders' Petition to the Resident Commissioner in Maseru, May 26, 1918.

## CHAPTER 4

### Basotho Traders' Post-colonial Economic Solidarity, 1966-1975

#### Introduction

The previous chapter provided the history of the collapse of Basotho's pre-colonial economic independence and the subsequent emergence of colonial economy in Lesotho, which was dominated by European traders. This chapter explores how Basotho traders attempted to overthrow European traders and gain control over the local economy after independence in 1966. Their efforts and unity was most significant in the period between 1966 and 1975. This chapter establishes that their attempts to control the economy after independence can be traced as far back as the early twentieth century from 1906 when the first Mosotho acquired a trading licence. Basotho gained access into colonial commerce forcefully through individual and collective efforts against colonial exclusion.

This chapter is organised into two major sections. As a background, the first section chronicles the history of Basotho's individual and collective attempts to gain access into colonial commerce between 1906 and the 1950s. It explores relations between Basotho business owners and foreign business owners – the British and the Indian traders. The last section is divided into three subsections that explore the collapse of Basotho's emergent economic solidarity, almost ten years after independence. It locates the collapse within changes and continuities in relations between Basotho, European traders and the government.

After 1966, Basotho business owners emerged as a much stronger economic force. Optimistic of conditions that independence would create for the former colonised people, they collectively organised themselves to take a lead in the new economic landscape through an all-black business association and cooperative. Stefan Andreasson argues that the political liberation of former colonised societies in Africa was one of the most significant achievements of the twentieth century and the hopes for “. . . Africa on the cusp of independence were high”<sup>1</sup> as their ambitions were that political independence would

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<sup>1</sup> Stefan Andreasson, *Africa's Development Impasse: Rethinking the Political Economy of Transformation* (New York: Zed Books, 2010), p. 2.

ensure economic independence and prosperity in economies where Africans themselves would take a lead.

However, their efforts came into direct conflict with the newly independent government's interests, as Basotho business owners politically threatened the ruling party. This was because most of them also happened to be members of the major opposition party. Economically, they threatened European traders, who had mutually beneficial relations with the ruling party. In this conjuncture, Basotho were viewed as a common enemy. Accordingly, the state used its political power and legal apparatus at its disposal to undermine Basotho's economic initiatives. The argument of this chapter is that; instead of creating conditions wherein Basotho would take a lead in the country's economy after independence, the newly independent government suppressed and marginalised Basotho in the local economy. Rather, it supported former European traders to continue their monopoly. Amilcar Cabral, a Marxist revolutionary and leader of the nationalist movement in Guinea Bissau, adequately captures this colonial inheritance when he states that:

Our problem is to see who is capable of taking control of the apparatus when the colonial power is destroyed . . . the peasants cannot read or write . . . The working class hardly exists as a defined class . . . There is no *economically viable* bourgeoisie because imperialism prevented it from [being] created. What there is [is] a stratum of people in the service of imperialism who have already learnt how to manipulate the apparatus of the state – the African petty bourgeoisie: this is the only stratum capable of controlling or even utilising the instruments which the colonial state used against our people . . .<sup>2</sup>

Nicolas van De Walle maintains that:

The political parties that had spearheaded the brief anticolonial struggle were rarely able to maintain their mobilizational capacity with the return to routine politics. To establish political order and sustain their hold on power, the new rulers used the few resources and instruments at their disposal. Political survival dictated certain choices that would have a costly effect on the economic growth.<sup>3</sup>

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<sup>2</sup> As quoted in Ibbo Mandaza, "Introduction" in Ibbo Mandaza (ed.), *Zimbabwe: The Political Economy of Transition, 1980-1986* (London: CODESRIA Books Series, 1987), p. 1.

<sup>3</sup> van De Walle, *African Economies and the Politics of Permanent Crisis*, pp. 115-116.

## Basotho's Attempts to Gain Access to Colonial Commerce, 1906-1950s

It took a long time, and a protracted struggle, for a few Basotho to acquire trading licences at the beginning of the twentieth century because of the colonial government's support for European traders.<sup>4</sup> When Basotho applicants eventually received trading licences, their licences restricted them to operating in remote rural and mountainous areas. These areas were not ideal for business because the transport infrastructure was underdeveloped and they also had sparse populations. Furthermore, their geographical location had large rivers that made access difficult for both customers and goods. The situation became even worse during the rainy seasons due to flooding, especially since there were very few boats and no bridges.<sup>5</sup>

The impact of the relationship between the colonial government and the Chamber of Commerce was sorely felt by Basotho traders and those Basotho who attempted to participate in local trade. Many of their applications for trading licences were refused by the colonial government on the grounds that the economic situation did not allow for any new licences to be issued. As discussed before, this was a position that had been advanced for years by the Chamber, and adopted by the colonial government.<sup>6</sup> Due to the virtual monopoly held by European traders and their preferential treatment by the government, in the period between 1906, when the first Mosotho, one Jos Makotoane (who operated in Morija) secured a trading licence, and 1925 (a period of some 19 years) only 11 traders' licences were issued to Basotho.<sup>7</sup> For the most part, these Basotho ran small shops.

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<sup>4</sup> *LNA, Trade, S3/26/1/5*, Decision of the Licencing Board Meeting, Teyateyaneng, May 3, 1923; *LNA, Trade, S3/26/1/9*, A. J. Yeaman of Morija to the Assistant Commissioner, Maseru, May 23, 1930; *LNA, Trade, S3/26/1/9*, R. W. Bird of Ha Mofoka to the Assistant Commissioner, Maseru, March 3, 1931.

<sup>5</sup> *LNA, Trade, S3/26/1/10*, A. A. Metsing to the Assistant Commissioner, Leribe, October 30, 1929; *LNA, Trade, S3/26/1/9*, Scott of Mohale's Hoek to the Assistant Commissioner, Maseru, February 23, 1931; *National University of Lesotho Archives (hereafter NULA), Trade, Leribe Collection 23/3*, Mahala K. Molapo of Leribe to Government Secretary, Maseru, May 16, 1949.

<sup>6</sup> *LNA, Trade, S3/26/1/5-10*, Letters of the Basutoland Chamber of Commerce, and those of its individual members, to the Resident Commissioner, Maseru, 1927 to 1932.

<sup>7</sup> *LNA, Trade, S3/26/1/6*, Assistant Commissioner's Office in Leribe to Government Secretary in Maseru, February 27, 1925; *Naleli ea Lesotho*, July 24, 1925.

However, many of their stores collapsed due to financial problems during the economic depression of the early twentieth century, particularly the recession of the late 1920s to the early 1930s.<sup>8</sup>

With the exception of two Basotho traders, Thomas Mofolo, who operated in the Leribe district, and Rantsatsaila Kou<sup>9</sup>, who operated in the Mafeteng district, trading licences that had belonged to Basotho traders were transferred to European traders, when businesses run by Basotho traders went bankrupt. The colonial government had no qualms in allowing their transfer to European traders even though the Basotho trading licences were officially classified as “non-transferable licences”.<sup>10</sup> They were duly transferred to European traders as repayment of the debts that some Basotho traders owed them.<sup>11</sup> Due to these circumstances, Europeans (both traders and colonial administrative officials) questioned the business acumen of Basotho and described them as a “non-business-minded” society.<sup>12</sup>

Furthermore, when they participated in local commerce, Basotho traders had problems of access to credit from commercial banks and supply of stock. As a result, they negotiated with some European and Indian traders to provide them with support in this regard. The arrangements that Basotho traders made enabled them to receive periodic supplies of stock and credit payable within a 14 or 30 day limit, depending on the specific arrangement.<sup>13</sup> Confirming this, the Pim Commission report noted: “In the past credit has been given [by

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<sup>8</sup> *LNA, Trade, S3/26/1/8-11*, Letters of the Basutoland Chamber of Commerce, and those of its individual members, to the Resident Commissioner, Maseru, 1927 to 1932.

<sup>9</sup> Thomas Mofolo and Rantsatsaila Kou had only managed to break into colonial commerce in 1925.

<sup>10</sup> *LNA, Trade, 3/26/1/6*, Assistant Commissioner’s Office in Leribe to the Government Secretary, Maseru, February 27, 1925; *LNA, Indian Immigration, S3/14/1/3*, Basutoland Indian Association’s Petition to the Resident Commissioner, Maseru, May 26, 1918; *Financial and Economic Position of Basutoland*, p. 60.

<sup>11</sup> *LNA, Trade, S3/26/1/10*, G.P. Higgs to the Licencing Meeting, Leribe, December 9, 1929.

<sup>12</sup> *NULA, Trade, LC, 23/1*, Government Secretary in Maseru to all District Commissioners, November 12, 1953; *NULA, Trade, LC 25/2*, Office of the District Commissioner in Leribe to the Government Secretary in Maseru, June 4, 1954; *LNA, Trade, S3/26/1/5*, Basutoland Chamber of Commerce to the Government Secretary, Maseru, April 9, 1923; *LNA, Trade, S3/26/1/6*, Basutoland Chamber of Commerce to the Assistant Commissioner, Butha-Buthe, July 25, 1924; *Financial and Economic Position of Basutoland*, p. 62.

<sup>13</sup> *LNA, Trade, S3/26/1/6*, Basutoland Chamber of Commerce to Assistant Commissioner, Quthing, July 25, 1924.

Europeans] to a very considerable extent [to Basotho].”<sup>14</sup>When the businesses run by Basotho traders collapsed, some European traders took advantage of this to expand their stores by taking over their licences. The strategy was even noted by other European traders. For instance, in opposing one Andries Metsing’s (a Mosotho) trading licence application in 1929, G.P. Higgs, a European trader in Leribe, brought it to the Licencing Board’s attention that: “Andries would be indirectly supported by some Europeans, which would mean that the station would eventually become the property of the European, which would create more competition, keener prices & no profits [sic].”<sup>15</sup>

Apart from negotiating credit and supply of stock arrangements with the European and the Indian traders, some Basotho also went into formal and informal business partnerships with the Indian and European traders. These partnerships helped Basotho who had little capital and restricted access to business finance.<sup>16</sup> One example suffices to support the validity of this assertion. In 1912, Simon Hatla, a Mosotho, opened a business in the Butha-Buthe district.<sup>17</sup> Due to financial difficulties, he formally partnered with an Indian trader, Adam Dada. However, the partnership came to an end because Dada “pretty well robbed him.”<sup>18</sup> As a result, Hatla applied for another licence to open a shop which was “supported by Frasers & Co”.<sup>19</sup> This was an informal partnership through which “Frasers was obliged to check [its] stock every month” to monitor its investment, while the day-to-day running of the business was carried out by Hatla.<sup>20</sup>

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<sup>14</sup> *Financial and Economic Position of Basutoland*, p. 61.

<sup>15</sup> *LNA, Trade, S3/26/1/10*, G.P. Higgs to the Licencing Meeting, Leribe, December 9, 1929.

<sup>16</sup> *LNA, Trade, S3/26/1/6*, Minutes from the Assistant Commissioner’s Office in Leribe to the Government Secretary in Maseru, February 27, 1925.

<sup>17</sup> *LNA, Trade, S3/26/1/6*, Minutes from the Assistant Commissioner’s Office in Leribe to the Government Secretary in Maseru, February 27, 1925.

<sup>18</sup> *LNA, Trade, S3/26/1/6*, Minutes from the Assistant Commissioner’s Office in Leribe to the Government Secretary in Maseru, July 25, 1924.

<sup>19</sup> *LNA, Trade, S3/26/1/6*, Minutes from the Assistant Commissioner’s Office in Leribe to the Government Secretary in Maseru, July 25, 1924.

<sup>20</sup> *LNA, Trade, S3/26/1/6*, Minutes from the Assistant Commissioner’s Office in Leribe to the Government Secretary in Maseru, July 25, 1924.

However, the colonial government stopped such arrangements by passing the Basutoland Native Trading Proclamation of 1936,<sup>21</sup> which was meant to racially separate traders licences' issuance and traders' activities in local trade. The colonial government also halted such arrangements by passing Basutoland Credit Restriction Proclamation of 1937, which restricted and controlled flows of credit between Basotho and Europeans.<sup>22</sup> As demonstrated above, Basotho and Basotho traders could not repay debts they owed European traders during the 1920s and 1930s economic depressions. As a result, European traders viewed Basotho as bad debt payers. They complained to the colonial government that though "Basuto used formerly to do their best to repay such debts . . . their honesty in this respect [had] greatly diminished."<sup>23</sup> Connected to that, European traders argued that they could not recover their debts through the judicial system in Lesotho as civil cases involving Basotho debtors were handled through customary courts. In European traders' view, this did not put any pressure on the debtor to pay.<sup>24</sup>

Other Basotho traders were able to solve these problems by ordering stock from suppliers in South Africa directly or through Lesotho-based representatives of South African suppliers, such as the Whitakers Agencies. South African-based suppliers sold goods to them at wholesale prices, unlike Lesotho-based European traders, especially Frasers. Basotho complained that Frasers, which had a chain of stores and wholesales around the country, sold stock to them at retail prices, instead of wholesale prices. On top of that, it continued to out-compete them with its retail stores.<sup>25</sup> Some Basotho traders also responded to their financial constraints by forming cooperatives. However, many of their cooperatives collapsed due to lack of adequate financing, leading advisors of the colonial government in the 1930s, the Pim Commission, to recommend that it should not encourage the rise of the

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<sup>21</sup> Proclamation No. 76 of 1936, *Basutoland Proclamations and Notices*, 1936.

<sup>22</sup> Proclamation No. 8 of 1937, *Basutoland Proclamations and Notices*, 1937.

<sup>23</sup> *Financial and Economic Position of Basutoland*, p. 61.

<sup>24</sup> Basutoland Credit Restriction Proclamation, an official summary in *Mochochonono*, March 13, 1937.

<sup>25</sup> Ngwenya, "The Nature of Basotho Owned and Managed Enterprises", pp. 18 and 19.

co-operative movement. Nevertheless, Basotho persisted, and the colonial government passed Proclamation No. 47 to officially establish cooperatives in 1948.<sup>26</sup>

In addition to the above economically pragmatic relations, the relations between Basotho and foreign traders also had a politically confrontational character. Collectively, Basotho publicly protested their exclusion and marginalisation in local commerce. They resented being excluded from trade in “their country” by foreign traders who, they felt, only came to Lesotho to enrich themselves and export profits to their home countries. They complained vociferously to the colonial government and European traders, demanding better opportunities in local trade.<sup>27</sup> Basotho also expressed their dissatisfaction about marginalisation from local trade through local newspapers that supported them.<sup>28</sup> In accounting for the tension between Basotho and European traders in local trade, one columnist in *Naleli ea Lesotho* newspaper, wrote in 1925:

The jobs which Basotho are still attempting here in Lesotho now are not the ones which it appears as if they are conflicting with the whites; but this one of business, it is the one that a white person fights with a Mosotho, you could actually see that this Lesotho no longer belongs to Basotho in terms of business, it now belongs to the whites. Even the Paramount Chief, they no longer see him as anything . . . It is not right when the development brought by white traders here in Lesotho leads to hatred of a Mosotho, the owner of the country.<sup>29</sup>

Towards the Indian traders, one Mosotho trader made no bones about his feelings. He expressed the view that:

Indians are not an asset to the country. All their money goes to India and their food comes from India. They import Indians, the lowest class, to do their work. There are 10 or 12 Indians at each station and they will do nothing but harm.<sup>30</sup>

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<sup>26</sup> *Report of a Commission of Inquiry into Coop Lesotho*, n.d., pp. 8-9; *Financial and Economic Position of Basutoland*, pp. 173-174.

<sup>27</sup> *Naleli ea Lesotho*, July 25, 1925. Translated from Sesotho; *Mochochonono*, August 22, 1934.

<sup>28</sup> *Naleli ea Lesotho*, July 25, 1925.

<sup>29</sup> *Naleli ea Lesotho*, July 25, 1925.

<sup>30</sup> *LNA, Trade, S3/26/1/10*, Thomas Mofolo representing BPA at Licencing Board meeting held in Qacha’s Nek, June 13, 1927.



Licensing Board meetings were characterised by fierce conflict between these groups.<sup>31</sup> In these meetings, Basotho were represented by the Basutoland Progressive Association (BPA) and *Lekhotla la Bafo* (League of Commoners).<sup>32</sup> In 1907, an emerging elite of commoners, locally known as *bahlalefi* or *matsoelopele* – the educated ones or progressive ones, respectively – formed the Basutoland Progressive Association. It mainly consisted of teachers, writers, government clerks, interpreters, ministers of religion and businessmen.<sup>33</sup> BPA's aims were to eliminate racial discrimination, to increase commoners' representation in the National Council, to deal with the chiefs' abuse of power, to modernise agriculture, to advocate for the improvement of social services, and to assist in creating small-scale industries.<sup>34</sup> In 1919, traditionally-orientated Basotho formed *Lekhotla la Bafo* (LLB) – League of Commoners – in Mapoteng. The LLB was strongly anti-imperialist and it uncompromisingly opposed colonialism. The organisation also sought to end the chiefs' abuse of power.<sup>35</sup>

As a result of the activities of these early political organisations, Licensing Board meetings and newspaper columns became battlegrounds for Basotho traders, on the one side, and European and the Indian traders, on the other.<sup>36</sup> The roles played by BPA and LLB were crucial in challenging both the alliance of the European traders and colonial government as well as its impact of marginalising Basotho in local trade. The BPA's role centred mostly on advocating for Basotho to be granted trading licences in the lowlands and highlands<sup>37</sup> alike, while the LLB advocated for the removal of colonial trading laws and regulations. The LLB,

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<sup>31</sup> *Naleli ea Lesotho*, July 25, 1925; *Mochochonono*, August 22, 1934.

<sup>32</sup> These early political organisations are the roots of Lesotho's anti-colonial and nationalistic movements. They later gave birth to the country's political parties. See, B. Nyeko, "Resistance to Colonial Rule and the Emergence of Anti-colonial Movements" in Pule and Thabane (eds), *Essays on Aspects of the Political Economy of Lesotho*.

<sup>33</sup> Gill, *A Short History of Lesotho*, p. 170.

<sup>34</sup> *LNA, Basutoland Progressive Association, S3/22/2/1*, Constitution of Basutoland Progressive Association.

<sup>35</sup> Nyeko, "Resistance to Colonial Rule and the Emergence of Anti-colonial Movements", pp. 138-139.

<sup>36</sup> *Naleli ea Lesotho*, August 25, 1925.

<sup>37</sup> *LNA, Basutoland Progressive Association, S3/22/2/1*, George Kou's Letter to Basutoland Progressive Association, September 20, 1935.

for its part, saw Europeans as intruders who only came to Lesotho to enrich themselves and expatriate the profits they made.<sup>38</sup> LLB argued that: “The Chamber of Commerce is formed for the purpose of prohibiting us from doing any trade in our country.” It further added that the “aim of the [government is] to abolish our nation. . .”<sup>39</sup>

The two organisations attempted to empower more Basotho to participate in local trade without fear of failure against the united front of the colonial government and European traders. However, their efforts were limited since they were representing broad nationalistic interests. It was not until the early 1940s that Basotho traders formed their own association, the Basuto Traders’ Association, to pursue and protect their specific interests in local commerce.<sup>40</sup> Due to pressure from the local organisations discussed above, a significant increase in the number of Basotho traders occurred after 1951, following the government’s announcement of Proclamation No. 72 of that year. The Proclamation provided for what was called a Basuto Restricted Traders Licence, which was specifically meant for Basotho. This licence was first created in 1936, when the colonial government passed the Native Trading Proclamation on the recommendation of the Pim Commission that Basotho should be given wider opportunities in local trade.<sup>41</sup>

From as few as three Basotho store owners in 1935, the colonial government estimated that there were 2700 Basotho in the country with trading licences by 1958. This figure included restricted licence holders who were running small shops, bakeries and butcheries; and others who were engaging in livestock trading, milling and the provision of transport.<sup>42</sup> Basotho who went into business during this time included those who had found blue collar jobs in South Africa, particularly in the mines. Some were those Basotho who had worked as

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<sup>38</sup> LNA, *Lekhotla la Bafo*, S3/22/1/1, Report of the meeting of LLB in Maseru, August 11, 1929.

<sup>39</sup> LNA, *Lekhotla la Bafo*, S3/22/1/1, Report of the meeting of LLB in Maseru, August 11, 1929.

<sup>40</sup> *Mochochonono*, October 27, 1945, p. 1; *Mochochonono*, November 24, 1945, p. 5; NULA, *Trade*, LC 23/11, District Commissioner in Leribe to the Licencing Board, August 27, 1957. Little is known about the history and activities of this association due to lack records.

<sup>41</sup> *Financial and Economic Position of Basutoland*, p. 60.

<sup>42</sup> *Basutoland Colonial Annual Reports, 1958*, p. 45.

civil servants in the colonial government, and others were teachers.<sup>43</sup> Many Basotho World War II veterans also invested their gratuities in retail stores when they returned home.<sup>44</sup>

It was only after 1951 that women were also able to participate in local commerce.<sup>45</sup> Prior to the passing of the Basutoland Native Trading Proclamation of 1936, Basotho women did not qualify for trading licence application because they were not recognised as tax-payers by the Native Tax Proclamation No. 3 of 1911.<sup>46</sup> In 1940, the 1936 proclamation was amended by Proclamation No. 64 to allow Basotho women to apply for trading licences despite the fact that they did not pay tax. The proclamation entitled women in Lesotho, who were previously defined by colonial laws as “native” women, to apply for trading licences. A “native” woman, in terms of colonial law, was defined as a “member of an African tribal race living in the Territory whose father or husband was or is domiciled and paid or pays native tax.”<sup>47</sup>

From 1951, a number of Basotho women were issued with trading licences and were able to open stores. However, even though the colonial laws permitted them to apply for such licences, available information suggests that only very few Basotho women owned and ran such stores prior to independence. By far, the majority of Basotho traders were men. For example, in the Leribe district, there were 75 trading licence holders issued to Basotho in places outside the settlement camps in 1951. Of these, 11 trading licenses were owned by women. In April 1953, out of the 24 trading licence applications in the same district, only five of them were issued to women.<sup>48</sup> Nonetheless, for the largely marginalised Basotho

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<sup>43</sup> Thabane, “Aspects of Colonial Economy and Society, 1868-1966”, p. 114; N. Mphanya, *My Life in the Basutoland Congress Party* (Maseru: Motjoli Publisher, 2010), p. 63.

<sup>44</sup> *Basutoland Colonial Annual Reports, 1947*, p. 28; Thabane, “Aspects of Colonial Economy and Society, 1868-1966”, p. 114.

<sup>45</sup> Due to lack of sufficient historical sources, very little information is known about women’s early involvement in commerce in Lesotho.

<sup>46</sup> *Basutoland Proclamations and Notices, 1911*.

<sup>47</sup> *Basutoland Proclamations and Notices, 1940*.

<sup>48</sup> NULA, *Trade, LC 23/1*, Office of the District Commissioner in Leribe to the Government Secretary in Maseru, April 15, 1953.

women, it goes without saying that this was a major breakthrough for them. As will be discussed in chapter eight, women in business in the post-colonial period increased further and currently constitute the majority in local business, as established in the introduction. In general, 1951, was a significant year for Basotho in business. The Colonial Office commented that: “Although European and Indian Traders still predominate, African interest in trading is steadily increasing and Basuto-held trading licences are likely soon to exceed those held by non-Basuto.”<sup>49</sup>

### **The Rise and Fall of Basotho Traders’ Post-colonial Economic Solidarity, 1966-1975**

After Lesotho gained independence in 1966, Basotho were optimistic that political independence would cultivate favourable conditions that would allow them to take a lead in the local economy. To this end, they organised themselves more coherently than they had done during the colonial period, since, they had also increased in numbers. As a result, they emerged as a strong economic force, which was characterised by a strong spirit of solidarity. They formed an association, through which they subsequently established a bulk buying cooperative in order to counter European traders’ domination of the local economy, as well as to solve their problems of access to credit. This section explores three major collective entrepreneurial initiatives by Basotho traders, which were established in the period between 1966 and 1975. Additionally, the section accounts for the collapse of Basotho’s economic solidarity.

#### ***A. Basotho Traders’ Association and ‘Thekommoho’***

Basotho traders experienced problems of access to credit and supply of stock in conducting trade since the colonial period, as previously demonstrated. In 1966, about ten Basotho traders made a first attempt to form a bulk buying arrangement. They included influential Maseru-based Basotho traders like Buta Phalatsi of Buta Store, the owners of Makhetheng Store, Mosilinyane Makhetha and Family, and others. However, their effort failed because

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<sup>49</sup> *An Economic Survey of the Colonial Territories (1951) Volume I: The Central African and High Commission Territories – Northern Rhodesia, Nyasaland, Basutoland, Bechunaland, and Swaziland* (London: His Majesty’s Stationery Office, 1952), p. 70.

there was no one who could manage their bulk buying arrangement on a full time basis, since they were all running their businesses. Also, they did not have storage for their bulk stock. However, these traders persisted; and sought support from other Basotho traders.<sup>50</sup>

Finally in 1968, Maseru-based Basotho traders formed what was popularly known as Basotho Traders' Association, which was legally registered as *Mokhatlo oa Bahoebi Lesotho*, literally an association of traders in Lesotho<sup>51</sup> by rejuvenating Basuto Traders' Association, which was originally formed by Basotho traders in the early 1940s but which had become moribund by the time of Lesotho's independence.<sup>52</sup> Basotho Traders' Association was governed by an Executive Committee, which was to be elected every January, in the General Conference. The first Executive Committee of the association consisted of the following: Buta Phalatsi of Buta Stores was the President, Maqhoaelane Hlekane, a trader from Lekhaloaneng, in Maseru, was the Vice-President, while Thabiso Santho of Phamola Cash Stores, occupied the position of the Chairman. Khatlako J. Rakhoabe became the Vice-Chairman, Pitso Mafantiri was the Secretary, and Mohlouoa Ramakatane of Fotorama International Photography Studio, was the Assistant Secretary. 'Mankone Ramarou of Phokeng Stores, in Maseru, was the Treasurer, while Sidwell Thakalekoala, a trader from Thibella (Sea-Point Location) and Kholeli Sekhibane of Sekhibane Bakery, in Maseru, were Committee Members.<sup>53</sup>

The committee encouraged Basotho traders to join their association by, among other activities, holding training workshops for Basotho traders around the country in business skills and assisting Basotho traders to acquire "best skills in fields of commerce" and to develop ". . . proficiency in business techniques" as well as helping Basotho traders to ". . . adopt advanced business methods."<sup>54</sup> They organised public lectures and seminars,

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<sup>50</sup> *Lesotho News*, April 26, 1968; *Lesotho News*, July 23, 1968; *Lesotho News*, March 4, 1969; Pitso Mafantiri, private accountant and former representative of South African Firms to Thekommoho, Borokhoaneng, July 2009.

<sup>51</sup> Lesotho Law Office, *Constitution of Mokhatlo oa Bahoebi Lesotho: Legal Document No. 68/4*.

<sup>52</sup> *Mochochonono*, October 27, 1945; Interview with Pitso Mafantiri, Borokhoaneng, July, 2009.

<sup>53</sup> Lesotho Law Office, *Legal Document No. 68/4*, MBL to Registrar General, Maseru, June 19, 1968.

<sup>54</sup> Lesotho Law Office, *Legal Document No. 68/4*.

provided skills-training scholarships to Basotho traders and also published articles in the print media.<sup>55</sup> The association carried out many of these activities in partnership with the government.

The association worked in collaboration with the government and international organisations to develop indigenous entrepreneurship. The first programme aimed at the development of local entrepreneurship was launched in 1968. This was the Business Extension Services under the Ministry of Finance, Commerce and Industry. Business Extension Services was a United Nations' program, administered by the International Labour Organisation (ILO). It was meant to cultivate the spirit of entrepreneurship and business skills in 'Third World' countries in order to nurture local economic development for newly independent and other developing countries.<sup>56</sup> Business Extension Officers were employed to train Basotho traders around the country under supervision by Commercial Officers. Business Extension Offices were built in Maseru, which was the headquarters, and two other offices were built in the Leribe and Mochale's Hoek districts.<sup>57</sup> Business Extension Services was monitored by ILO Business Extension Advisors. ILO representative sent to Lesotho in this capacity was a German business consultant, B. T. Kock.<sup>58</sup>

The government and the ILO assisted the association in training Basotho traders through the UN-sponsored "Business Extension Services". B. T. Kock, the Business Extension Advisor, together with some civil servants and some leaders of the traders' association, travelled around the country training members of the traders' association and other Basotho traders.<sup>59</sup> For example, on July 13, 1968, the government of Lesotho and B. T. Kock, together with the traders' association, held a training workshop for Basotho traders in Leribe at

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<sup>55</sup> *Lesotho News*, July 23, 1968.

<sup>56</sup> *Business Service*, Business Magazine published once by the Lesotho Business Extension Services, 1969, p. 3 (House9 Publication, Ladybrand – Professor David Ambrose Collection); *Lesotho News*, July 23, 1968, p. 3.

<sup>57</sup> *Business Service*, p. 3; *Lesotho News*, July 23, 1968, p. 3.

<sup>58</sup> *Lesotho Times*, April 26, 1968, p. 6; *Lesotho News*, March 4, 1969, p. 1; *Lesotho News*, October 28, 1969, p. 1; *Business Service*, p. 6.

<sup>59</sup> *Lesotho News*, April 26, 1968; *Lesotho News*, July 23, 1968; *Lesotho News*, March 4, 1969; Interview with Pitso Mafantiri, Borokhoaneng, July, 2009.

which various courses were offered, as mentioned above.<sup>60</sup> Courses which were offered to Basotho business owners included Bookkeeping, Statistical Records, the Employment Act, Income Tax Law and its Implications, Buying and Selling Policies, Co-operation among Businessmen, Starting Businesses, Managing Businesses, Elements of Modern Businessmanship, Employment of People and Legal Aspects of running a Business.<sup>61</sup>

In 1969, Basotho traders, through their association, took over the initiative of forming a bulk buying arrangement. When it was established, however, *Thekommoho* was more than just a bulk-buying arrangement. It was registered as a cooperative under the Co-operative Societies Act of 1966, under the name: Basotho Traders' Bulk Buying Syndicate Ltd.<sup>62</sup> Marking Basotho business owners' attempts to forge amicable relations with the government upon its formation in October 1969, Chief Peete Peete, the Minister of Finance, Commerce and Industry at the time, was invited to deliver a speech during the meeting.<sup>63</sup>

*Thekommoho* had around 400 members, of whom 220 were shareholders.<sup>64</sup> Basotho traders had hoped to establish branches in all the modern-day districts of Lesotho, and a bank. However, when the cooperative collapsed in 1970, only two branches had been established in Maseru and Leribe. Through the cooperative, Basotho traders bought stock from South African manufacturers and wholesalers on credit. A company, such as Lever Brothers, gave them stock on credit. The consignment was payable within a period of 30 days.<sup>65</sup> Buta Phalatsi of Buta Stores was elected chairperson, and his deputy was Ambrose Makhobalo, member of the Basutoland Congress Party, although he did not own any business. The Organising Secretary was Maqhoaelane Hlekane, who was trading from Lekhaloaneng, in Maseru. L. L. Shuping of Makaota Stores was the Treasurer, while Members of the

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<sup>60</sup> *Business Service*, pp. 6-20.

<sup>61</sup> *Business Service*, pp. 6-20.

<sup>62</sup> *Lesotho News*, October 14, 1969.

<sup>63</sup> *Lesotho News*, October 14, 1969, p. 1. However, the details of his speech are not known due to lack of records.

<sup>64</sup> *Lesotho News*, October 2, 1970.

<sup>65</sup> *Lesotho News*, October 14, 1969.

Committee were R. Masupha, Teboho Possa, a trader from Moshoeshoe II in Maseru, J. R. Taunyane and M. Maime.<sup>66</sup> As the names of the committee members demonstrate, like in the Basotho Traders' Association, the leadership of indigenously-owned business continued to be in the hands of men. Only one woman, 'Mankone Ramarou, was the Treasurer of the Traders' Association. Nonetheless, for the largely marginalised Basotho women, it goes without saying that this was a major breakthrough for them. As will be discussed in chapter eight, women in business in the post-colonial period increased further and currently constitute the majority in local business, as established in the introduction. In general, 1951, was a significant year for Basotho in business. The Colonial Office commented that: "Although European and Indian Traders still predominate, African interest in trading is steadily increasing and Basuto-held trading licences are likely soon to exceed those held by non-Basuto."<sup>67</sup>

Mafantiri was appointed representative of South African wholesalers and manufacturers in Lesotho because of his business expertise and experience. Since Lesotho was now independent, Basotho traders felt that they could no longer buy stock from South African suppliers through European agencies, such as the Whitakers Agencies. The traders' association wanted Basotho traders to fully represent their interests.<sup>68</sup> From this, as well as from the efforts of Basotho traders, it can be deduced that Basotho traders had a strong sense of the need for economic independence. As a result, they channelled their efforts towards taking a lead in the local economy of the post-colonial period.

The cooperative grew fast and popular within a short period of time.<sup>69</sup> In accounting for its successful take-off, G. G. Malahleha poetically stressed that ". . . it actually took off like a

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<sup>66</sup> *Lesotho News*, July 1, 1969.

<sup>67</sup> *An Economic Survey of the Colonial Territories (1951) Volume I: The Central African and High Commission Territories – Northern Rhodesia, Nyasaland, Basutoland, Bechuanaland, and Swaziland* (London: His Majesty's Stationery Office, 1952), p. 70.

<sup>68</sup> Interview with Pitso Mafantiri, Borokhoaneng, July, 2009.

<sup>69</sup> Thabane, "Aspects of Colonial Society and Economy, 1986-1966", p. 115.



house on fire”.<sup>70</sup> *Thekommoho* started with little capital but it was able to import a lot of stock for Basotho to sell goods in their stores at affordable prices. For example, in Maseru, it started with capital amounting to R2,174. Its financial statements showed that, as at June 31, 1970, its purchases amounted to R192,085.<sup>71</sup> In Leribe, Ramafokisi Mofokeng, pointed out that their branch started with little capital but it was able to deposit around R50,000 to the bank daily. Soon, business became more lucrative, and the cooperative could deposit about R100,000 to the bank, daily, to repay its suppliers in South Africa.<sup>72</sup>

Not only did *Thekommoho* take-off very successfully, but it also grew rapidly after its official inauguration. Its warehouses were always full with stock from South Africa. Upon its arrival in Lesotho, the stock was sold within a very short time.<sup>73</sup> Mofokeng remembered that, in Leribe, their warehouses “used to be full to the top . . . and [stock] got finished in a day.”<sup>74</sup> The result was that the branch’s warehouse and office were moved from Shabalala’s premises in Hlotse, which could no longer accommodate volumes of its stock, to a bigger warehouse in Maputsoe, in the premises owned by Tom Mokete.<sup>75</sup> Its rapidly growing popularity threatened to take business away from European traders inside Lesotho and in neighbouring South African towns like Ladybrand, Bloemfontein, Ficksburg, and Foursburg, where Basotho traders used to buy stock for their stores. In Ficksburg, Mofokeng pointed out that Europeans complained that Basotho traders and customers no longer bought goods from them.<sup>76</sup> Joe Motsoahae pointed out that, in Maseru, the impact was similarly felt by

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<sup>70</sup> G. G. Malahleha, former teacher, businessman and former Secretary of *Thekommoho*, Maseru, August, 2009.

<sup>71</sup> *Lesotho News*, October 2, 1970.

<sup>72</sup> Ramafokisi Mofokeng, former businessman and former organiser in the founding of Leribe branch of *Thekommoho*, Leribe, September, 2009.

<sup>73</sup> Interview with Pitso Mafantiri, Borokhoaneng, July, 2009.

<sup>74</sup> Interview with Ramafokisi Mofokeng, Leribe, September, 2009.

<sup>75</sup> Interview with Ramafokisi Mofokeng, Leribe, September, 2009.

<sup>76</sup> Interview with Ramafokisi Mofokeng, Leribe, September, 2009.

European traders, especially Frasers, which had dominated local trade throughout the colonial period into the post-colonial period.<sup>77</sup>

Factors which contributed to its growth were as follows: Firstly, *Thekommoho* managed to compete effectively with the long established European traders because it sold stock to Basotho traders at low wholesale prices because it bought stock in bulk and, therefore, received discounts, and sometimes, was also given extra stock for free by South African wholesalers and manufacturers.<sup>78</sup> As a result, it was able to sell at lower prices than European traders and still made profit. Secondly, traders used to pay a Maize Levy to the South African government when they imported maize and maize products into Lesotho. All traders in Lesotho had to increase their prices on maize and maize products due to the levy. The South African government used the revenue collected from the Maize Levy to compensate farmers in South Africa in times of crop failures caused by natural disasters. By the end of 1969, South African farmers were told to take insurance instead, and the Maize Levy was removed. *Thekommoho* took advantage of the removal of the Maize Levy and dropped their prices on maize and maize products. However, European traders did not reduce their prices in order to make more money. As a result, Basotho traders were able to sell at lower prices than European traders. Maize and maize products are staple foods in Lesotho and their demand is relatively inelastic; people buy them even when their prices go up. However, a drop in their price is always good for business and profits.<sup>79</sup>

Lastly, *Thekommoho's* affiliation with South African firms revolutionised advertising in Lesotho. South African suppliers gave the cooperative brochures advertising 'specials' and discounts. The cooperative gave such brochures to Basotho traders, who then distributed them to customers in their shops. According to Motsoahae, this was a new phenomenon in Lesotho's local business. As a result, it captured Basotho customers' attention and attracted

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<sup>77</sup> Joe Motsoahae, businessman and former member of Thekommoho, Bloemfontein, August, 2010.

<sup>78</sup> Interview with Pitso Mafantiri, Borokhoaneng, July, 2009; Interview with Ramafokisi Mofokeng, Leribe, September, 2009.

<sup>79</sup> Interview with Joe Motsoahae, Bloemfontein, August, 2010.

more customers.<sup>80</sup> Prior to this, advertising was done in newspapers, and only those financially established could afford it, and it goes without saying, these were European traders.<sup>81</sup>

This section has demonstrated that, at independence, Basotho businesses had increased in number around the country. Optimistic of economic opportunities that they would create after independence, they consolidated their collective efforts in order to play a significant role in the country's post-colonial economy. They formed an association of their own and a cooperative to solve their political and economic problems in local business. Through these organisations, they became a united and powerful economic force. However, Basotho's efforts were undermined by the government, which collaborated with European traders. The next subsection accounts for the collapse of their initiatives in greater depth.

### ***B. Economic, Moral and Political War against Basotho Business Owners***

Following the 1965 general elections, the Basutoland National Party (hereafter, National Party) formed Lesotho's first independence government.<sup>82</sup> As demonstrated in the previous section, in the first four years after the country gained independence, relations between Basotho business owners and government were, on the one hand, characterised by optimism and collaboration. On the other hand, tension between the two progressively brewed. Between 1969 and 1970, their relations reached their lowest ebb. This section seeks to trace and account for the deterioration of relations between Basotho business owners and the government, and to analyse the consequences for Basotho.

The major factor behind the waning of relations between Basotho business owners and the government was that, the majority of Basotho business owners, the leaders of the Basotho

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<sup>80</sup> Interview with Joe Motsoahae, Bloemfontein, August, 2010.

<sup>81</sup> See for example, Molefi Mokuku, "The Native Customers of To-day is More Intelligent than the Native Customer of a Few Years Ago': Reading the Early Twentieth Century Press in Colonial Lesotho", *Pretexts: Literary and Cultural Studies*, 9: 1(2000), pp. 51-62.

<sup>82</sup> For the history and controversies surrounding how the National Party ascended to power see, Neville W. Pule, "Politics since Independence" in Neville W. Pule and Motlatsi Thabane (eds), *Essays on Aspects of the Political Economy of Lesotho*, pp. 173-174.

Traders' Association and *Thekommoho*, were also members of the Congress Party, the country's major political opposition party. Nonetheless, there were still those members who came from other political parties, and from the ruling party, itself.<sup>83</sup> As G. G. Malahleha pointed out, ". . . *most of the traders* (my emphasis) were people who supported the [Basutoland] Congress [Party]."<sup>84</sup> In an interview with Ntsukunyane Mphanya (Secretary General of the Congress Party at the time), he pointed out that, *Thekommoho* was a Congress Party's socio-economic initiative. Apart from confirming that its leaders and members were predominantly members of the Congress, he also pointed out that Ambrose Makhobalo, its Vice-Chairman, was, in fact, not a trader but an influential member of the Congress, who had been deployed in *Thekommoho*, to spread the Congress spirit among Basotho traders. In his words:

You will find that . . . Ambrose Makhobalo . . . did not have a business. But, he was too active in *Thekommoho*. It was because he was providing a spirit which was from BCP (Congress) . . .<sup>85</sup>

The new government of Lesotho and European traders cooperated to protect each other's interests. Collaboration between these two had a long history. The ruling party, the National Party, was founded as a conservative political party by Leabua Jonathan and Gabriel Manyeli, in 1957. The party was friendly towards Europeans (missionaries, government officials and traders) and chieftainship in Lesotho.<sup>86</sup> In fact, the Roman Catholic Church played a crucial, but covert, role in the formation and support of the National Party. Before the formation of the National Party, the Church had proposed to form the Christian Democratic Party. The Catholic Church had grown increasingly irritated with the activities of the Congress Party, which it regarded as communist in ideology. By initiating and supporting

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<sup>83</sup> Due to lack of records, it is not easy to establish, quantitatively, the number of members who belonged to various political parties.

<sup>84</sup> Interview with G. G. Malahleha, Maseru, August, 2009.

<sup>85</sup> Ntsukunyane Mphanya, Mosotho politician and businessman, Mapoteng, August, 2009.

<sup>86</sup> Gill, *A Short History of Lesotho*, p. 211.

the formation of the National Party, the Church sought to fight “communism” in any form it could appear in Lesotho.<sup>87</sup>

The Congress Party, for its part, held a radical Africanist ideology and criticised colonialism in Lesotho. It saw Europeans in Lesotho as intruders that only monopolised the economy and marginalised Basotho. Since its formation in 1952, as the country’s first-ever political party, the Congress Party “. . . waged an anti-Christian, anti-European traders and anti-Chieftainship battle.”<sup>88</sup> Towards independence, there were debates on whether to grant European traders political rights after independence. In March 1966, about six months before independence, the Congress Party made it clear, through a local newspaper, to the public and Resident Commissioner that:

. . . Europeans in this country have no political rights. It is therefore ridiculous to suggest that they should be represented in the legislation . . . Their business here is trade, and if they feel that apart from trading they must have political rights, there is only one course open to them – to quit!<sup>89</sup>

The National Party in Lesotho had support from European traders due to its conservative attitude.<sup>90</sup> Khotso Santho, the son of Thabiso Santho, the Chairman of Basotho Traders’ Association, when it was formed in 1968, argues that Frasers Company financially supported the National Party, and Chief Leabua Jonathan’s 1965 election campaign leading to Lesotho’s independence.<sup>91</sup> In return, the government promised European traders continued support into the newly independent Lesotho. For instance, on November 19, 1966, at the Europeans-only Basutoland Chamber of Commerce annual dinner, a government representative declared that the government’s aims and objectives were not only to provide

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<sup>87</sup> L. B. B. J. Machobane, *Government and Change in Lesotho, 1800-1966: A Study of Political Institutions* (London: Macmillan Press LTD, 1990), pp. 285-287; Nyeko, “The Independence Movement, 1952-1966”, pp. 160-164.

<sup>88</sup> Nyeko, “The Independence Movement, 1952-1966”, p. 170. Among other critical issues, the party has its roots in the activities and membership of *Lekhotla la Bafo* and Basutoland Progressive Association, early Basotho political organisations.

<sup>89</sup> *Mohlabani (The Warrior)*, March 12, 1966.

<sup>90</sup> Gill, *A Short History of Lesotho*, p. 211.

<sup>91</sup> *The Lesotho Monitor*, May 28 - June 04, 2008, p. 8.

basic conditions of law, order and security, but also, to develop Lesotho's local business for all members of the business community, black, or white. On the same occasion, the Deputy Prime Minister, Chief Sekhonyana 'Maseribane, acknowledged the historical role played by European traders in the country's economy, and assured members of the Chamber that the government would continue to support them to ensure their success. He told members of the Chamber of Commerce that:

Historically, the trading community has played a most important part in the evolution of Lesotho, and it is particularly gratifying to my Government to see the old association between Lesotho and many well-known trading families continuing from one generation to another. There could be no better assurance of confidence and stability. My Government looks forward with confidence to the long continuation of these old friendships in the new independent Lesotho.<sup>92</sup>

Relations between European traders and the government solidified more. Signs of the strengthening of these relations can be witnessed in the European traders' philanthropic gestures towards the government's economic development initiatives. Two examples are provided in support of this. Firstly, in October 1968, the Chamber of Commerce gave the government money to buy seeds for Basotho farmers.<sup>93</sup> Secondly, in March 1970, after the State of Emergency (full details of this are provided below) when the National Party regime was in financial crisis<sup>94</sup>, *Lesotho News* reported a speech by Ian Fraser<sup>95</sup>, Baron Fraser of Lonsdale (England), in which he assured European traders' unwavering support to the government. Fraser said: "[A] friend at a time of difficulty is worth fifty fair-weather friends." He assured the government that European traders would continue to be on the National Party government's side. He reminded the government of the philanthropic activities of European traders in Lesotho and pointed out that it should not be forgotten

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<sup>92</sup> *Lesotho Times*, November 25, 1966, p. 2.

<sup>93</sup> *Lesotho News*, October 22, 1968, p. 1.

<sup>94</sup> See, Pule, "Politics since Independence, 1952-1966", p. 176.

<sup>95</sup> Ian Fraser (1897-1974) was a British Conservative Party politician, former Member of the British Parliament (1924-1931), Governor of the British Broadcasting Corporation (BBC), 1936, and businessman in southern Africa. After the death of Douglas Fraser in 1956, he was elected as the Chair of Frasers Limited. <http://www.westminster-abbey.org/our-history/people/ian-fraser,-lord-fraser-of-lonsdale> [January 12, 2015, 16:22].

that European traders had “. . . contributed materially to road building and other essential services. Besides, it gives scholarships and support ‘many good causes’”.<sup>96</sup>

It is in this context of mutually cordial relations between the government and European traders that the collapse of *Thekommoho* was located. The government and European traders saw the growth and popularity of Basotho’s bulk buying cooperative as a threat. On the one hand, the government saw it as a political threat because many members and leaders of the Basotho Traders’ Association and the cooperative were also members, and others even active members, of the Congress Party, as shown. The government saw it as a threat particularly because the cooperative was formed a few months before Lesotho’s general elections were to be held in January 1970. So, for the Congress Party, the organisation boosted its campaign. Not surprisingly, the government accused Basotho business owners of using their businesses for political reasons. The Prime Minister, Leabua Jonathan, threatened that:

. . . [B]usinessmen who allowed their business premises to be used as political platforms [would] have their trading licences suspended. [He announced over the radio] that he had empowered the Minister of Commerce and Industry to withdraw trading licences of holders who will not fulfil their work as servants of the public but continue to use their business for political purposes.<sup>97</sup>

On the other hand, European traders saw Basotho traders as an economic threat because Basotho were threatening to shift business away from them through the cooperative. Initially, feeling the pressure brought by *Thekommoho* in local trade, European traders approached its leaders and requested them to increase their prices because they were outcompeting European traders. According to Malahleha: “They even used to come to *ntate* Phalatsi and try and beg him not to *eh*, sell at such prices . . . [But Phalatsi] was not interested.”<sup>98</sup> Depicting the changed influence of European traders, Motsoahae pointed out that, in Maseru, the impact was similarly felt by European traders, especially Frasers. He asserted that:

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<sup>96</sup> *Lesotho News*, March 3, 1970, p. 4.

<sup>97</sup> *Lesotho News*, October 14, 1969.

<sup>98</sup> Interview with G. G. Malahleha, Maseru, August, 2009.

. . . [W]e became so powerful in such a short space of time that it made people like Frasers cry . . . [Before the establishment of Thekommoho] we used to flock at Frasers', pushing each other, going in the morning. Frasers was busy right through to four o'clock [in the afternoon]. [But] it happened that when . . . [Thekommoho] picked up, at Frasers', it was so quiet that you could hear a mosquito fly.<sup>99</sup>

As a result, European traders and the government collaborated to undermine Basotho traders' entrepreneurial efforts.<sup>100</sup> Lesotho held its second general elections on January 27, 1970. Observers agreed that the elections had proceeded well. On the contrary, on January 30, as the results of the elections were being announced, the State-run Radio Lesotho stopped broadcasting results and, instead, announced that Leabua Jonathan, the Prime Minister, would be addressing the nation later that day. When the time for Leabua Jonathan's speech came, he announced that there had been widespread intimidation during the elections. To ensure law and order, he declared a State of Emergency and suspended the constitution.<sup>101</sup> Consequently, constitutional rule collapsed and opposition parties' members, all over the country, were brutally and violently harassed and tortured. As the major opposition, the Congress Party members were selectively and brutally harassed. The shops of those who were traders were burnt.<sup>102</sup> Malahleha pointed out that:

. . . During the emergency in 1970 . . . we were suspected to be . . . belonging to opposition which had won the elections at the time . . . But . . . what happened was this; [in] Thekommoho . . . most of the traders were people who supported the Congress, you see! And they were harassed very badly, very, very badly! Now, this, now I may – I might even become emotional about it. My own brother was beaten there Ha – Ha – Ha 'Maseribane for two nights in succession, non-stop! From ten o'clock to four o'clock in the morning. You get it? That was terrible because he was a businessman in Mafeteng and he naturally . . . did support eh the – the [Congress].<sup>103</sup>

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<sup>99</sup> Interview with Joe Motsoahae, Bloemfontein, August, 2010.

<sup>100</sup> Thabane, "Aspects of Colonial Society and Economy, 1986-1966", p. 115; interview with Joe Motsoahae, Bloemfontein, August, 2010.

<sup>101</sup> B. M. Khaketla, *Lesotho 1970: An African Coup under the Microscope* (London: C. Hurst & Co., 1971), p. 208; Neville W. Pule, "Politics since Independence" in Neville W. Pule and Motlatsi Thabane (eds), *Essays on Aspects of the Political Economy of Lesotho*, p. 175.

<sup>102</sup> Mphanya, *My Life in the Basutoland Congress Party*, pp. 85-89.

<sup>103</sup> Interview with G. G. Malahleha, Maseru, August, 2009.



He also recalled how government burnt down the property of one rich Mosotho businessman in Mafeteng, called Dabambe. He had shops, animals and property, which included automobiles. Malahleha remembered that the government burnt down his businesses, trucks and chickens. He said that Dabambe's property ". . . burnt for something like two weeks, still burning! That man left that place on a bicycle, a man who had cars. . ."<sup>104</sup> Additionally, members of the Basotho Traders' Association and leaders of the bulk buying cooperative were imprisoned, together with various opposition members. The cooperative was forcefully closed down. Basotho traders' stock was raided by the Police Mobile Unit.<sup>105</sup> The government alleged that they had uncovered a Congress Party plan of violence across the country. The police claimed that they had found 21 inflammable bombs, a 303 rifle and ammunition, swords, axes and knives in some leaders of the Traders' Association and other Basotho traders' shops.<sup>106</sup>

In the aftermath of the State of Emergency, its members, who were not imprisoned, resuscitated the cooperative. One of the steps that they took towards this end was to move its warehouse from Santho's premises to Buta's Store, since they could not afford rent. Just as *Thekommoho* was starting to take shape again, the government of Lesotho sued it for not paying the Maize Levy. *Thekommoho* operated from October 1969 to about June 1970. As already shown, towards the end of 1969, the South African government removed the Maize Levy, and South African farmers were told to take insurance on their crops. That made it possible for the cooperative to reduce its prices on maize and maize products imported into Lesotho. As an attempt to undermine the cooperative, European traders approached the government of Lesotho to introduce tax on maize and maize products imported into Lesotho. Chief Leabua Jonathan's regime agreed because it was in financial crisis due to the State of Emergency.<sup>107</sup> *Thekommoho* did not comply with that law, and it continued trading without collecting the Maize Levy. However, European traders collected the Maize Levy.

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<sup>104</sup> Interview with G. G. Malahleha, Maseru, August, 2009.

<sup>105</sup> *The Lesotho Monitor*, June 06-13, 2008, p. 10.

<sup>106</sup> *Lesotho News*, April 14, 1970, p. 1; Jane Anne Marie Poulter (ed.), *The Lesotho Law Reports: Decisions of the Court of Appeal and the High Court of Lesotho, 1971-1973* (Maseru: The High Court, 1979), p. 92.

<sup>107</sup> Interview with Joe Motsoahae, Bloemfontein, August, 2010; Pule, "Politics since Independence", p. 176.

Motsoahae confirmed that the High Court found the cooperative guilty of not collecting the Maize Levy. As a result, it was instructed to pay the government, approximately, R90,000.<sup>108</sup> However, it could not pay such an amount of money at the time. The result was that the cooperative's stock and property were auctioned by the High Court to repay the tax. According to Motsoahae, trucks belonging to the Deputy Prime Minister, Sekhonyana 'Maseribane, took all its stock to his businesses. Motsoahae recalled that after the court case

Thekommoho was closed. Our properties . . . Everything was sold, yes. The High Court sold them there. Good properties, our properties which were still new, brand new, you understand that was an organisation of about six months . . . My heart was so painful. The safes were so new, the typewriters, the [Photostat] machine . . . office desks and chairs, everything was still new. People bought them and I was watching. My heart was so painful.<sup>109</sup>

Thus, the verdict of the High Court put an end to *Thekommoho*. Though Motsoahae had forgotten the details of the court case, he could still remember that: “. . . truly that case was worked in such a way that we would be defeated.”<sup>110</sup> Having declared the State of Emergency, suspending the constitution and violently harassing members of the opposition, the National Party government maintained a tight grip on Lesotho's economy, and ruled by decree.<sup>111</sup> In 1973, the government of Lesotho passed the Trade Ordinance designed to expand the powers of the Minister of Commerce in business licencing matters, by giving him authority to “. . . amend or make additions to the [law, arbitrarily,] by notice to be published in the Gazette.”<sup>112</sup> Additionally, the law also gave the Minister control over the appointment of the Appeal Board.<sup>113</sup> The function of the Board was to “. . . consider appeals under this Order and thereafter make such recommendations to the Minister as it may deem just.”<sup>114</sup>

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<sup>108</sup> The cooperative was represented by one lawyer by the name of Kolobe Motlamelle. This name was provided by Mohlouoa Ramakatane, who was the Secretary General of the Basotho Traders' Association.

<sup>109</sup> Joe Motsoahae, Bloemfontein, August, 2010.

<sup>110</sup> Joe Motsoahae, Bloemfontein, August, 2010.

<sup>111</sup> Tsikoane, Mthibe, Ntho and Maleleka, *Consolidating Democratic Governance in Southern African*, p. 14.

<sup>112</sup> Section 20, *Order No. 20 of 1973*, p. 34.

<sup>113</sup> Section 21 (1), *Order No. 20 of 1973*, p. 34.

<sup>114</sup> Section 21 (1), *Order No. 20 of 1973*, p. 34.

The Minister was given authority to prescribe forms to be used and fees to be paid, provide conditions under which licences were to be issued, and prescribe hours and days of business, among other issues. The Minister was even given the powers to “prescribe standards of morality . . . to be served by holders of trading licenses.”<sup>115</sup> In short, the Ordinance centralised power around the Minister of Commerce and made it possible for him to exercise arbitrary control and discretion.

### ***C. The ‘Makro Deal’: The Last Nail on the Coffin***

The collapse of *Thekommoho* left many Basotho in local business disgruntled. Meanwhile, commerce continued to be dominated by European traders. It also continued to be one of the major pillars of the local economy after independence. In terms of GDP contribution, it came third after agriculture and government services. For example, in the 1974/75 financial year, agriculture contributed 32% to GDP and this had increased to 44.1% by the 1979/80 financial year. Government services accounted for 13.6% and increased to 19.9%. Commerce contributed 9.7% and increased to 13.6% in those financial years.<sup>116</sup> The government of Lesotho observed that:

Of this trade, by far the greater part is in the hands of a few expatriate firms . . . expatriate businesses were on average substantially larger than local businesses. Moreover their share of the trade was far greater than these figures would suggest. Of the Basotho retailers recorded, over 80% had a monthly turnover of under R1, 200, whereas the turnover of European controlled retailers is estimated to range between R10, 000 and R15, 000 per month. The disparities are even greater in the wholesale trade, which is virtually entirely in the expatriate hands. The foregoing figures cover only Maseru, but the general picture applies to the country as a whole.<sup>117</sup>

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<sup>115</sup> Section 21 (1), Articles A to K, *Order No. 20 of 1973*, p. 34.

<sup>116</sup> *Lesotho Second Five-Year Development Plan, 1975/76-1979/80, Volume I*, p. 24. These statistics are drawn from a period not in this chapter (1966-1970), but, they support the point being made at hand, that is, commerce continued to play a crucial role in the country’s economy after independence.

<sup>117</sup> *Lesotho First Five-Year Development Plan, 1970/1-1974/5*, p. 122.

Martyn A.R. Ngwenya, an Economist and Lecturer at the National University of Lesotho in the late 1970s, argued that:

. . . [W]holesale and retail trade in Lesotho is dominated by Frasers a foreign company which has branches in South Africa and that this is a serious obstacle to the establishment of indigenous enterprises . . . [As a result, Basotho] felt that the government should pass a law that prohibits any wholesaler from owning retail trade outlets . . . [since] retail shops belonging to Frasers sold some goods at wholesale prices.<sup>118</sup>

After the collapse of *Thekommoho*, however, some Basotho did not give up on their efforts to take control of the local economy; they persisted. Most notably, two groups of Basotho traders successfully opened wholesale businesses of their own. These were 'Metla-khola Cash and Carry, in the Maseru District, and *Bana-ba-Khoele* Cash and Carry in the Mafeteng District. To expand their business activities and efficiency in Lesotho, these two groups of Basotho wholesalers successfully negotiated with *Makro* Cash and Carry, South African-based wholesaler, to open a branch in Lesotho. Central to their agreements was that, Basotho traders would be the major shareholders.<sup>119</sup>

1975 was a significant year in Lesotho's business history in the immediate post-colonial period; the government became actively involved in efforts to set-up a wholesale business for Basotho retailers. However, this was a strategy to counter Basotho traders' entrepreneurial efforts and subordinate them. Accordingly, the government negotiated with *Metro* Cash and Carry, another South African-based wholesaler, to establish a branch in Maseru.<sup>120</sup> As they had not approved the earlier Basotho traders' bulk-buying cooperative, both European traders and the government were also not satisfied with the latest Basotho's pursuits to merge with *Makro* Cash and Carry since the deal could ensure the success of Basotho traders. In return, that would threaten economic interest of the European traders and political interests of the ruling party.

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<sup>118</sup> Ngwenya, "The Nature of Basotho Owned and Managed Enterprises", p. 19.

<sup>119</sup> *Lehlaahlela*, November, 1975, p. 2; *Mochochonono*, February 27, 1975, p. 7.

<sup>120</sup> *Mochochonono*, November 6, 1975, p. 4.

Consequently, European traders attempted to sabotage the *Makro* deal, but failed. A local newspaper, *Lehlaahlela*, carried an interview with G. A. Wiehamn, representative of *Makro* Cash and Carry, M.T. Ramakatane, chairman of '*Metla-Khola* Cash and Carry and also S. B. Monyake, chairman of *Bana-ba-Khoale* Cash and Carry in November 1975. The interview provided indications of European traders' attempts to sabotage the *Makro* deal. In that interview, Ramakatane stated that European traders had unsuccessfully tried to divide the two Basotho wholesalers in their joint pursuit to invest in Lesotho with *Makro* Cash and Carry.<sup>121</sup> Nonetheless, the joint Basotho wholesalers' attempts to open a wholesale in collaboration with *Makro* Cash and Carry came to an abrupt end when the government gave *Metro* Cash and Carry a building, which it had promised Basotho traders and *Makro* Cash and Carry to operate in.<sup>122</sup> This undermined Basotho traders' initiative since they did not have an alternative site to carry out their joint business venture.

The Minister of Commerce and Industry at the time, Joel Moitse, supported indigenously owned business. He encouraged Basotho to take control of the local economy in the post-colonial period. Moitse had been a Pro-Vice Chancellor of the National University of Lesotho, and a poultry businessman.<sup>123</sup> Amongst others, these two former activities were important in his approach to Lesotho's economic development and empowerment of indigenous traders in the post-colonial period. Not only was he a Mosotho businessman, but, he was also a highly educated visionary at the time of Africa's independence. In January 1975, Moitse held a training workshop for 107 Basotho traders in the district of Mafeteng. At the end of the workshop, he delivered a controversial closing speech, informing traders that it was the government's policy to make sure that business in Lesotho was finally put into the hands of Basotho traders and that foreign business owners should only operate in big firms in the country. The Minister added: "Our enemies [European traders and their supporters] are scared of what we stand for and who we are."<sup>124</sup> The *Lehlaahlela*, a local

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<sup>121</sup> *Lehlaahlela*, November, 1975, p. 2.

<sup>122</sup> *Lehlaahlela*, November, 1975, p. 2.

<sup>123</sup> *Lehlaahlela*, December, 1975, p. 3.

<sup>124</sup> *Lehlaahlela*, January, 1975, p. 4.

newspaper at the time, described the mood of the workshop's participants and Minister as revolutionary.<sup>125</sup>

Consistent with Moitse's view that Basotho traders should take a lead in the country's economy, he gave an interview on Radio Lesotho and also spoke to a local newspaper, *Mochochonono*, in January 1975 demonstrating his staunch Afro-centrism, firstly, by publicly accusing the European Vice-Chancellor of the National University of Lesotho, Cyril Rogers, of being an agent of neo-colonialism because, as he said: "When you have a white Vice-Chancellor who is also white in heart, and is not pro-Africans, he will try to preserve the University for the employment of his fellow neo-colonialists all over."<sup>126</sup> Secondly, on his return from a United Nations Industrial Development Organisation (UNIDO) conference in Senegal in March 1975, Moitse is quoted by *Mochochonono* newspaper as having said: ". . . [T]he Conference is of great significance for the developing countries, as it will decide on the prevailing imbalance in industries' domination by the developed countries."<sup>127</sup>

Many Basotho business owners appreciated Moitse for his Afro-centric vision and radical economic approach. And they hailed him for his efforts to cultivate conditions conducive to their emergence as a significant business group in Lesotho's economy. For instance, on May 30, 1975, Basotho business owners in the Mohale's Hoek District met with Moitse and were reportedly satisfied with his devotion to encourage Basotho traders' development, welcoming his statement at that meeting that "Political independence was useless if the country could not be economically independent."<sup>128</sup>

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<sup>125</sup> *Lehlaahlela*, January, 1975, p. 4. Translated from Sesotho.

<sup>126</sup> As cited in David Ambrose, *How the UBL at Roma became NUL: A Turbulent Chapter of University History* (Roma: House 9 Publications, 2006), p. 7. This comment was sparked by what had transpired before in the Mathematics Department. In 1974, the position of Head of Department was advertised. One Dirk Hofsommer, a Dutch Mathematics Professor, was chosen by the Vice-Chancellor, Cyril Rogers, over one Ismail Mohamed, an African Mathematics Professor. Joel Moitse, in his capacity as Pro-Vice Chancellor, supported the appointment of Mohamed. He deemed the Rogers' move to appoint Hofsommer as racist.

<sup>127</sup> *Mochochonono*, March 20, 1975, p. 3.

<sup>128</sup> *Mochochonono*, June 20, 1975, p. 6. Translated from Sesotho.

These developments heightened tensions between Basotho traders, who were supported by Moitse, the Minister of Commerce and Industry, and the Prime Minister, who supported European traders. Moitse's Afro-centric vision and radical economic approach directly conflicted with the Prime Minister's cordial relationship with European traders. Consequently, the Prime Minister unceremoniously removed Moitse from his position as the Minister of Commerce and Industry in June 1975, without even according him the courtesy of informing him why he was being expelled.<sup>129</sup> Commenting on Moitse's dismissal, *Lehlaahlela*, suggested that he had been sacked because of his Afro-centric views, adding: ". . . we should not forget how much he was devoted to making sure that business in Lesotho was finally put into the hands of Basotho."<sup>130</sup> According to David Ambrose,

Not everyone was certain of cause and effect [of Joel Moitse's dismissal]. It was pointed out that at the time the Prime Minister had suffered . . . other embarrassments from his Minister of Commerce and Industry. One of these had been a speech which had implied that trading stores [General Dealers' owned by European traders] in Lesotho were about to be nationalized . . . The second problem had arisen when the liquor licence of the Maseru Club [which had its majority of its members as Europeans] had not been renewed because Moitse had considered it to be a racist institution . . ."<sup>131</sup>

The collapse of the 'Makro deal' and the expulsion of Moitse marked the government and European traders' successful defeat of Basotho's collective entrepreneurial efforts after independence. With the collapse of constitutional rule, and the emergence of civilian dictatorship, Basotho's collective economic efforts could not amount to much thereafter.

## Conclusion

This chapter has analysed the political economy of transition from colonial to post-colonial Lesotho. It accounted for the rise and fall of Basotho business owners' economic solidarity in the period between 1966 and 1975. Throughout this period, Basotho united against the colonial and post-colonial governments, who persistently acted only to protect the

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<sup>129</sup> *Mochochonono*, June 19, 1975, p. 1; *Lehlaahlela*, December 1975, p. 3.

<sup>130</sup> *Lehlaahlela*, December 1975, p. 3. Translated from Sesotho.

<sup>131</sup> Ambrose, *How the UBLS at Roma became NUL*, p. 12.

economic interests of the white minority, instead of propagating favourable conditions for the black majority to change their own economic fortunes in the local economy. Using state institutions, legal apparatus, political influence and violence, both the colonial government and the National Party government of Lesotho successfully suppressed and marginalised Basotho in business. After 1970, until 1986, the civilian National Party government ruled the country dictatorially. The next chapter explores initiatives that it carried out in order to develop the country's indigenously-owned business, without any meaningful democratic engagement.



## CHAPTER 5

### The Developmental State after Independence, 1975-1986

#### Introduction

The previous chapter accounted for the rise and fall of indigenously-owned business's post-colonial economic solidarity. It demonstrated how the newly-independent government assumed a dictatorial character and suppressed Basotho in business. This chapter will explore how the government sought to develop the local economy after undermining Basotho's economic initiatives and their spirit of unity from 1975 onwards until 1986 when it was toppled by the military. This chapter has three main sections. The first section is the background. Divided into two sub-sections, it introduces the backward and dependent state of the national economy after Lesotho gained independence. It examines how the National Party government sought to develop the macro economy through LNDC. The second section is also divided into two sub-sections that deal with how the state sought to develop indigenously-owned business through BEDCO and LCCI. The last section explores relations between the government, European traders and Basotho business owners.

Former colonies and dependencies like Lesotho, attained independence after the Second World War within a shifting global economic paradigm. Prior to the Second World War, the global economic system was designed around self-regulating markets, the gold standard, the liberal state and the balance of power in the west.<sup>1</sup> However, the system collapsed and led to the first and second world wars.<sup>2</sup> The survival of the liberal economy under the stewardship of the United States, and the results of the post-war economic boom of the 1950s and 60s, was achieved through a Keynesian combination of world markets and political control of the economy by leading industrial nations.<sup>3</sup> Other countries of the 'east' opted for the socialist economy under the leadership of the Union of Soviet Socialist

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<sup>1</sup> Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Times* (Boston: MA: Beacon Press, [1944]2001); Keith Hart and Chris Hann, "Introduction: Learning from Polanyi 1" in Chris Hann and Keith Hart (eds), *Market and Society: The Great Transformation Today* (Cambridge: Cambridge University Press, 2009), p. 1

<sup>2</sup> Hart and Hann, "Introduction: Learning from Polanyi 1", p. 1.

<sup>3</sup> Hart and Hann, "Introduction: Learning from Polanyi 1", pp. 4 and 8.

Republics (USSR). Accordingly, the state, summed as the developmental state, became the engine of economic development. Lesotho gained its independence in 1966 against these ideological differences. The country followed the American model of free market capitalism as the blueprint for development, which at the time, until the 1980s, was placed under the guidance of the state – known in development historiography as the developmental state (see Chapter 2). To transform backward economies of the former colonised societies, as Keith Hart rightly observes,

Supporters of American “free enterprise” held that modernisation of the former colonial peoples would come if a cluster of institutions, what I call “the middle class package”, could be successfully transplanted from the West: cities, education, science and technology, the rule of law, democracy and, of course, capitalist enterprise personified as a type, the entrepreneur.<sup>4</sup>

Lesotho, together with its international supporters, mainly the Bretton Woods Institutions, the World Bank, International Monetary Fund, World Trade Organisation and United Nations as well as other international aid agencies, attempted to develop the country’s economy along the lines of the American model of economic growth. Attention was placed on industrialising the economy, through the creation of vibrant export-led manufacturing and agro-business industries. However, for many post-colonial African states, the period after independence was characterised by single-party governments or military dictatorships.<sup>5</sup> Lesotho was no exception. Having suspended the constitution, and violently suppressed Basotho in business, the National Party government ruled by decree and consolidated its power. To achieve this, it created laws, institutions and organisations, such as the 1973 Trade Ordinance, the Lesotho National Development Corporation (LNDC), Basotho Enterprises Development Corporation (BEDCO) and the Lesotho Chamber of Commerce and Industry (LCCI) to develop the economy after independence. BEDCO and LCCI, established in 1975 and 1976, respectively, were specifically meant to develop indigenously-owned business.

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<sup>4</sup> <http://thememorybank.co.uk/book/chapter-3/>, [October 07, 2012, 06:21].

<sup>5</sup> See, Nicolas van De Walle, *African Economies and the Politics of Permanent Crisis, 1979-1999* (Cambridge: Cambridge University Press, 2001), pp. 115-116.

Various African governments approached the indigenisation of economies differently at independence; some became very radical like Idi Amin of Uganda, who expelled more than 70 000 Indian traders from that country in the early 1970s.<sup>6</sup> Lesotho and other governments adopted more strategic ways of ensuring that Africans would take a leadership role in their economies after independence. For example, the Nigerian government promulgated laws in 1972 and 1977 to restrict and manage foreign business activities in the country in various sectors of the economy.<sup>7</sup> Such economic indigenisation strategies were “motivated by the perception that ten years of independence had not lessened the economic dominance of both Western multinational corporations and the Middle Eastern (mostly Lebanese) family companies.” As a result, “Nigerian businessmen complained they were being discriminated against and could not access bank credit to finance their expansions”, while on the other hand, “state officials worried that foreign companies were not reinvesting their profits in the economy.”<sup>8</sup>

As it turned out, such policies were a “little disguised grab by the political elite of profitable private companies, and the rhetoric of economic nationalism was perfunctory and superficial.”<sup>9</sup> It is also argued here that, equally in Lesotho, the government’s creation of BEDCO and LCCI was a disguise through which the government strategically marginalised the majority of Basotho in business. The government created a bifurcated economy with two major development paths, one superior and the other inferior. The former was enjoyed by foreign investors and minority business groups consisting of European traders and a few Basotho business elite, who were supported by LNDC, while the majority of Basotho occupied the latter where they would be managed through BEDCO and LCCI. Through these institutions, the National party government better controlled the pace and direction of Basotho’s economic initiatives.

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<sup>6</sup> See, Anneeth Kaur Hundle, “The Politics of (In)security: Reconstructing African-Asian Relations, Citizenship and Community in Post-Expulsion Uganda”, A dissertation submitted in partial fulfilment of the requirements for the Doctor of Philosophy degree in the Department of Anthropology, University of Michigan, 2013.

<sup>7</sup> van De Walle, *African Economies and the Politics of Permanent Crisis*, p. 113.

<sup>8</sup> van De Walle, *African Economies and the Politics of Permanent Crisis*, p. 113.

<sup>9</sup> van De Walle, *African Economies and the Politics of Permanent Crisis*, pp. 113-114.

## The Government's Quest to Industrialise and Diversify Lesotho's Domestic Economy

### A. National Economic Challenges at Independence

After independence, the country depended on foreign aid, the Southern African Customs Union and South Africa. Lesotho's domestic economy was weak. From its background of being a reservoir of cheap labour, the country was faced with a myriad of economic challenges since the colonial government had also not invested towards the development of the country. Many Basotho households depended on subsistence agriculture.<sup>10</sup> Lesotho suffered from a high unemployment rate, high levels of poverty, inequality, poor living standards, poor infrastructure, and services.<sup>11</sup>

The country was economically backward. Among the three British High Commission Territories (or Protectorates) of Botswana, Lesotho and Swaziland (BLS Countries), Lesotho had the lowest GDP per capita in 1966. The country had an estimated GDP per capita of only US\$34.7, while Botswana had the highest GDP per capita calculated at US\$312, and Swaziland had a GDP per capita of \$191.58.<sup>12</sup> Paul Wellings, commenting on the impoverished state of Lesotho's economy, wrote:

There can be few countries with poorer prospects than Lesotho for the development of a viable domestic economy. The country has almost no industry and few resources . . . and the livelihood of most Basotho is based upon a subsistence mode of herding and cultivation . . . which, in turn, rests upon a notoriously fragile ecology.<sup>13</sup>

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<sup>10</sup> Ferguson, *The Anti-Politics Machine*, p. 3; Collin Murray, *Families Divided: The Impact of Migrant Labour in Lesotho* (Cambridge: Cambridge University Press, 1981).

<sup>11</sup> Ward, "Economic Independence for Lesotho?", pp. 355-368; *Lesotho First Five-Year Development Plan, 1970/1-1974/5*.

<sup>12</sup> Ward, "Economic Independence for Lesotho?", pp. 355-368; <http://www.indexmundi.com/facts/swaziland/gdp-per-capita>, [February 13, 2014, 09:44 am]; [http://www.econ.ku.dk/okojwe/filer/UGT%20Seminar%202010/MariaFibaek%20The%20modern%20economic%20history%20of%20Botswana\].pdf](http://www.econ.ku.dk/okojwe/filer/UGT%20Seminar%202010/MariaFibaek%20The%20modern%20economic%20history%20of%20Botswana].pdf), [February 13, 2014, 09:44].

<sup>13</sup> Wellings, "The 'Relative Autonomy' of the Basotho State: Internal and External Determinants of Lesotho's Political Economy", pp. 191-218.

Lesotho's weak domestic economy, amongst other factors, led it to depend heavily on South Africa; a regional economic giant, which dominated and continues to monopolise trade with its neighbouring countries. In 1966, between 75% and 90% of Lesotho's imports came from South Africa. These imports included the following: foodstuffs, livestock, beverages and tobacco, crude materials, mineral fuels and lubricants, animal and vegetable oil, chemicals, manufactured goods, machinery and transport equipment, and other commodities.<sup>14</sup> According to Michael Ward "There [was] virtually no domestic industry . . ."<sup>15</sup> Indeed, Lesotho's imports from South Africa increased by 32.2% from R17, 335 million to R22, 917 million from 1965 to 1966.<sup>16</sup>

There was a huge disparity between the value of Lesotho's imports from, and exports to, South Africa in 1966. Compared to high import volumes, Lesotho's exports amounted to only about R4, 385 million, which was a 6.5% decline from its exports to South Africa in 1965. Lesotho's exports comprised the following: livestock, grain, legumes, wool and mohair, hides and skins, and diamonds. Wool and mohair constituted 63.9% of these exports to South Africa in 1966.<sup>17</sup> Table 5:1 below shows Lesotho's accumulating trade deficit between 1961 and 1968.

**Table 5: 1**

**Lesotho's Growing Foreign Trade Deficit (in Rands), 1961 - 1968**

	1961	1965	1966	1967	1968	% Change from 1961 to 1968
<b>Imports</b>	61,20 000	17,525 000	22,917 000	23,800 000	23,938 000	291
<b>Exports</b>	3,020 000	4,690 000	4,389 000	4,168 000	3,380 000	12
<b>Trade Deficit</b>	3,100 000	12,835 000	18,530 000	19,632 000	20,550 000	563

Adapted from: *Lesotho First Five-Year Development Plan, 1970/1-1974/5*, p. 15.

<sup>14</sup> Ward, "Economic Independence for Lesotho?" p. 364.

<sup>15</sup> Ward, "Economic Independence for Lesotho?" p. 363.

<sup>16</sup> Ward, "Economic Independence for Lesotho?" p. 364.

<sup>17</sup> Ward, "Economic Independence for Lesotho?" p. 365.

Many Basotho households also continued to depend on wages earned in South African mines, industries, services and agriculture. In 1966, the country's population was estimated at 976 000.<sup>18</sup> Around 70% of Basotho rural households depended on migrant remittances.<sup>19</sup> In the 1965/1966 financial year, total earnings from South Africa amounted to about R43 million.<sup>20</sup> The same year, migrant workers' remittances contributed about R4,395 million to the country's revenue. The country's total national income was calculated at R39,244.2 million. Thus, remittances constituted 11.2% of the total national income in 1966.<sup>21</sup>

Though the country had gained its independence, Lesotho, like other former British Protectorates of Botswana and Swaziland, continued to depend heavily on British financial support. It mainly received financial assistance through the United Kingdom (UK) Grant-in-Aid, UK Government Overseas Aid Scheme, and the Colonial Development Welfare Grant. - In 1966, Lesotho's total government's income amounted to R10 million. Aid from UK amounted to R7 million. Thus, aid from UK constituted 70% of the country's total income.<sup>22</sup> Lesotho was also heavily dependent on the South African Customs Union<sup>23</sup> (SACU) revenue collections. However, Lesotho received a very small portion of these SACU disbursements. In 1966, the country was receiving only 0.5%, and South Africa took the largest share. On top of that, it controlled SACU to its own advantage. For example, the South African government would arbitrarily impose "[r]estrictive measures . . . whenever [it felt] the need to curb internal activity in its own economy, and these [had] widespread repercussions throughout the whole currency area."<sup>24</sup>

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<sup>18</sup> Ward, "Economic Independence for Lesotho?", p. 356.

<sup>19</sup> Wellings, "The 'Relative Autonomy' of the Basotho State: Internal and External Determinants of Lesotho's Political Economy", pp. 193-194.

<sup>20</sup> *Lesotho First Five-Year Development Plan, 1970/1-1974/5*, p. 6.

<sup>21</sup> Ward, "Economic Independence for Lesotho?", p. 362. Though there are no records on this, there was still more money earned in South Africa, which was sent to Lesotho through informal channels.

<sup>22</sup> Ward, "Economic Independence for Lesotho?" p. 360.

<sup>23</sup> For more information on SACU, refer to its website: <http://www.sacu.int/>, [February 13, 2014, 15:15].

<sup>24</sup> Ward, "Economic Independence for Lesotho?" p. 366.

In essence, at independence, Lesotho's landlocked economy was internally weak and heavily dependent on remittances, foreign aid, South Africa, and to an extent, the rest of the Southern African region. The challenge facing the new independent government of Lesotho was how to develop the country's economy. Government's attempts to develop the country economy are explored in greater detail in the next section.

### ***B. Formation and Activities of the Lesotho National Development Corporation***

Against the backdrop of the above outlined economic challenges after the country gained political independence, the government's priority was to develop and diversify the country's domestic economy. Accordingly, with the assistance of international organisations, donors and South African government, the newly independent government of Lesotho established institutions and introduced various programmes to industrialise and modernise the country's economy. To that end, the government set mainly four broad national aims. These were economic growth, social justice, maximum domestic employment and economic independence.<sup>25</sup> To achieve these developmental goals, it created the Lesotho National Development Corporation (LNDC). LNDC's development efforts were mainly focused on industrialising and diversifying the country's economy by promoting manufacturing businesses, particularly through foreign direct investment.

By 1966, there were a few financial institutions operating in the country. There were two commercial banks (Barclays Bank and Standard Bank), Post Office Savings Bank, South African Building Society, insurance companies, and cooperative organisations – Lesotho Co-operative Savings Society and the Credit Union. With the exception of the Post Office Savings Bank and Cooperative Societies, all these financial institutions were headquartered in, and controlled from, South Africa. The Basutoland Post Office Savings Bank was the first institution that was established in 1891 by the colonial government to facilitate the flows of

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<sup>25</sup> *Lesotho First Five-Year Development Plan, 1970/1-1974/5; Lesotho Second Five-Year Development Plan, 1975/76 - 1979/80 Volume I.*

money and information between Lesotho and South Africa. Its deposits were passed on to the South African Post Office Bank.<sup>26</sup>

In 1862, Standard Bank, a British bank, established a branch in South Africa.<sup>27</sup> By September 1901, it was advertising its banking services in Lesotho. At the beginning, it operated as an agency managed by Alfred Ellenberger. Ellenberger travelled on horseback between Lesotho and Ladybrand, a neighbouring South African town, to make deposits and withdrawals. In 1904, Standard Bank established a branch in Maseru.<sup>28</sup> Around this time, Bloemfontein Board of Executives and Trust Company, an insurance company, also opened a branch in Maseru. It stopped its operations in 1932 when it went bankrupt. Other Cape Town-based insurance companies, like Mutual Building Homes Limited, had also started to advertise their services in Lesotho. It was later in 1957 that Barclays Bank established a branch in Maseru.<sup>29</sup>

Commercial banks presented themselves as saving institutions, and not lenders of credit, particularly to Basotho.<sup>30</sup> This was noted through the way they advertised their services. Two examples are provided to support this. Firstly, when Standard Bank opened a branch in Maseru, it advertised that it had done so for “. . . the purpose of all transactions\operations [sic] carried out by banks, that is, to receive and save money in its interest. . .”<sup>31</sup> Secondly, the Post Office Savings Bank advertised that: “. . . if you are paid in cash, you have to save it for the COMING DAYS [sic]. Go to the Post Office near you, they will tell you how you can

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<sup>26</sup> Thabane, “Indigenous Entrepreneurial Initiative and Attempts to Solve Problems of Access to Credit in Lesotho, 1868-1975”, p. 4.

<sup>27</sup> J. A. Henry as quoted in Thabane, “Indigenous Entrepreneurial Initiative and Attempts to Solve Problems of Access to Credit in Lesotho, 1868-1975”, p. 4.

<sup>28</sup> Ambrose, *Maseru*, p. 91.

<sup>29</sup> Thabane, “Indigenous Entrepreneurial Initiative and Attempts to Solve Problems of Access to Credit in Lesotho, 1868-1975”, pp. 3-4.

<sup>30</sup> This was not a phenomenon unique to Lesotho, even in other parts of the continent; commercial banks presented an image of being money saving institutions. See for example, J. K. Onoh, *Money and Banking in Africa* (London: Longman, 1982), pp. 95-96.

<sup>31</sup> *Mochochonono* Newspaper Advert quoted in Thabane, “Indigenous Entrepreneurial Initiative and Attempts to Solve Problems of Access to Credit in Lesotho, 1868-1975”, p. 6.



get a savings book and you can start saving . . .”<sup>32</sup> Due to commercial banks’ lack of domestic investment, both in the Basotho people and the country as well, the newly independent government felt that not enough money was being invested in the local economy. The government viewed Lesotho as being in a “. . . difficult and undesirable position of being both an exporter of capital and heavily dependent on foreign aid for development.”<sup>33</sup> It noted further that:

[Only a third of the country’s savings] is invested in Lesotho; the rest is exported to South Africa. Thus the financial institutions act in practice as a channel by which funds are transferred from Lesotho to South Africa . . . The principal reason for this situation is low level of effective demands for funds for investment inside Lesotho. [Consequently], a central problem facing the country is thus how to create sound investment opportunities inside the country and how to overcome the institutional and other difficulties involved.<sup>34</sup>

In order to facilitate domestic investment and industrialisation, the government created LNDC in 1967. It was mandated to attract foreign investment, assist the government in designing industrialisation policies and to cultivate a favourable business environment for foreign investment in post-colonial Lesotho.<sup>35</sup> Up to 1985, the government was the sole shareholder of LNDC.<sup>36</sup> The formation of the corporation was funded and managed by South African personnel from its inception to about the early 1970s. The government employed expatriates as a way to exclude the local educated people, who the majority, were members of the opposition party, the Congress Party. Rok Ajulu correctly argues that,

. . . the Lesotho National Development Corporation was not only set (up) with the assistance of Afrikaner capital, but until the early seventies, its senior personnel were recruited from the Anglo-American and the Rembrandt conglomerates in South Africa. All this served to largely exclude the educated and commercial classes of the BCP (Basotho Congress Party) from the bureaucracy as well as from the parastatals. Concurrently, this led to the

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<sup>32</sup> *Mochochonono* Newspaper Advert quoted in Thabane, “Indigenous Entrepreneurial Initiative and Attempts to Solve Problems of Access to Credit in Lesotho, 1868-1975”, pp. 6-7.

<sup>33</sup> *Lesotho First Five-Year Development Plan, 1970/1-1974/5*, p. 15.

<sup>34</sup> *Lesotho First Five-Year Development Plan, 1970/1-1974/5*, p. 15.

<sup>35</sup> <http://www.lndc.org.ls/home/>, [February 17, 2014, 09:40].

<sup>36</sup> *Lesotho National Development Corporation Annual Report, 2000/01*, p. 2.

domination of the economy by South African commercial capital and the exclusion of indigenous classes of property from the “fruits of independence”.<sup>37</sup>

LNDC became instrumental in the government’s attempt to develop the country’s domestic economy. Specifically, the government attempted to develop the non-agricultural sector in order to diversify the economy. The domestic economy was largely based on subsistence agriculture. Agriculture and Government Services contributed the largest share to Lesotho’s GDP in 1967/68. Manufacturing, construction and mining contributed the lowest share of the country’s GDP the same financial year,<sup>38</sup> as documented in Table 5:2, which demonstrates the contribution of various economic sectors to the country’s economy at independence. LNDC was mandated to develop these poor performing sectors in order to increase opportunities for domestic employment. The government aimed to create about 10,000 to 15,000 new jobs through non-agricultural economic activities.<sup>39</sup>

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<sup>37</sup> Rok Ajulu, “A Historical Background to Lesotho’s Election of 1993” in Roger Southall and Tšoeu Petlane (eds), *Democratisation and Demilitarisation in Lesotho: The General Election of 1993 and its Aftermath* (Pretoria: African Institute of South Africa, 1995), p. 10.

<sup>38</sup> *Lesotho First Five-Year Development Plan, 1970/1-1974/5*, p. 15.

<sup>39</sup> *Lesotho First Five-Year Development Plan, 1970/1-1974/5*, p. 5.

**Table 5:2**
**Composition of GDP by Sectors, 1967/68**

Sectors	GDP Contribution	Weight
<b>Primary Sector</b>		41%
Agriculture	39.0%	
Mining and Quarries	2.0%	
<b>Secondary Sector</b>		2.4%
Manufacturing	0.7%	
Construction	1.7%	
<b>Tertiary Sector</b>		56.6%
Services (including Government Services)	56.6%	
	<b>100%</b>	<b>100%</b>
<b>Gross Domestic Product</b>		

*Adapted from: Lesotho First Five-Year Development Plan, 1970/1-1974/5, p. 5.*

The government also attempted to diversify the economy in order to reduce pressure on the public sector. As Table 5:2 above demonstrates, taken together with the Services, Government Services accounted for the largest share (at 56.6%) of the country's GDP in 1967/68. The government acknowledged that agriculture could not only be the answer to all Lesotho's economic challenges. It noted that: "The limited agricultural resources of the country cannot provide gainful employment opportunities." Therefore, in the long-term

. . . non-agricultural productive activities . . . will become a major path for economic development. The development of non-agricultural activities is, therefore, an integral part of the long term development perspective . . . The establishment in 1967 of the Lesotho National Development Corporation . . . is a decisive step in this direction.<sup>40</sup>

The government gave LNDC sites to erect several buildings in selected parts of Lesotho. These sites were in Maseru, Maputsoe, Mafeteng, Teyateyaneng and Mohale's Hoek.<sup>41</sup>

<sup>40</sup> *Lesotho First Five-Year Development Plan, 1970/1-1974/5, p. 25.*

<sup>41</sup> *Lesotho Second Five-Year Development Plan, 1975/76 - 1979/80 Volume II, pp. 83-84.*

These areas form part of Lesotho's lowlands and urban areas. To this day, these premises are used as business offices, warehouses and industrial shells meant for the creation of a vibrant capitalist economy. These buildings are rented out to foreign investors, who are given many investment incentives, as well as to local investors with capital above R250, 000.<sup>42</sup>

Through LNDC, the government attracted foreign investors to establish industries producing pottery, umbrellas, sheepskin products, candles, electric lamps, furniture and hand loomed rugs.<sup>43</sup> By 1978, LNDC had attracted private investment of approximately R2.5million.<sup>44</sup> It had also assisted in the formation of 36 local manufacturing enterprises. Nine firms were in agriculturally-related production, such as canning, milling, distilling and weaving. Sixteen firms manufactured building material, while the rest processed products from imported material. It was also instrumental in the establishment of hotels, lodges and shopping centres in the urban areas of the country.<sup>45</sup> Together with LNDC, the government created more corporations which were meant to grow and modernise the country's economy. These corporations were publicly owned. The government maintained that, in order to expand private enterprises, it would ". . . not hesitate to take a leading investment role, usually through LNDC and its subsidiaries . . ." <sup>46</sup> It, therefore, established the Lesotho Electricity Corporation, Lesotho Airways Corporation, Produce Marketing Corporation, Livestock Marketing Corporation, Lesotho Bank, Lesotho National Bus Services and Lesotho Tourist Corporation.<sup>47</sup>

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<sup>42</sup> Tumelo Tsikoane, Tefetso H. Mothibe, 'Mamoeketsi E. N. Ntho and David Maleleka, *Consolidating Democratic Governance in Southern Africa: Lesotho (EISA Research Report No.32)*, <http://www.content.eisa.org.za/pdf/rr32.pdf>, [March 10, 2014, 11: 30], p. 68; *Lesotho National Development Corporation Annual Report, 2000/01*, p. 2; *Lesotho Second Five-Year Development Plan, 1975/76 - 1979/80 Volume I*, p. 3.

<sup>43</sup> *Lesotho Second Five-Year Development Plan, 1975/76 -1979/80 Volume II*, p. 13.

<sup>44</sup> *Lesotho Third Five-Year Development Plan, 1980-1985*, p. 218.

<sup>45</sup> *Lesotho Third Five-Year Development Plan, 1980-1985*, p. 217.

<sup>46</sup> *Lesotho Second Five-Year Development Plan, 1975/76-1979/80, Volume I*, p. 64.

<sup>47</sup> *Lesotho Second Five-Year Development Plan, 1975/76 - 1979/80 Volume II*, pp. 4-5.

In spite of the foundational work and a leading role which the government had played, the industrialisation process was slow. The government acknowledged that “Industrialisation had proceeded at a slower rate than planned . . . the private sector was less active than hoped for.”<sup>48</sup> There was slow progress in the development of various programmes that were meant to assist in the development of the country’s economy. This was notably the case in small-scale industries owned by Basotho. The government reported that “Progress on programmes of technical and financial assistance to small scale local entrepreneurs was slower than expected . . .” and “[c]redit facilities . . . were only made available on a very limited scale. . .” As a result, “[l]ocalisation in the private sector has not moved ahead . . .” thus, persistently, “[e]conomic growth [has sprung] from the actions of individuals.”<sup>49</sup>

This demonstrates that government’s intervention, through LNDC, made little impact on indigenously-owned business. Attention was placed on bigger industries. As a result, many Basotho business owners had to fend for themselves, as discussed in the previous chapter. For its part, the government ascribed lack of desired growth to limitations shown by LNDC, as well as, insufficient funding for industrial investment. It noted that “the investment secured for industrial development was insufficient” and that it had also “. . . overestimated the capacity of LNDC . . .” It recognised later that the parastatal “. . . experienced weaknesses in management and excessive turnover of personnel.”<sup>50</sup>

### ***A. Formation and Activities of the Basotho Enterprises Development Corporation***

In March 1975, the government created the Basotho Enterprises Development Corporation (BEDCO), as a subsidiary of the Lesotho National Development Corporation (LNDC). It was created with financial and technical assistance from the Canadian International Development Agency (CIDA).<sup>51</sup> Its major task was to develop indigenously-owned business

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<sup>48</sup> *Lesotho Third Five-Year Development Plan, 1980-1985*, p. 215.

<sup>49</sup> *Lesotho Second Five-Year Development Plan, 1975/76-1979/80, Volume I*, p. 64.

<sup>50</sup> *Lesotho Third Five-Year Development Plan, 1980-1985*, p. 217.

<sup>51</sup> Ngwenya, “The Nature of Basotho Owned and Managed Enterprises”, p. 23.

through training and the provision of technical services and small-scale credit, which was provided through foreign aid.<sup>52</sup> Explaining BEDCO's creation, government stated:

Businesses run by the Basotho people themselves were rare in the years before independence. To help build up an entrepreneurial class, to develop skills and to provide employment, BEDCO was formed in 1975 with a broadly-based mandate of providing assistance to the small business.<sup>53</sup>

As a result, the institution would assist in the creation of what it termed an 'entrepreneurial class' among Basotho, since colonial conditions had not supported Basotho's emergence as a defined economic group. To achieve its mandate, BEDCO established a number of companies in 1977. Table 5: 3 below tabulates these businesses. It also illustrates BEDCO and Basotho's<sup>54</sup> shareholding.

**Table 5:3**

**BEDCO Companies and Equity Holding**

Name of Company	Shareholding (%)	
	BEDCO	Basotho
Lesotho Quality Stone Supplies	68.3%	31.7%
Mohokare Heavy Clay Products	72.9%	27.1%
Senqu Construction Company	93%	3%
Libeso (Pty) Ltd	100%	-

*Adapted from: Ngwenya, "The Nature of Basotho Owned and Managed Enterprises", pp. 36 and 37.*

Furthermore, BEDCO established an electronics store and a knitting factory (Berea Knitwear) to train Basotho on how to manufacture scarves, sweaters, cardigans, berets and hats, and other wool and mohair products.<sup>55</sup> In 1980, the government passed Act No.9 to make

<sup>52</sup> *Basotho Enterprises Development Corporation 10 Years Anniversary Special Issue*, n.p., pp. 3-14; *Lesotho Third Five Year Development Plan, 1980-1985*, p. 219.

<sup>53</sup> *Lesotho Review of Commerce and Industry, 1982/3*.

<sup>54</sup> Ngwenya, "The Nature of Basotho Owned and Managed Enterprises", pp. 28, 32, 33 and 34. Efforts were made to find the names of these Basotho owners but to no avail.

<sup>55</sup> Ngwenya, "The Nature of Basotho Owned and Managed Enterprises", pp. 36 and 37.

BEDCO independent from LNDC. Thereafter, the activities of BEDCO were particularly focused on the creation of small-scale industries in order to diversify the country's economy.<sup>56</sup> It assisted in the creation of small-scale manufacturing firms that dealt with garments, leather products, wooden products, shoes, tapestry, solar heating, steel products and electronic and electrical repairs.<sup>57</sup>

To enable it to support infant industries, BEDCO was given land by the government in a number of districts in Lesotho on which to build small industrial estates, which it would rent out to Basotho business owners. These functioned as business incubation centres through which Basotho business owners would obtain support to develop and eventually graduate into bigger businesses.<sup>58</sup> The government justified this on the basis that there was “. . . lack of suitable work space” and that this was “. . . a significant barrier to the small entrepreneurs.”<sup>59</sup> After ten years of operation, BEDCO had supported 200 small businesses, owned and managed by Basotho, with business loans and other assistance. These businesses had created some 1200 jobs for ordinary Basotho.<sup>60</sup>

Despite the formation and activities of BEDCO, desired progress by the government had not been attained by the 1980s. The government ascribed the lack of desired growth to limitations shown by BEDCO, as well as to insufficient funding for industrial investment. As it had ascribed in the case of LNDC, it noted that “the investment secured for industrial development was insufficient”. And that it had “. . . overestimated the capacity of . . . BEDCO”. It recognised later that the parastatal's “. . . experienced weaknesses in

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<sup>56</sup> *Lesotho Third Five-Year Development Plan, 1980-1985*, pp. 218-219; LNA, *Ministry of Trade and Industry Documents, MTI/BED/LERIBE/4/14*, BEDCO in Leribe.

<sup>57</sup> *Lesotho Third Five-Year Development Plan, 1980-1985*, pp. 218-219; *Basotho Enterprises Development Corporation 10 Years Anniversary Special Issue*, p. 3.

<sup>58</sup> LNA, *Ministry of Trade and Industry Documents, MTI/BED/ESTATE/4/16/ Vol. I*, BEDCO Estate; LNA, *Ministry of Trade and Industry Documents, MTI/C/BED/MAFE/43*, BEDCO, Mafeteng; *Lesotho Third Five-Year Development Plan, 1980-1985*, pp. 218-219.

<sup>59</sup> *Lesotho Second Five-Year Development Plan, 1975/76-1979/80*, p. 84.

<sup>60</sup> *Basotho Enterprises Development Corporation 10 Years Anniversary Special Issue*, p. 3.

management and excessive turnover of personnel.”<sup>61</sup> As a result, as late as the 1980s, despite institutions and programmes put in place and the government’s enthusiastic developmental role, Lesotho’s economy still depended on South Africa, SACU and foreign aid. In fact, “combined, aid monies exceeded locally raised revenue”<sup>62</sup> in the 1970s and 1980s.

BEDCO experienced slow progress. This was because, among important issues, its activities had lacked popular consultation and participation of the majority of Basotho business owners. BEDCO’s programmes were parachuted as prescriptions that would automatically develop the economy. For example, in his study, Ngwenya asked Basotho business owners whether commercial estates built by BEDCO would improve their businesses. Responses to this question showed that 113 business owners “. . . had no idea of the concept”, while, “151 thought that it might help but were not quite certain of how it would help them.”<sup>63</sup>

Ngwenya’s survey also discovered that some Basotho business owners felt that the rent charged by BEDCO was too high for them to realise profit and to enable them to sell their products at competitive prices.<sup>64</sup> In fact, through rent and income, its companies’ business activities were so lucrative that they assisted BEDCO to depend less “. . . on external funding, or the Government of Lesotho.”<sup>65</sup> BEDCO’s companies were supported by loans, which were to be given to Basotho to open and grow their businesses. To support this, Ngwenya demonstrates that: “As of January 1977, loans amounting to R21,060 had been made to BEDCO subsidiaries [its companies] with another R15,900 being given to 9 separate enterprises. Few loans were disbursed [to Basotho] . . .” As BEDCO explained, this was due

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<sup>61</sup> *Lesotho Third Five-Year Development Plan, 1980-1985*, p. 217.

<sup>62</sup> Neville W. Pule, “Lesotho in Southern Africa” in Neville W. Pule and Motlatsi Thabane (eds), *Essays on Aspects of the Political Economy of Lesotho*, p. 217.

<sup>63</sup> Ngwenya, “The Nature of Basotho Owned and Managed Enterprises”, p. 21.

<sup>64</sup> Ngwenya, “The Nature of Basotho Owned and Managed Enterprises”, p. 35.

<sup>65</sup> Ngwenya, “The Nature of Basotho Owned and Managed Enterprises”, p. 37.



to “. . . difficulties encountered in the administration and guaranteeing of repayments.”<sup>66</sup>

Ngwenya reported that:

One of the discoveries [of the study] is that 181 Basotho . . . who were interviewed financed their businesses out of personal savings without any financial assistance . . . Only 15 of the 220 . . . said that they were able to secure the initial capital outlay from commercial banks in Lesotho while another 24 started their businesses on the basis of credit from suppliers.<sup>67</sup>

Through BEDCO, the government created an inferior development path and restricted conditions through which Basotho would develop in business. Unlike LNDC, whose businesses were financially supported by Lesotho Bank, BEDCO depended on foreign aid to support Basotho’s businesses. The government successfully managed to reproduce a bifurcated type of economy wherein Basotho occupied their historically marginal position, while Europeans and foreign investors were given priority. This further perpetuated tension between the majority of Basotho business owners and white traders in Lesotho. In order to manage Basotho better and deal with their tension with European traders, the government pushed for the establishment of the Lesotho Chamber of Commerce and Industry (LCCI) as an organisation which would act as the collective ‘voice of business’ in the local economy. The next part of this section examines the history of LCCI and its activities.

## ***B. Formation and Role of the Lesotho Chamber of Commerce and Industry***

### **I. Background to the Formation of LCCI**

Economic policy changes brought by decolonisation in Africa instilled a lot of anxiety in groups, which had for a long time, benefited from the colonial economy. Their long-enjoyed monopoly of African economies was under threat as a result of political changes accompanying the coming of Africa’s independence. In Lesotho, those most apprehensive of political change were the white traders, who had benefited most from the colonial economy. As noted, they responded by negotiating for a favourable transition into the

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<sup>66</sup> Ngwenya, “The Nature of Basotho Owned and Managed Enterprises”, p. 30.

<sup>67</sup> Ngwenya, “The Nature of Basotho Owned and Managed Enterprises”, p. 14.

newly emerging independent Lesotho. They were particularly threatened by *Thekommoho*, the Basotho traders' bulk buying cooperative as well as Basotho's collaborative efforts in forming wholesale businesses throughout the country, in partnership with *Makro* Cash and Carry. However, because of their relationship with the government, white traders were able to negotiate a favourable deal to cushion themselves against changes associated with Lesotho's independence.

They were able to forge a mutually beneficial relationship with the newly independent National Party-led government and made good use of that relationship thereafter. In 1975, they lobbied the government to support the formation of an umbrella association to represent the 'common interests' of 'all' business and professional associations in Lesotho, as this would remove the rivalry between them and Basotho traders in local business. To this end, the Europeans'-only Lesotho Chamber of Commerce, met with Prime Minister Chief Leabua Jonathan and Senior Cabinet Secretaries to discuss problems affecting the business community in Lesotho, particularly, their conflict with Basotho traders.<sup>68</sup> Following this meeting in November 1975, K. B. T. Jandrell, the Chairman of the Lesotho Chamber of Commerce, publicly, ". . . made an appeal to all Lesotho Traders to join hands".<sup>69</sup> Jandrell had another meeting with the Minister for Commerce and Industry, K. T. J. Rakhethla, who had recently been appointed, after the dismissal of the former Minister, Joel Moitse, as discussed in the previous chapter.<sup>70</sup> In that meeting, Jandrell proposed the formation of ". . . a consolidated body to represent Commerce and Industry in Lesotho".<sup>71</sup> The newly appointed Minister of Commerce and Industry supported Jandrell's proposal.<sup>72</sup>

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<sup>68</sup> Address by K. B. T. Jandrell, Chairman of the Lesotho Chamber of Commerce to a Meeting of Representatives of Commerce and Industry in Lesotho, Holiday Inn, Maseru, May 5, 1976.

<sup>69</sup> Address by K. B. T. Jandrell, Chairman of the Lesotho Chamber of Commerce to a Meeting of Representatives of Commerce and Industry in Lesotho, Holiday Inn, Maseru, May 5, 1976.

<sup>70</sup> The appointment of the new Minister of Commerce and Industry, Rakhethla, came after the dismissal of the previous Minister, Joel Moitse, by the Prime Minister in June 1975, as seen in Chapter 4.

<sup>71</sup> Address by K. B. T. Jandrell, Chairman of the Lesotho Chamber of Commerce to a Meeting of Representatives of Commerce and Industry in Lesotho, Holiday Inn, Maseru, May 5, 1976.

<sup>72</sup> Address by K. B. T. Jandrell, Chairman of the Lesotho Chamber of Commerce to a Meeting of Representatives of Commerce and Industry in Lesotho, Holiday Inn, Maseru, May 5, 1976.

In response to European traders' request for the government to support the formation of an 'umbrella business association', the Minister of Commerce, Rakhetla, called a public meeting on January 6, 1976, to address the business community in Lesotho. The meeting was attended by representatives of the Basotho Traders' Association and Lesotho Chamber of Commerce. The Minister proposed that ". . . an association of Lesotho traders should be formed, which would be an 'umbrella' body, on which each association would be represented."<sup>73</sup> The Lesotho Chamber of Commerce took initial steps to organise the first meeting meant to form the new body. This included financing the initial meetings.<sup>74</sup> Jandrell also prepared a draft proposal calling for the establishment of a Steering Committee, whose primary function would be to facilitate the formation of a new business umbrella body. Accordingly, a meeting of the representatives of the trading community, known as the First Control Meeting, was held on February 3, 1976.<sup>75</sup>

European traders proposed and took initial steps towards the formation of the new body because they wanted a stable economic structure that would ensure that their interests continued to be met, despite any changes that could be brought by Lesotho's independence. Specifically, they also wanted to ensure that internal government change would not negatively affect them. As mentioned above, European traders had managed to form close relations with the newly independent government of Lesotho. However, they were aware that political conditions were not stable enough. In his address when a new association was officially launched on May 5, 1976, Jandrell, testified to that when he said: "We must not under-estimate the importance of what we are doing . . . governments all over the world come and go; Ministers come and go; but the back-bone and life-blood of any Country is Commerce [sic]. Continuity is essential."<sup>76</sup>

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<sup>73</sup> Opening Address by I. H Dare, Vice-Chairman of the Lesotho Chamber of Commerce in a Meeting of Representatives of Commerce and Industry in Lesotho, Holiday Inn, Maseru, February 3, 1976.

<sup>74</sup> Minutes of a Meeting of the Steering Committee, Maseru Library, March 18, 1976.

<sup>75</sup> Opening Address by I. H Dare, Vice-Chairman of the Lesotho Chamber of Commerce in a Meeting of Representatives of Commerce and Industry in Lesotho, Holiday Inn, Maseru, February 3, 1976.

<sup>76</sup> Address by K. B. T. Jandrell, Chairman of the Lesotho Chamber of Commerce to a Meeting of Representatives of Commerce and Industry in Lesotho, May 5, 1976, Holiday Inn, Maseru.

The appeal for the formation of the new body was justified by a deceptive political rhetoric of unity and conflict resolution for the benefit of serving the people as well as realising economic development of the country in the post-colonial period. Basotho traders responded positively to this and, together with European traders, took a lead in the formation of the new body. In a speech delivered on May 5, 1976, when the new body was formed, J. C. Masithela, President of the Basotho Traders' Association, supported the formation of the new body. He maintained that the main purpose of their meeting was to bring together the Lesotho Chamber of Commerce and Basotho Traders' Association . . . "into one united or federated body for the common purpose of rendering a more effective Commercial Service [sic] to Lesotho and its inhabitants . . ." <sup>77</sup> Masithela further acknowledged that the meeting came about because of a proposal made by the Minister of Commerce and Industry, Rakhetla, who maintained that it was high time that the two associations "put aside petty differences which [had] existed over the years, and form a united front for the benefit of. . . traders and of the commerce and industry in Lesotho." <sup>78</sup> Masithela reaffirmed: "It is true that some form of misunderstanding did exist between the two organisations". He promised that "at the conclusion of our deliberations, such differences will start to melt away and be regarded as a thing of the past." <sup>79</sup>

Though they agreed with, and indeed participated in, the formation of the new association, Basotho traders had a number of concerns. Firstly, some Basotho traders wanted respective associations to remain autonomous. According to them, the committee of the new umbrella body should be chosen from the existing associations. However, the majority of the participants of the meeting agreed that consultative research should be done first in order to establish what Basotho business owners in the districts wanted. Secondly, they did not understand why the Indian and the Portuguese traders were not represented. These two groups were part of the business community, albeit, a significant minority. I. H. Dare, the

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<sup>77</sup> Address by J. C. Masithela, President of the Basotho Traders' Association to a Meeting of Representatives of Commerce and Industry in Lesotho, Holiday Inn, Maseru, May 5, 1976.

<sup>78</sup> Address by J. C. Masithela, President of the Basotho Traders' Association to a Meeting of Representatives of Commerce and Industry in Lesotho, Holiday Inn, Maseru, May 5, 1976.

<sup>79</sup> Address by J. C. Masithela, President of the Basotho Traders' Association to a Meeting of Representatives of Commerce and Industry in Lesotho, Holiday Inn, Maseru, May 5, 1976.

Vice Chair of the Chamber of Commerce, explained that some Indian traders were members of the Lesotho Chamber of Commerce.<sup>80</sup> As such, they were represented. However, nobody in that meeting knew anything about an association of Portuguese traders.<sup>81</sup>

Lastly, and most importantly for them, Basotho traders were concerned whether the formation of the new body would be a panacea to their problems in local business. This was because for the first time in the history of the country, the two rival groups merged in order to develop local business for all business groups in the post-colonial period. In response, Dare explained that “. . . the time had now come in Lesotho for the formation of one body so that a combined approach may be made to Government through the Minister . . .” through which the “Minister would have one body . . . to communicate with the commercial sector”. However, he emphasised that it was important that the business community “. . . agree on a single purpose and to this end, there had to be one organisation.”<sup>82</sup> Representatives of the two business associations then proceeded to form the Steering Committee. The next sub-section provides a history of the formation, activities and challenges faced by the Steering Committee in forming an umbrella business association.

## II. Formation, Activities and Challenges of the Steering Committee

On February 3, 1976, a Steering Committee was elected during the first meeting of the representatives of the trading community. The meeting agreed that the Steering Committee should consist of 10 members and a chair, meaning 11 members in all. Committee members also had to represent districts from which they were operating. 14 people were nominated

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<sup>80</sup> For a very long time in the colonial period, Indian traders wanted to be members of the Lesotho Chamber of Commerce. As seen previously, they were represented by the Mahoomadan Community. The association represented various interests that affected Indians in Lesotho, not just in business.

<sup>81</sup> Minutes of a meeting of representatives of the trading community in Lesotho, Holiday Inn, Maseru, Tuesday February 3, 1976. A few Portuguese traders arrived in Lesotho after independence. They mostly operated in restaurants (fish and chips shops). Their numbers increased after the Trade Ordinance of 1973. During my field work, I was able to interview a daughter of one of the earliest, and most popular Portuguese trader, who was locally known as Makhaola, who owed Maseru Café, a popular shop and hub for youth in the 1980s and early 90s.

<sup>82</sup> Minutes of a meeting of representatives of the trading community in Lesotho, Holiday Inn, Maseru, February 3, 1976.

and a ballot was held to elect the 11 members.<sup>83</sup> The following business owners were elected to the Steering Committee: I. H. Dare (Leribe and Berea districts), R. Matji (Qacha's Nek district), L. Makoia (Mokhotlong district), S. Molapo (Butha-Buthe district), N. E. Cretchley (Mohale's Hoek district), J. M. Nthongoa (Maseru district), H. T. Mitchell (Quthing district), M. Khoase (Mafeteng district), S. M. Yeats (Maseru district), S. Possa (Maseru district), and A. Newman (Qacha's Nek). Dare was unanimously elected to be the chair of the Committee. It was further agreed that B. L. Boyce, who was the secretary during the proceedings, should continue to be in that position for the new interim body.<sup>84</sup>

The team was tasked with the responsibility of setting up the terms of reference for the formation of the new umbrella body. Six major items were agreed upon. The group had to: (1) examine the constitutions of the two associations, and any other organisation, for the purpose of drafting a suitable constitution for the new body, (2) make investigations for the formation of one association, (3) organise meetings in respective districts to gather the business community's opinions and contributions, (4) find ways of financing the proposed new body, (5) suggest a name for the new body and (6) investigate trading patterns in Lesotho.<sup>85</sup> The first meeting of the Steering Committee was held the same day and an agreement was reached that elected district delegates should arrange district meetings within three weeks and that district meetings should discuss whether existing associations should be dissolved, or not. Members also agreed that district meetings should discuss ways through which the new body would be financed.<sup>86</sup>

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<sup>83</sup> Minutes of a meeting of representatives of the trading community in Lesotho, Holiday Inn, Maseru, February 3, 1976.

<sup>84</sup> Minutes of a meeting of representatives of the trading community in Lesotho, Holiday Inn, Maseru, February 3, 1976.

<sup>85</sup> Minutes of a meeting of representatives of the trading community in Lesotho, Holiday Inn, Maseru, February 3, 1976.

<sup>86</sup> Minutes of the First Meeting Steering Committee Representing Traders in Lesotho, Holiday Inn, Maseru, February 3, 1976.

At the next meeting of the Committee on March 18, 1976, representatives of the business community disseminated and discussed district reports.<sup>87</sup> There were basically two main ideas advanced by the districts. Some districts felt that the European's Chamber of Commerce should be inherited and modified to represent the business community in Lesotho. Other districts expressed the view that both Basotho Traders' Association and the Chamber of Commerce should be dissolved, and a new umbrella body should be formed.<sup>88</sup> The committee adopted the latter recommendation, since it represented the majority view.<sup>89</sup>

Thus far, evidence provided above demonstrates that the formation of LCCI had its roots in commerce – the main business activity at the time. However, the initial proposal that it should also represent other professional associations had not been addressed in detail. A meeting on February 3 had resolved that “persons in business in a professional capacity should be given the opportunity to join the new organisation . . .”<sup>90</sup> and that representatives of existing professional organisations in Lesotho should be invited to join the new association. The professional organisations in question were Lesotho Medical Association, Association of Engineers and Architects, Lawyers' Association, Lesotho National Development Corporation, and any other similar professional and business associations.<sup>91</sup> The task team then undertook to develop a constitution for the Association and made several suggestions on the Association's funding.

### III. Second Control Meeting: Final Preparations and the Official Launch of LCCI

On May 5, 1976, representatives of the business community, some professional organisations and the Steering Committee held the Second Control Meeting to finalise

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<sup>87</sup> Minutes of a Meeting of the Steering Committee, Maseru Library, Maseru, March 18, 1976.

<sup>88</sup> Minutes of a Meeting of the Steering Committee, Maseru Library, Maseru, March 18, 1976.

<sup>89</sup> Minutes of a Meeting of the Steering Committee, Maseru Library, Maseru, March 18, 1976.

<sup>90</sup> Minutes of a Meeting of the Steering Committee, Maseru Library, Maseru, March 18, 1976.

<sup>91</sup> Minutes of a Meeting of the Steering Committee, Maseru Library, Maseru, March 18, 1976.

preparations for the formation of the new umbrella organisation. All districts were represented except for the district of Maseru, which for unspecified reasons, did not participate.<sup>92</sup> The meeting was attended by 32 representatives of the business community and other professional organisations across the country, including the previously elected committee. Out of this number, only two were women, namely, B. L. Boyce and M. M. Khoase. Table 4:2 below shows participants of the Second Control Meeting. It provides a list of attendants, their districts and organisations that some represented.

**Table 5:4**  
**Participants of the Second Control Meeting**

<b>Steering Committee Members</b>	
<i>Names</i>	<i>Districts</i>
I. Dare (Chairman)	Maseru
T. Possa	Maseru
N. S. M. Yeats	Maseru
S. Molapo	Butha-Buthe
D. Lekena	Leribe
E. Thite	Teyateyaneng (Berea)
M. M. Khoase	Mafeteng
N. E. Cretchley	Mohale's Hoek
H. T. Mitchell	Quthing
R. Matji	Qacha's Nek
A. H. Newman	Qacha's Nek
L. A Makoa	Mokhotlong
<b>Representatives of Business and Professional Associations</b>	
<i>Names</i>	<i>Association</i>
J. C. Masithela	Basotho Traders' Association
T. Santho	Basotho Traders' Association
B. Phalatsi	Basotho Traders' Association
K. B. T. Jandrell	Chamber of Commerce of Lesotho
P. K. Meyer	Chamber of Commerce of Lesotho
E. M. Makhaba	Chamber of Commerce of Lesotho
R. Armistead	Lesotho Architects, Engineers & Surveyors Association
B. McCarthy	Union of Employers in Lesotho
MacIldowie	Holiday Inn Representative
<b>District Representatives</b>	
<i>Names</i>	<i>District</i>
G. M. Sekaile	Maseru
J. Khoete	Maseru
K. M. Taole	Maseru
S. Monaheng	Butha-Buthe
J. Mphalati	Butha-Buthe
P. M. Maile	Leribe

<sup>92</sup> Minutes of the Second Control Meeting of Representatives of Commerce and Industry in Lesotho, Holiday Inn, Maseru, May 5, 1976.



F. Mafatle	Leribe
P. J. Mokhachane	Teyateyaneng
P. B. Malebo	Teyateyaneng
S. B. L. Monyake	Mafeteng
S. N. Sekoai	Mafeteng
T. Kalake	Mafeteng
G. T. Khutlang	Quthing
R. V. Lepelesana	Quthing
C. W. Tšotetsi	Quthing
E. Motlomelo	Qacha's Nek
G. H. Mokhesi	Qacha's Nek
E. Morojele	Mokhotlong
<b>Other Participants of the Meeting</b>	
R. Gaylard	Organiser
B. L. Boyce	Secretary
J. R. 'Moleli	Invited from the Department of Commerce and Industry as an Interpreter

Source: *Minutes of the Second Control Meeting of Representatives of Commerce and Industry in Lesotho, Holiday Inn, Maseru, May 5, 1976.*

The meeting adopted Lesotho Chamber of Commerce and Industry (LCCI) as the name of the new organisation. It also adopted a constitution providing for the creation of the LCCI as an umbrella organisation, which represented district associations, not individuals. Individual members were required to pay an annual subscription fee calculated at a rate of five per cent of their total licence fees, while membership was to be voluntary. In addition, the Second Control Meeting agreed on the primary role and basic character of LCCI. Representatives of the business community agreed that LCCI would only operate as a representative body. Its primary roles were administrative, advisory and advocacy. They also stressed that its formation would be important “to promote co-operation among businessmen in Lesotho”, as well as, outside the country with organisations such as Pan-African organisations of Commerce and Industry.<sup>93</sup> It is in this historical backdrop that LCCI coined its motto as the ‘voice of business in Lesotho.’<sup>94</sup>

By pushing for the formation of LCCI, the government, in collaboration with European traders, forged strategic relations between these two groups. The state orchestrated this as an attempt to contain and manage Basotho business owners under its command, as the non-exiled factions of the Congress aligned and collaborated with the state for economic

<sup>93</sup> Minutes of the Second Control Meeting of Representatives of Commerce and Industry in Lesotho, Holiday Inn, Maseru, May 5, 1976.

<sup>94</sup> [www.lcci.ls.org](http://www.lcci.ls.org).

preservation and advancement.<sup>95</sup> For a short while, the partnership demonstrated promising signs that the three stakeholders, government, European traders and Basotho business owners had amicable relations to guarantee the achievement economic growth. The next section examines the collapse of this constructed order.

### **Relations between the Government, European Traders and Basotho Business Owners, 1976-1986**

As already demonstrated, LCCI was formed as an institutional solution to racial and economic conflicts, predominantly, between Basotho and European traders. It was also formed as an organisation meant to put Basotho business owners under government control. The previous section explored the history of its formation. This section explores its activities, internal hierarchies, and persistent racial politics, as well as its relations with the state. The section argues that relations between these three groups (the government, European and Basotho traders) remained multifaceted and complexly characterised by political confrontation and economic collaboration. The formation of LCCI only toned down these conflicts at leadership levels. On the ground, conflicts persisted as Basotho traders collectively pushed to be included meaningfully in the economy, on the one hand. On the other hand, individual Basotho traders continued to depend on European traders for credit and supply of stock.

Immediately, and optimistically, LCCI kick-started its operations in Lesotho's business and local economy with a membership recruitment campaign. By the end of 1976, it had a total of 625 members across the country.<sup>96</sup> A year later, its membership had doubled to approximately 1200.<sup>97</sup> By the 1980s, the Chamber had attracted a number of big businesses and corporations in Lesotho, which joined as Associate Members. These included the Lesotho National Development Corporation, Basotho Enterprises Development Corporation,

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<sup>95</sup> Ajulu, "A Historical Background to Lesotho's Election of 1993", p. 11.

<sup>96</sup> Minutes of the Executive Committee of the Lesotho Chamber of Commerce and Industry, Holiday Inn, Maseru, January 8, 1977.

<sup>97</sup> Minutes of the Executive Committee of the Lesotho Chamber of Commerce and Industry, Victoria Hotel, Maseru, June 11, 1977.

Frasers Lesotho, The Agric Bank of Lesotho, A. C. Braby, Metro Lesotho, Lesotho Pharmaceutical Corporation, Lesotho Flour Mills, Lesotho Bank, Jandrell & Sons, Anwary's Pty Ltd, Yeast & Dare, Maluti Mountain Brewery, Total Lesotho Pty Ltd, Minet Kingsway, British Petroleum (BP) Lesotho, Mobile Lesotho Pty, Ha Bo-rona Pty Ltd, Moradi Pty Ltd, Basotho Hides and Skins Tannery Pty Ltd and Hoskens Insurance Brokers Pty Ltd.<sup>98</sup>

LCCI was able to make significant progress, within a short space of time, predominantly due to two major factors. Firstly, it became a politically cosmopolitan entity with its membership coming from various political parties.<sup>99</sup> As Ajulu Rok aptly observed: "Non-exiled factions of the Congress Party, who were in business . . . defected to [the National Party government] to take advantage of access to the state for purposes of continued capital accumulation."<sup>100</sup> In this sense, its formation toned down Basotho business owners' conflict with the National Party government. Secondly, the structure also lessened tension between Basotho and European traders in a compromise to work together towards creating common economic opportunities. Linked to these two, it was able to bring significant big businesses and government corporations under its membership, as seen above.

The abatement of tension between Basotho and the government, on the one hand, and Basotho and European traders, on the other, provided LCCI with better conditions and opportunities to play an increasing role in the economy. It also played an advisory role on

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<sup>98</sup> Montši and Associates, "The Review of the Lesotho Chamber of Commerce and Industry's Capacity to Meet its Mandates and Expectations", Study commissioned by the Ministry of Trade and Industry, October, 1992, p. 5; Minutes of the First Annual General Meeting of the Lesotho Chamber of Commerce and Industry, Victoria Hotel, Maseru, March 19, 1977.

<sup>99</sup> Interview with Simon Kuena Phafane, Businessman, Immediate Past-President of the Lesotho Chamber of Commerce and Industry, Former Principle Secretary in the Ministry of Trade and Industry and Chief Executive Officer (CEO) of the Basotho Enterprises Development Corporation, Maseru, September 5, 2013; George Monaheng, Mosotho Businessman and Former President of the Lesotho Chamber of Commerce and Industry, Maseru, October 30, 2013. Though it has not been easy to establish in terms of numbers the proportions of various political parties, evidence from the members provided that indeed they came from various political parties and religious denominations, but, they consistently underplayed this backgrounds in order to focus on economic and business matters. However, as will be discussed later, this has not been as easy process.

<sup>100</sup> Ajulu, "A Historical Background to Lesotho's Election of 1993", p. 11.

various legislative matters and training of Basotho business owners around the country.<sup>101</sup> However, from the end of the 1970s, it shifted its orientation more towards Basotho business owners, beginning with the election of Nthongoa, its first Mosotho President, and the election of Robert Matji, as General Secretary. These two people adopted an Afro-centric policy, which began with aggressive recruitment of Basotho business owners.<sup>102</sup>

The new leadership also expanded the scope of LCCI beyond Lesotho. It proactively embraced relations with African and pro-African chambers of commerce at regional, continental and international levels. For example, it formed relations with the South African's black business chamber of business – National African Chamber of Commerce and Industry (NAFCOC), Zimbabwean National Chamber of Commerce (ZNCC) and the International Chamber of Commerce (ICC).<sup>103</sup> Many of LCCI members were sent to NAFCOC training and skills programmes, which had been started in 1977.<sup>104</sup> In 1982, Nthongoa expressed gratitude of LCCI towards NAFCOC when he said: "As a young Chamber, we are indeed grateful for the advice we have received from NAFCOC staff during the year, and their efforts to include Lesotho in their various functions."<sup>105</sup> Table 5:5 below illustrates the numbers of African business owners that NAFCOC trained which included Basotho. However, due to lack of records, it is not easy to establish the exact numbers of Basotho who were trained.

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<sup>101</sup> Minutes of the Executive Committee of the Lesotho Chamber of Commerce and Industry, Holiday Inn, Maseru, January 8, 1977.

<sup>102</sup> Montši and Associates, "The Review of the Lesotho Chamber of Commerce and Industry's Capacity to Meet its Mandates and Expectations", p. 1.

<sup>103</sup> *Lesotho Business Magazine* (Hereafter, just *Lesotho Business*), February/March Issue, 1982, p. 25; *Lesotho Business*, March/April Issue, 1983, p. 12; *Lesotho Business*, March/April Issue, 1984, p. 11; *Lesotho Business*, February/March Issue, 1985, pp. 13-15; *Lesotho Business*, March/April Issue, 1985, p. 5.

<sup>104</sup> *Lesotho Business*, January/February Issue, 1985, p. 15.

<sup>105</sup> *Lesotho Business*, February/March Issue, 1982, p. 25

**Table 5:5**
**African Business Owners Trained Through NAFCOC Programmes**

YEAR	TOTAL NUMBER TRAINED
1978	315
1979	155
1980	113
1981	335
1982	517
1983	342

Source: *Lesotho Business*, January/February Issue, 1985, p. 15.

Furthermore, in 1984, Lesotho became one of the founding members of the African Chamber of Commerce, together with its new international business network. The President of LCCI said: "The African Chamber of Commerce was formed and our Chamber is a founding participant."<sup>106</sup> In his annual report of 1983, Nthongoa detailed his activities, as the President of LCCI, related to the formation of the African Chamber of Commerce. He reported that:

We have maintained our international connections, which are expanding . . . I attended a seminar held under the auspices of the Economic Commission for Africa in Addis Ababa, Ethiopia, the purpose of which was to implement the recommendations stemming from Brussels meeting (which was hosted in 1983 by the International Trade Centre and the European Economic Community) and in particular to find agreement on forming an African Chamber of Commerce . . . The hope was expressed at the meeting that sub-regional branches of this continental Chamber would be formed and Lesotho, together with Zimbabwe, was appointed to seek ways to inaugurate a Southern African Region.<sup>107</sup>

As a result of its pro-active Afro-centric orientation, in the country, the Chamber increasingly became an organisation of small traders and less attractive to many big businesses, including the big businesses that had become its members. They began to distance themselves from the organisation. Nonetheless, the Chamber continued to enjoy

<sup>106</sup> *Lesotho Business*, March/April Issue, 1984, p. 11.

<sup>107</sup> *Lesotho Business*, March/April Issue, 1983, p. 12.

considerable support from government as well as many small businesses and some bigger ones.<sup>108</sup> In 1992, Montsi and Associates, a Cape Town based consultancy, was commissioned to review the Chamber's capacity to meet its mandates and members' expectations. Amongst others, the investigation report revealed that:

In its first few years the Chamber was quite integrated, and it strived to represent the entire business community of Lesotho. Following an aggressive recruitment campaign, Basotho traders became a force in the Chamber and the movement began to shift in its outlook and emphasis in favour of Basotho traders and their problems.<sup>109</sup>

As already shown, one of Basotho's limitations in business was the lack of formal and advanced business skills for which they had persistently been criticised. Consequently, in 1978, the Chamber successfully advocated for, and actively participated in, the formation and activities of the Business Training Centre (BTC). BTC was launched in partnership with the Ministry of Trade and Industry and Institute of Extra Mural Studies (IEMS). Its major function was to train Basotho in order ". . . to accelerate active participation of the local business community with a view of taking control of some businesses".<sup>110</sup> The project was supported by the Lesotho Flour Mills, which was a member of the Chamber. It was also supported financially by the United States Agency for International Development (USAID).<sup>111</sup> However, towards the end of the 1980s, the project had ceased to function effectively. Many Basotho traders no longer attended the training because they felt that courses offered were not always "relevant to [their] immediate and pressing needs . . ." and at the beginning, members also revealed that ". . . neither the Chamber nor the BTC [had] consulted [them] on a regular basis on what training they [needed] most". As a result,

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<sup>108</sup> Montši and Associates, "The Review of the Lesotho Chamber of Commerce and Industry's Capacity to Meet its Mandates and Expectations", p. 1.

<sup>109</sup> Montši and Associates, "The Review of the Lesotho Chamber of Commerce and Industry's Capacity to Meet its Mandates and Expectations", p. 1.

<sup>110</sup> Business Training Centre, *Report of the International Conference on Strategies for Small Business Survival and Growth in Botswana, Lesotho and Swaziland (BLS) Countries*, Mazenod Conference Centre, Maseru, Lesotho, February 25-28, 1985, p. 2.

<sup>111</sup> Montši and Associates, "The Review of the Lesotho Chamber of Commerce and Industry's Capacity to Meet its Mandates and Expectations", p. 3.

people criticised BTC for “offering the same type of level of courses year in year out.”<sup>112</sup> Consequently, “. . . most of the LCCI members [expressed] their dissatisfaction by pulling out.”<sup>113</sup>

Due to the changed orientation of the Chamber, a number of alternative associations were formed by both big businesses and small Basotho business owners.<sup>114</sup> Big businesses formed the Lesotho Employers’ Association (LEA)<sup>115</sup> focusing on industrial relations and wage legislation. Five more alternative associations were formed by indigenously-owned business. These were the Lesotho Manufacturers Association, Association of Lesotho Exporters, Women in Business, and Women in World Banking.<sup>116</sup> The Association of Lesotho Exporters was formed in 1980. It was established with the support from the government through the Trade Promotion Unit under the Ministry of Trade and Commerce. It was mostly an association of weavers and textile business owners. As of 1993, it had about 62 members. It acted as a forum of exporters and promoters of its members’ products through trade fairs and other collective marketing strategies.<sup>117</sup>

The Manufacturers’ Association was established in 1981 with a mandate to promote cooperation amongst manufacturers in Lesotho. It was also known as the Manufacturers’

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<sup>112</sup> Montši and Associates, “The Review of the Lesotho Chamber of Commerce and Industry’s Capacity to Meet its Mandates and Expectations”, p. 10.

<sup>113</sup> J. M. Lebusa, “Structure and Organisation of the LCCI”, Seminar Paper Presented at the *Strengthening Lesotho Chamber of Commerce and Industry through Organisational Development Strategy Workshop*, Maseru, Lesotho, February 19-21, 1991.

<sup>114</sup> Montši and Associates, “The Review of the Lesotho Chamber of Commerce and Industry Capacity to Meet its Mandates and Expectations”, p. 14.

<sup>115</sup> Lesotho Employers Association was first established in 1961. However, it became moribund and was only resuscitated in 1981.

<sup>116</sup> Montši and Associates, “The Review of the Lesotho Chamber of Commerce and Industry’s Capacity to Meet its Mandates and Expectations”, p. 14; interview with Ramotikoe Khiba, Former President of LCCI and Founder of the Association of Small Traders’ Association of Lesotho, Maseru, October 3, 2013. With the exception of the Exporters’ Association, all these associations are no longer in existence. They collapsed in the 1990s. Again, due to lack of sources, there is little known about their history. It would have also been interesting to get hold of the records of these two women’s business associations in order to explore more deeply the gender dynamics of Lesotho’s business and economic history.

<sup>117</sup> Lesotho Council of Non-Governmental Organisation, *Lesotho Profile of NGOs* (Maseru: Lesotho Council of Non-Governmental Organisation 1993), pp. 17-18.

Assistance Programme (MAP), due to its strong affiliation to the government, whose policy had long been one of support to the manufacturing sector. By 1993, it had an estimated 350 individual members and 20 groups around the country.<sup>118</sup> Its membership consisted of dress makers, metal workers, handicrafts producers, tapestries producers, hair products distributors, detergents distributors as well as building and construction material traders.<sup>119</sup> The Association of Small Traders was formed by a group of Basotho who felt that the Chamber was doing little to solve their problems, while it continued to encourage the development of European traders. Predominantly, members of the Association organised small collective bulk-buying arrangements from local wholesalers.<sup>120</sup> Ramotikoe Khiba, its founder and former President of LCCI testified that:

. . . during that time people who were members of- LCCI- people like, Frasers – and, Frasers was a big business then, and other big companies like those of Yeats – so, I found out that, these young people [Basotho business owners], they don’t have bargaining power in the Lesotho Chamber. I decided, with the permission of the organisation I worked for [Lesotho Industrialisation and Opportunity Centre, LOIC], to form that organisation . . .<sup>121</sup>

Furthermore, due to the Chamber’s increasing concentration on improving conditions for indigenously-owned business, European traders had ceased to be active members of the Chamber by the 1980s. However, their influence in Lesotho’s economy had also started to decline and ultimately collapsed by the early 1990s. This process started in the 1970s when the government nationalised Lesotho’s wool and mohair industry. This was where European traders had accumulated most of their money.<sup>122</sup> Ashley Thorn, one of the few remaining European trading families testified that:

[My father] bought [a store in] Thaba-Tseka in 1961, and there was no road to Thaba-Tseka. So, it was transport to Mantšonyane and pack animals through to Thaba-Tseka . . . But that was the life of a trader. I mean, each time you wanted

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<sup>118</sup> Lesotho Council of Non-Governmental Organisation, *Lesotho Profile of NGOs*, pp. 157-158.

<sup>119</sup> Constitution of Lesotho Manufacturers’ Association, House 9 Publication, Ladybrand.

<sup>120</sup> Interview with Makalo Khiba, Maseru, October, 2013.

<sup>121</sup> Interview with Makalo Khiba, Maseru, October, 2013.

<sup>122</sup> Interview with Ashley Thorn, European Business Owner in Lesotho, Roma, October 16, 2013.



to get further into the mountains – where the wealth was – the farmers had big flocks of sheep and cattle and that was where the money was. So, yah! That was our day-to-day trading experience and a lot changed in my time . . . [from that] traditional trading of wool and mohair, the buying of grain and produce. Also, what made it difficult for us by government . . . [it] took over all that marketing of agricultural stuff. And, we got out of the wool and mohair business . . .<sup>123</sup>

The National Party government also adopted a localisation policy, which required Basotho to be empowered and to be involved in high positions in the various sectors of the economy.<sup>124</sup> As a result, a number of European trading families left Lesotho and moved into South Africa, and only a few families stayed behind. Moreover, increasingly, the children of those who stayed in Lesotho were no longer keen on running family businesses along the lines that their parents had done. Most of these young people had been educated overseas and had different interests.<sup>125</sup> Thorn stated that:

You know . . . with independence . . . that was basically the demise of European traders because there'd been a whole history of European traders, all the shops being run by the Europeans . . . The Frasers group was running probably 50 to 60 shops. Those were all managed by Europeans. Now, when independence came, then obviously the serious change happened and you were now no longer able to employ experts, white traders, you had to encourage localisation. And with that, obviously a lot of families decided that they weren't in a position to . . . go that route, for whatever reasons.<sup>126</sup>

He added that:

[Some] people sold their shops; sold their business and moved out. So today, I mean today, out of all the traders, there're very few, obviously the Thorns are still here, the Jandrell group are still down in Maseru . . . the Yeats are still in Maseru . . . and down in Quthing we've got . . . Mitchell Brothers . . . But, Frasers as we [knew it] . . . changed radically . . .<sup>127</sup>

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<sup>123</sup> Interview with Thorn, Roma, October, 2013.

<sup>124</sup> *Lesotho First Five-Year Development Plan, 1970/1-1974/5*, p. 25.

<sup>125</sup> Interview with Thorn, Roma, October, 2013; interview with, David Jandrell, European Business Owner in Lesotho, Maseru's Hoek, October 11, 2013; interview with Robert Yeast, European Business Owner in Lesotho, Maseru, October 8, 2013. These younger generations moved into tourism and insurance businesses. However, they still have business operations in retail and wholesale. However, they have also been impacted negatively by influxes of Chinese business immigrants who now monopolise local business. One of the big businesses which they own is the Alliance Insurance Company.

<sup>126</sup> Interview with Thorn, Roma, October, 2013.

<sup>127</sup> Interview with Thorn, Roma, October, 2013.

Starting out as an optimistic strategy, LCCI began as a force designed to pull the government, European traders and Basotho business owners together in order to ensure economic development and the progress of these groups. However, the arrangement collapsed as Basotho business owners' continued to be marginalised in local business. Internally, its changed leadership, comprising the black majority, changed its approach towards meeting the needs of Basotho business owners. Notwithstanding this, their efforts could not address this deeply rooted problem. As a result, groups of Basotho and European traders formed alternative business organisations, marking the collapse of the economic order that the government had attempted to create.

Relations between Basotho and European traders remained complex. At the political level, they were characterised by collective political confrontations, while in everyday economic life, they were characterised by economic pragmatism, which brought them together. However, among other factors, it was in these momentary economic interactions that the permanence of European's domination was reproduced and consolidated. This is a relationship that had its roots in the colonial period.<sup>128</sup> As a result, some Basotho ended up having to directly procure their supplies and stock from South African wholesalers and other suppliers. Two examples are used to support this observation. These two were amongst the most successful Basotho business owners whose businesses owed their origins to credit arrangements entered into with European traders.

The first example is that of Phole Mokeiso, a businessman in his late 60s. At the time of writing, he ran a big supermarket and horse and trailer truck businesses in the district of Mokhotlong, in the north eastern highlands of the country. He was originally from the district of Leribe, in the north western parts of the country. Before he got into business, he was a vegetables and maize farmer. He would constantly sell his produce to the communities of Mokhotlong. However, he struggled a lot due to bad roads and lack of bridges, particularly, during rainy seasons. To reduce commuting in between these two places, in 1977, he opened his first store in the district of Mokhotlong using savings from the farming

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<sup>128</sup> I have argued this point in-depth elsewhere, see, Maliehe, "An Obscured Narrative in the Political Economy of Colonial Commerce."

activities. When he first started, he would negotiate stock on credit from a local Frasers' wholesalers.<sup>129</sup> Mokeiso testified that: "I bought from Frasers a lot when I started my business. He used to give us stock on credit . . ." <sup>130</sup>

The last example is that of 'Mamatheala Shale, a business woman, who was in her late 60s when interviewed at the time of this study. She started her businesses from her tailoring background. Before she passed away in 2013, a month after the interview, she owned and managed a number of businesses, namely, a petrol filling station, a business complex, which she rented out to other business people, a retail store, and a tailoring company. She got into business in 1973 after she completed a diploma in clothing design in England. However, when she returned to Lesotho, she could not get a job. She started designing and repairing people's clothes, informally, working from her home. With her savings, she then rented a business premises and started a retail and restaurant business. She approached Frasers' wholesale branch in Maseru and successfully negotiated with its manager to give her stock on credit to start. However, gradually, she realised that the arrangement hindered her from making significant profits. As a result, she started buying her stock in South Africa. It was after importing stock from outside the country that she was able to realise better returns.<sup>131</sup> Shale recollected that:

When I started, it wasn't easy. ['Mampolokeng, a friend] introduced me to Frasers wholesalers whom she was dealing with and I got supplies from Frasers to build my business. The deal I had with Frasers was pulling me back. [Frasers] had agreed to give me an account to start my business. Like I had mentioned, my previous business did not do well and I was financially unstable. So, I noticed that working with the local wholesalers was very difficult; you spend a lot of time waiting for service. At the end of the day, you go home with your little supplies and therefore make a little profit. As a result, I started buying supplies in Bloemfontein from such wholesalers as Metro, Trailer and so on. That helped me a lot. I would get to Bloemfontein with a bakkie to buy stock and realised that I make a little more than when I buy from suppliers here even though I spent some money on petrol. That boosted my business.<sup>132</sup>

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<sup>129</sup> Interview with Phole Mokeiso, Mosotho Businessman, Mokhotlong, December 20, 2013.

<sup>130</sup> Interview with Mokeiso, Mokhotlong, December, 2013.

<sup>131</sup> Interview with 'Makopoi Mamatheala Shale, Mosotho Businesswoman, Maseru, September 22, 2013.

<sup>132</sup> Interview with Shale, Maseru, September, 2013.

This section has demonstrated the complexity of relations between the government, European traders and Basotho business owners. Taking-off from a more united footing, the dynamics of their interaction and their alliances became more capricious to the point that the post-colonial political-economic order, which the government attempted to create, collapsed, thereby illuminating the fickleness of the union. The friability of their solidarity was exposed by the continued domination of European traders and the consequent reaction of Basotho business owners, both at the leadership and grassroots levels. It was also demonstrated by the government's changed economic policy of strategic nationalisation and localisation. As a result, European traders started moving out of the country. Meanwhile, in everyday economic life, Basotho and Europeans had reciprocally beneficial relations. However, the European traders dominated the arrangements.

### **Conclusion**

This chapter has demonstrated that after suppressing Basotho in business, the National Party government manipulated the business history of the country. It concealed the history of Basotho business owners' emergent economic solidarity as well as how it undermined them. Pretending that Basotho had no business history, it established institutions (BEDCO and LCCI) that were meant to develop the country's indigenous entrepreneurship. These institutions were meant to co-opt and control Basotho in business; for some time, they performed this role. However, Basotho regained strength and challenged the government's order by taking over LCCI. Nonetheless, the government managed to create a bifurcated economy; one superior, enjoyed by foreign investors and a few local business elites through LNDC, and the other inferior, which was occupied by the majority of black people in Lesotho. As a result, Basotho continued to struggle individually and collectively in order to play a significant role in the economy. In 1986, the National Party government was toppled by the military, which subsequently embraced the World Bank's structural adjustment programmes immediately after taking power. This marked the beginning of the neo-liberal economic restructuring in Lesotho, which is explored in the next chapter.

## CHAPTER 6

### Neo-Liberal Economic Restructuring, 1987-2000c

#### Introduction

This chapter examines Lesotho's post-colonial economic transition from 1987 to 2000 as the country adopted the World Bank's neo-liberal economic policies. The period from independence in 1966 to 2000 saw increased infrastructural developments, population growth and urbanisation. In 1966, the country's population was around 952, 000. In 1996, it had increased to 1.8 million, and by 2010, it had reached 2 million.<sup>1</sup> The country also experienced a change from an economy where the state played a leading investment role (1966-1986, discussed in the previous chapter) to the one in which business (or the private sector) assumed a greater role in the economy from 1988 onwards. This was not just a domestic economic ideological shift but a globally driven one as leading Western countries of the world adopted the neo-liberal economic model (see Chapter 2). From the National Party and Military dictatorship regimes, the country also moved to a multiparty political system in this latter period, as it made a shift towards more democratic governance.

Furthermore, communism ended in 1990 thereby making the American free market capitalism the uncontested dominant economic model, globally. Lesotho's economy was developed with assistance from the Western countries, particularly, through international development institutions and donors, as a way to aid the transition. The country adopted the World Bank's neo-liberal economic policies, namely, the Structural Adjustment Programmes (SAPs) from 1988 to 1995 and Privatisation and Private Sector Development Programme from 1995 to 2000. Like elsewhere in the continent, the programmes opened up the country's economy to more foreign investment and worsened poverty, inequality

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<sup>1</sup>[https://www.google.co.za/search?q=Queensburgh%2C+West+Suburbs&og=Queensburgh%2C+West+Suburbs&aqs=chrome..69i57j0.383j0j7&sourceid=chrome&es\\_sm=0&ie=UTF-8#q=Lesotho%27s+population+in+1986](https://www.google.co.za/search?q=Queensburgh%2C+West+Suburbs&og=Queensburgh%2C+West+Suburbs&aqs=chrome..69i57j0.383j0j7&sourceid=chrome&es_sm=0&ie=UTF-8#q=Lesotho%27s+population+in+1986), [January 22, 2015, 12:25].

and unemployment in the domestic economy.<sup>2</sup> Linda Cotton and Vijaya Ramachandran observe that:

Economic reforms have largely been in response to pressure from international financial institutions and bilateral donors. However, adjustments in the Sub Saharan African have also been carried out in response to the widespread failure of command economies both at home and abroad, the reduction or cessation of support from former communist countries, and the pragmatism of some African leaders in the face of continually worsening economic conditions.<sup>3</sup>

Compared to many other African countries, which adopted SAP due to a debt crisis and trade deficits, as well as other factors highlighted in the quotation above; Lesotho was forced to adopt the programmes due to the establishment of the Lesotho Highlands Water Project (LHWP), which created dams with the purpose of supplying water to South Africa. It is argued that, as elsewhere in Africa, the policies were a foundation through which poverty and inequality worsened in Lesotho. As will be explored in this chapter, they became a basis through which the majority of Basotho were marginalised in the local economy, since neo-liberal economic philosophy emphasises market fundamentalism and individual profit maximisation. As such, the philosophy is limited in as far as re-distributing resources to the majority of the people is concerned.<sup>4</sup>

This chapter is organised into six sections. The first section provides a background to Lesotho's adoption of the structural adjustment programmes while the next one accounts for the implementation and impact of the programmes between 1988 and 1995. The third section explores attempts to develop indigenously-owned business under the SAPs. As a background, the fourth section, demonstrates early after-effects of the transition from military rule to multi-party politics. The penultimate section analyses the implementation and implications of the privatisation reforms (1995-2000) and the last section assesses attempts to develop indigenously-owned business under the privatisation reforms.

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<sup>2</sup> For example, see, Alois Mlambo, *History of Zimbabwe* (Cambridge: Cambridge University Press, 2014), pp. 215-220.

<sup>3</sup> Linda Cotton and Vijaya Ramachandran, "Governance and the Private Sector in Africa" in Nicolas van de Walle and Nichole Ball and Vijaya Ramachandran (eds), *Beyond Structural Adjustment: The Institutional Context of African Development* (New York: Palgrave Macmillan, 2003), p. 213.

<sup>4</sup> Hart, Laville, Cattani, "Building the Human Economy", pp. 1-2.

## Background to Structural Adjustment Programmes in Lesotho

Conditions for Lesotho's adoption of the IMF's SAPs, in 1988, have a long political and economic history. They can be traced back to the changing relations between Lesotho and South Africa between 1970 and 1986, when the Lesotho military forces toppled the National Party government. Relations between these two countries have been studied in more detail elsewhere.<sup>5</sup> The purpose of this section is only to highlight the more prominent aspects in order to provide a background to the political and economic conditions which led to Lesotho's adoption of the SAPs.

From 1966 to 1970, the National Party government maintained a collaborationist policy with the South African apartheid government. Conceived in a right-wing capitalist ideology and Catholic conservatism, as seen previously, the National Party had aligned with the South African government in order to gain support against its major political counterpart, the Congress Party. Despite financial support from the South African government, however, the National Party could not expand its political support base.<sup>6</sup> As shown, it lost the 1970 election to the Congress Party. It subsequently declared a State of Emergency, suspended the constitution, violently harassed opposition, and took over power. Due to the weak political influence of the National Party in Lesotho, South Africa reduced its financial support to the Lesotho government after the 1970 election. As a result, the government was forced to seek other avenues of financial assistance. It turned to the international arena by adopting various United Nations' protocols. This forced the government to change its collaborationist foreign policy towards South Africa by criticising apartheid openly and accepting African National Congress (ANC) refugees into Lesotho.<sup>7</sup>

Not surprisingly, South Africa was not pleased with the National Party's changed policy and launched a destabilisation policy towards Lesotho, in reprisal. The South African

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<sup>5</sup> See for example, Ajulu "From Collaboration to Dilemma: A Historical Background to Lesotho's Election of 1993".

<sup>6</sup> Ajulu, "From Collaboration to Dilemma: A Historical Background to Lesotho's Election of 1993", p. 11.

<sup>7</sup> Ajulu, "From Collaboration to Dilemma: A Historical Background to Lesotho's Election of 1993", p. 11.

government found an ally in the exiled dominant faction of the Congress Party, which was under the leadership of Ntsu Mokhehle.<sup>8</sup> The Congress Party persistently held that the National Party was not a legitimate government as it had seized power unlawfully in 1970. As a result, in 1974, the Congress Party planned and launched a series of violent attacks against the government. It targeted police stations with the aim of acquiring arms and ammunition in order to topple the government. However, their efforts were brutally suppressed by the military. Many leaders and members of the Congress fled to exile while others were imprisoned.<sup>9</sup>

In exile, leaders of the Congress Party formed the Lesotho Liberation Army (LLA), which received the Apartheid government's support.<sup>10</sup> Liberation Army fighters received their training in Libya and Ghana before launching a series of attacks in Lesotho in 1979. They bombed the main post-office, electricity grids, telephone posts and bridges. From 1980, the Army changed its strategy from property destruction to assassinating prominent figures in power. The activities of the Army ". . . forced the government to commit the country's meagre resources ever more to military-related expenditure." In addition, ". . . the form of brutality that the government meted out to LLA members and suspected sympathisers made its authoritarian character pronounced and apparent."<sup>11</sup>

In 1985, the government announced the date of the next national elections but the major opposition party, the exiled Congress Party, rejected the call for elections. The opposition maintained that the National Party regime had illegitimately ascended to power, and by agreeing to participate in the elections, they would, in principle, be legitimizing the National Party government. The Congress Party also argued that the electoral law and election participation requirements had been formulated in a manner that would solely favour the

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<sup>8</sup> Ajulu, "From Collaboration to Dilemma: A Historical Background to Lesotho's Election of 1993", pp. 12-13.

<sup>9</sup> Pule, "Politics since Independence", pp. 180-184.

<sup>10</sup> Ajulu, "From Collaboration to Dilemma: A Historical Background to Lesotho's Election of 1993", pp. 12-13.

<sup>11</sup> Pule, "Politics since Independence", p. 185.



ruling party.<sup>12</sup> The Congress Party also made a number of demands to the government. They demanded that inter-party talks between the two parties should be held in a foreign country, with support from the Organisation of African Unity (OAU) or United Nations. They also requested that the 1966 (independence) constitution and 1968 electoral law should be restored as the basis for negotiations. Additionally, they insisted on the formation of a coalition government, which would ensure peace and transparent preparation for elections. Finally, they called for the release of all political prisoners. However, their demands were not met. Due to this and stringent election participation requirements, opposition parties refused to participate in the September elections.<sup>13</sup>

On January 1, 1986, the South African government closed its borders with Lesotho. South Africa justified its action on the grounds that the government of Lesotho refused to expel ANC refugees in its territory. The South African government believed that the ANC in Lesotho was recruiting fighters for *Umkhonto we Sizwe* – the military wing of ANC – in South Africa. Soon, Lesotho began to feel the impact of the blockade as foodstuffs and fuel supplies were running low,<sup>14</sup> as Lesotho imported almost 75% to 90% of its foodstuffs as well as all of its fuel from South Africa, as noted.

On January 15, the Lesotho Paramilitary Force surrounded the government complex and drove public servants out of their offices in its successful move to overthrow the civilian dictatorship regime of Leabua Jonathan and take control of the country.<sup>15</sup> On January 17, a seven-man delegation, led by Major General J. M. Lekhanya, went to Pretoria to request

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<sup>12</sup> Pule, “Politics since Independence”, p. 187. Indeed, smaller opposition parties attempted to contest for the elections but they could not meet conditions put in place. In particular, this was the Apartheid-funded Basotho Democratic Alliance. South African government’s efforts to destabilise, and to eventually topple the National Party government, were not only limited to military tactics. They also included an open political strategy of assisting in the formation of a political party, which would contest for elections.

<sup>13</sup> Pule, “Politics since Independence”, p. 187.

<sup>14</sup> Pule, “Politics since Independence”, p. 187.

<sup>15</sup> For an in-depth reading of the 1986 military coup, see, L. B. B. J. Machobane, *The King’s Knights: Military Governance in the Kingdom of Lesotho, 1986-1993* (Roma: Institute of Southern African Studies, 2001), particularly, chapter two of the book. The 1986 coup was the third and success attempt by the military to overthrow the civilian dictatorship government of Leabua Jonathan. Previous attempts had been made in 1985.

that the border blockade be lifted, but the South African government refused. On January 20, Radio Lesotho announced that there had been a military take-over and the blockade was immediately lifted.<sup>16</sup> Like its predecessor, the Military government established a despotic state with wide-spread public harassment and looting of public resources. It even suspended political parties.<sup>17</sup> It also maintained a collaborationist foreign policy with South Africa.<sup>18</sup> The combination of these two aspects made it easy for it to sign the Lesotho Highlands Water Scheme treaty with South Africa, without popular input, in October 1986 – nine months after the coup. As Motlatsi Thabane observes:

In Lesotho, the signing of the Highlands Water Treaty has always been associated. . . with the overthrow of a civilian dictatorship and its replacement by a pro-South Africa military dictatorship. The latter had even less respect for human rights and scant regard for popular opinion which enabled it to impose the Treaty on the people of Lesotho.<sup>19</sup>

The signing of the treaty came after a series of earlier disagreements between the previous government and South Africa. For a very long time, these two countries could not agree on implementation terms. Negotiations for Lesotho to supply South Africa with water, particularly, the Pretoria-Witwatersrand-Vereeniging (PWV) areas, now the Gauteng Province, started in the 1950s, before independence. Two feasibility studies were subsequently conducted, one in the 1950s, and the other in the 1960s. However, they could not agree on costs. Meanwhile, Gauteng water needs continued to increase. In 1979, yet another feasibility study was conducted. It was followed by another one in 1983.<sup>20</sup> As noted

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<sup>16</sup> Pule, “Politics since Independence”, p.188. As Ajulu argues, upon the announcement of the military coup, people took off to the streets in jubilation with a sense of national emancipation from the despotic National Party regime. They were not happy with the coming in of the military government, but celebrated the overthrow of Leabua Jonathan’s regime.

<sup>17</sup> Pule, “Politics since Independence”, pp. 190-191.

<sup>18</sup> Ajulu, “From Collaboration to Dilemma: A Historical Background to Lesotho’s Election of 1993”, p. 16.

<sup>19</sup> Motlatsi Thabane, “Shifts from Old to New Social and Ecological Environments in the Lesotho Highlands Water Scheme; Relocating Residents of the Mohale Dam Area”, *Journal of Southern African Studies*, 26:4(2000), p. 634.

<sup>20</sup> For more details on these, see, Thabane, “Shifts from Old to New Social and Ecological Environments in the Lesotho Highlands Water Scheme; Relocating Residents of the Mohale Dam Area”.

earlier, by this time the Basotho National Party government's relations with South Africa had reached their lowest ebb.

The signing of the agreement subsequently led to Lesotho's adoption of the SAPs in 1988. The water project had two major components. These were: supply of water to South Africa, and the building of a hydro-power plant for electricity consumption in Lesotho. South Africa was to fund the former, while Lesotho was to fund the latter. Thus, Lesotho had to source funding through bilateral and multilateral borrowing from international commercial banks and other governments.<sup>21</sup> To be allowed access to such loans, Lesotho had to acquire the IMF's Seal of Approval. The IMF Seal ensured that countries, particularly, 'Third World' countries, were credit-worthy by adopting the SAPs. This indicated the country's ability and willingness to repay its debts. Lesotho concluded its negotiations with the IMF to adopt the SAPs in 1987 and implemented the austerity program in 1988.<sup>22</sup> The government justified its adoption of the SAP on the grounds that that this would help reform Lesotho's domestic economy to correct the country's balance of payments challenges and combat the ever deteriorating financial position of the country.<sup>23</sup>

Though Lesotho's economy had been characterised by an ever increasing trade deficit, and other fiscal challenges, Lesotho's adoption of the SAPs for Lesotho was more linked to the Highlands water projects than to the country's debt, as in other African countries.<sup>24</sup> However, the government painted an economic meltdown situation, which could only be rescued by undertaking the adjustments. Khabele Matlosa observes that: "Lesotho's case presents a different picture." Contrary to official claims that external debt was the primary

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<sup>21</sup> Khabele Matlosa, "Structural Adjustment Programmes and the Employment Challenge in Lesotho", *South African Political and Economic Monthly*, 4:7(1991), p. 20.

<sup>22</sup> Matlosa, "Structural Adjustment Programmes and the Employment Challenge in Lesotho", p. 20; [http://www.centralbank.org.ls/publications/Research/Income\\_Tax\\_Impact.pdf](http://www.centralbank.org.ls/publications/Research/Income_Tax_Impact.pdf), [April 10, 2014, 15:00].

<sup>23</sup> A. M. Maruping, "Structural Adjustment Program: Lesotho's Experience in a Nutshell", <http://books.google.co.za/books?id=PJG7CocRIDE&pg=PT251&lpg=PT251&dq=a.+m.+maruping+on+lesotho%27s+structural+adjustment&source=bl&ots=BfioQmniNb&sig=yBuhwFBv-Os-NRUg8yfyLyiSpII&hl=en&sa=X&ei=uSF7U70Pg47tBrD3gJgE&ved=0CCwQ6AEwAA#v=onepage&q=a.%20m.%20maruping%20on%20lesotho's%20structural%20adjustment&f=false>, [May 20, 2014, 11:37].

<sup>24</sup> Maruping, "Structural Adjustment Program: Lesotho's Experience in a Nutshell".

reason to follow the SAPs, Lesotho's adoption of these policies had "... much to do with the country's dire need for concessionary and non-concessionary loans for the US\$ 2billion Lesotho Highlands Water Scheme. . ."<sup>25</sup> The SAPs opened Lesotho's economy to foreign capital flows to the Highlands water project. Concerns for foreign capital surrounded Lesotho's capacity and willingness to repay loans and to reduce risks of default. Therefore, the IMF acted as a guarantor of foreign capital investment.<sup>26</sup> In essence, adjustments in the case of Lesotho were a means to foreign investment in the Highlands water project.

### **Structural Adjustment Programmes in Lesotho, 1988-1995**

Lesotho's Structural Adjustment programmes came in three packages. The first set was from 1988/89 to 1990/1991, and the second one, from 1991/92 to 1994/95 and the last from 1995 to 2000. The second and the last programmes were called the Enhanced Structural Adjustment Facility (ESAF) and Privatisation and Private Sector Development Project, respectively.<sup>27</sup> This section unpacks changes that came with the SAPs, how the policies were implemented, and their socio-political and economic impact in Lesotho. Much scholarly attention has been devoted to this matter in the past, not just in Lesotho, but elsewhere in Africa as well.<sup>28</sup> The main aspects of the programmes are summarised here in order to facilitate a better understanding of the dynamics of local business development in the neo-liberal period in the case of Lesotho. The focus here is particularly on the SAPs package implemented by the Military government between 1988 and 1993 and by the Basotho

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<sup>25</sup> Matlosa, "Structural Adjustment Programmes and the Employment Challenge in Lesotho", p. 20.

<sup>26</sup> Matlosa, "Structural Adjustment Programmes and the Employment Challenge in Lesotho", pp. 21-22.

<sup>27</sup> LNA, *Ministry of Trade and Industry Documents, MTI/DEV/SAF/12/104/VOL.1, Enhanced Structural Adjustments Facility; First Lesotho Privatisation and Private Sector Development Project Progress (1995-2002)*, <http://lesothoembassy.de/PUweb/documents/progress-rpt-9502.htm>, [May 14, 2014, 15:31]; Lundahl, McCarthy and Peterson, *In the Shadow of South Africa*.

<sup>28</sup> See for example, Matlosa, "Structural Adjustment Programmes and the Employment Challenge in Lesotho"; Maruping, "Structural Adjustment Program: Lesotho's Experience in a Nutshell"; Faulo Tabo and Graffton R. Quentine, "SAPs in Lesotho: An Evaluation", *Journal of Policy Modelling*, 20:6(1998), pp. 791-824; Lundahl, McCarthy and Peterson, *In the Shadow of South Africa*; Mlambo, *History of Zimbabwe*; van de Walle, *African Economies and the Politics of Permanent Crisis*.

Congress Party-led Government, which took over in 1993, after the country's elections after 1970.<sup>29</sup>

Lesotho was supported by the World Bank, IMF and the International Development Association (IDA) when the Military government first adopted the adjustment programmes.<sup>30</sup> As in other 'Third World' countries, the programmes were implemented, primarily, to liberalise the economy. They were packaged to reduce government spending, liberalise trade through promotion of foreign investment and export-led industrialisation, downsizing, liberalising public services, and increasing taxation.<sup>31</sup> Emphasis was placed on raising agricultural and industrial productivity, domestic saving and investment, improving public administration, reforming parastatals and conserving the environment.<sup>32</sup>

In the first two years, not much ground was covered as far as the implementation of the programmes was concerned. The government ascribed this lack of progress to poor implementation technicalities. Its position was that proper implementation of adjustment policies was hindered by civil servants' lack of adequate expertise. When the programmes were introduced, there was some unwillingness by civil servants to implement them<sup>33</sup> because, as shown, the Military government had adopted the programmes without popular consultation. The government thus maintained that, while the SAPs were ideal for Lesotho, they had been frustrated by the civil servants' lack of enthusiasm for them. A. M. Maruping, an official of the Central Bank of Lesotho at the time, stressed this government's view of the programmes by arguing that:

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<sup>29</sup> For more information on the demilitarisation and transition to multi-party elections, see, Roger Southall and Tšoeu Petlane (eds), *Democratisation and Demilitarisation in Lesotho: The General Election of 1993 and its Aftermath*.

<sup>30</sup> For the history and activities of IDA, refer to: <http://www.worldbank.org/ida/what-is-ida.html>, [May 05, 2014, 12:15].

<sup>31</sup> LNA, Ministry of Trade Documents, *MTI/DEV.SAF/12/104/Vol.1*, A Concept Paper for 1994/95 ESAP Successor Negotiations; Foulo and Quentin, "SAPs in Lesotho: An Evaluation", p. 793.

<sup>32</sup> LNA, Ministry of Trade Documents, *MTI/DEV.SAF/12/104/Vol.1*, A Concept Paper for 1994/95 ESAP Successor Negotiations.

<sup>33</sup> Maruping, "Structural Adjustment Program: Lesotho's Experience in a Nutshell".

At the beginning of the program, there were delays in implementing adopted policies, in observing guidelines, in shooting for targets, and in keeping within the set limits. As a result, there were slippages. The slow start could have been due to the fact that structural adjustment program, which presented a joint endeavour of the Government, the IMF, and the World Bank, was a new phenomenon in Lesotho and the usual human tendency to resist change – old habits die hard. Also, the groundwork for implementation of the program had not been adequate. Key players (i.e. key officials) in the public and private sectors had not been sufficiently educated about the program. Nor were members of the public adequately informed. Much was taken for granted. Consequently, there was an element of hostility on the part of some officials owing to the then prevailing anti-IMF sentiment internationally; there was also an innocent inability to grasp fully what the expectations were and how to begin implementing policies on the part of others officials.<sup>34</sup>

The government then pushed for the renewal of the SAPs. The second package started after the end of the 1990/91 financial year. The programmes continued to focus on liberalising the economy. This time, they placed more emphasis on agricultural productivity, combating soil erosion, protecting the environment, (particularly, rangelands through culling and destocking, establishment of Range Management Areas, introduction of grazing associations and grazing fees), and reforming parastatals, LNDC, BEDCO and their subsidiaries.<sup>35</sup> Also, the government reformed the public services to open up the economy to foreign investment. To this end, it liberalised the issuance of visas, work permits and residential permits. Prior to this, it had restricted the provision of these permits with the objective of restricting foreign investors so that indigenously-owned business could be given a platform to develop without competition from foreign investors.<sup>36</sup> The government's position was that:

In Lesotho the local entrepreneurship has to be built first before anybody can be allowed to come in freely. This is why most developing countries like Lesotho use regulatory inflow measures like work permits, visas and residential permits etc.<sup>37</sup>

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<sup>34</sup> Maruping, "Structural Adjustment Program: Lesotho's Experience in a Nutshell".

<sup>35</sup> LNA, Ministry of Trade Documents, *MTV/DEV/SAF/12/104/Vol.1*, Enhanced Structural Adjustment Facility Conditionality Report.

<sup>36</sup> LNA, Ministry of Trade Documents, *MTI/DEV.SAF/12/104/Vol.1*, Brief for the Honourable Minister of Commerce and Industry on the International Monetary Fund/Lesotho Negotiations on the Successor Programme, prepared by S. M. Lebesa, June 23, 1994, Maseru.

<sup>37</sup> LNA, Ministry of Trade Documents, *MTI/DEV.SAF/12/104/Vol.1*, Brief for the Honourable Minister of Commerce and Industry on the International Monetary Fund/Lesotho Negotiations on the Successor Programme, prepared by S. M. Lebesa, June 23, 1994, Maseru.

Notwithstanding this, the government proposed the establishment of what was called a 'One-Stop Investment Centre' to facilitate ease of access to permits and investment information for foreign investors while setting up businesses in Lesotho. This was to be a centre where local and foreign investors would get information on Lesotho's economic opportunities, acquire licences, register companies and secure permits, all in one location. However, this was not implemented because the government felt that there were many stakeholders who needed to be consulted. Therefore, establishing this centre would delay the liberalisation process.<sup>38</sup> As an alternative, the government then created another institution in 1990 to attract and provide support to foreign investment as well as to handle issues surrounding foreigners' permits. This was the Lesotho Investment Promotion Centre (LIPC).<sup>39</sup> Its primary mandate was to promote ". . . Lesotho as a profitable base for export oriented manufacturing companies".<sup>40</sup> Suffice it to mention that this was duplication of LNDC and its mandates, as will be shown later.

The military government continued with the policy of promoting manufacturing for export in the post-colonial period. Specific interest was placed on textiles and agro-businesses, in order to diversify the domestic economy and create employment.<sup>41</sup> Due to the promotion of textiles, in 1980, FDI contributed 1.2% to the country's GDP. In 1985, it had increased to 8.5%. From 1990, it increased from 25% and reached 271.6% by 2000.<sup>42</sup> In agro-business, the government promoted the production of asparagus, fruits and vegetables.<sup>43</sup> By this time, LNDC and BEDCO had been written off as ineffective, given the slow economic progress of the country and the general sentiment against the state's involvement in the

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<sup>38</sup> LNA, Ministry of Trade Documents, *MTI/DEV.SAF/12/104/Vol.1*, A Concept Paper for 1994/95 ESAP Successor Negotiations.

<sup>39</sup> LNA, Ministry of Trade Documents, *MTI/DEV.SAF/12/104/Vol.1*, A Concept Paper for 1994/95 ESAP Successor Negotiations.

<sup>40</sup> LNA, Ministry of Trade Documents, *MTI/DEV.SAF/12/104/Vol.1*, Review of Performance of ESAP.

<sup>41</sup> LNA, Ministry of Trade Documents, *MTV/DEV/SAF/12/104/Vol.1*, IMF Task-Force Mid-term Review of the E.S.A.F Meeting, March 11 to April, 1994, Maseru.

<sup>42</sup> *World Investment Report 2002*, [http://unctad.org/en/docs/wir2002\\_en.pdf](http://unctad.org/en/docs/wir2002_en.pdf), [March 03, 2014, 08:43], p. 330.

<sup>43</sup> LNA, Ministry of Trade Documents, *MTV/DEV/SAF/12/104/Vol.1*, Enhanced Structural Adjustment Facility Conditionality Report.

economy the world over. This was one of the reasons why they were duplicated. Nonetheless, the government also sought to reform these institutions so that they could be more effective. The government expanded the operations of these institutions, particularly of BEDCO, to cover the rest of the country. With the assistance of United Nations Development Programme (UNDP) and United Nations Capital Development Fund (UNCDF), BEDCO expanded to assist small-scale manufacturers in the rural and mountainous areas.<sup>44</sup> Companies that were owned by LNDC and BEDCO were to be privatised. However, before the Military government could finish implementing the second batch of adjustment programs, its rule came to an end. In 1993, the country went to its first multiparty elections since independence.<sup>45</sup> The Basotho Congress Party won the elections and ascended to power. It completed the SAPs, which ended in the 1994/95 financial year. The Congress government, supported by the World Bank, designed and implemented the *Lesotho Privatisation and Private Sector Development Project* from 1995, which is discussed later in the chapter.

In a recent study, aimed at rethinking the impact of SAPs in Africa, Lotsmart Fonjong firmly established that the programmes led to poverty, unemployment and deterioration of living conditions for the majority of the people in many West African countries. Further, the programmes led to blatant human rights abuse as governments brutally suppressed people's protests and demands for better amenities and living conditions.<sup>46</sup> Like in these African countries, Lesotho was negatively affected by the adjustment programs. Instead of addressing Lesotho's fiscal and employment challenges, the adjustment programmes worsened Lesotho's economic problems. The trade deficit widened even more.<sup>47</sup> They also led to massive domestic labour retrenchments. Within a period of 5 years, more than 7000

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<sup>44</sup> LNA, Ministry of Trade and Industry Documents, *MTI/C/BED/UNCDF/4/6*, Correspondence between BEDCO and the United Nations Capital Fund (UNCDF).

<sup>45</sup> For more information on the political history of the 1993 elections and the end of military rule, see, Southall and Petlane (eds), *Democratisation and Demilitarisation in Lesotho*.

<sup>46</sup> Lotsmart Fonjong, "Rethinking the Impact of the Structural Adjustment Programs on Human Rights Violation in West Africa", *Perspectives on Global Development and Technology*, 13(2014), pp. 87-110.

<sup>47</sup> See, Foulo and Quentin, "SAPs in Lesotho: An Evaluation".



people had been retrenched.<sup>48</sup> Lesotho's economy was saved by the Lesotho Highlands water project activities, instead. For example, even the government acknowledged that, in the 1993/1994 financial year, the economy's GDP growth rate of 7 per cent was a result of activities related to the Lesotho Highlands water scheme.<sup>49</sup> In the light of the above, the next section specifically examines the SAPs in relation to the development of indigenous business.

### **Indigenously-Owned Business Development under the SAPs**

The government, together with the World Bank and other international donors, also focused their attention on the development of indigenous business under the adjustments. From the outset, the government restricted Basotho access to owning shares in the state-owned companies, which were to be privatised. The government justified this policy on the grounds that there was no system of public issuance of shares of domestic companies in Lesotho. It also argued that, because the Basotho did not have capacity, they could not be allowed to own shares in such companies. In light of this, the government gave the responsibility of investment into newly privatised companies to LDNC, through its newly created wing, Lesotho Investment Holdings, which was created in 1991.<sup>50</sup> It affirmed that:

The declared policy objective of GoL (Government of Lesotho) is to avail the indigenous private sector an opportunity to effectively and profitably participate in economic (including industries) activities in the country. However, the lack of a business culture in Lesotho and absence of a viable mechanism for enabling the indigenous business community to buy shares in profitable business ventures call for the need for a selective and cautious disinvestment from existing portfolio of profitable and mature LNDC companies.<sup>51</sup>

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<sup>48</sup> Matlosa, "Structural Adjustment Programmes and the Employment Challenge in Lesotho", p. 21.

<sup>49</sup> LNA, Ministry of Trade Documents, *MTV/DEV/SAF/12/104/Vol.1*, IMF Task-Force Midterm Review of E.S.A.F Meeting, Ministry of Planning, March 11, 1994, Maseru.

<sup>50</sup> LNA, Ministry of Trade Documents, *MTV/DEV/SAF/12/104/Vol.1*, Notes for Discussion on October 25, 1991 for the IMF Mission visiting Lesotho from October 20, 1991 to November 12, 1991 for the Mid-term Review of Enhanced Structural Adjustment Facility (ESAF): Government Policy Framework Paper for the Period 1991/1992, 1992/93, 1993/94, April, 1991.

<sup>51</sup> LNA, Ministry of Trade Documents, *MTV/DEV/SAF/12/104/Vol.1*, Notes for Discussion on October 25, 1991 for the IMF Mission visiting Lesotho from October 20, 1991 to November 12, 1991 for the Mid-term Review of Enhanced Structural Adjustment Facility (ESAF): Government Policy Framework Paper for the Period 1991/1992, 1992/93, 1993/94, April, 1991.

As a result, the government maintained that Basotho business owners needed to be developed before they could respond to economic opportunities that came with the adoption of neo-liberal policies. It also held that the weak indigenously-owned businesses should be strengthened first so that they could not be negatively affected by the liberalisation of the economy.<sup>52</sup> Needless to say, the perception that they lacked adequate spirit of entrepreneurship and business acumen, persisted. This view continued to be the basis of intervention, which came primarily in the form of training and provision of advisory services.<sup>53</sup>

In 1992, the government created the Business Advisory and Promotion Services (BAPS) to work in collaboration with the World Bank in helping develop indigenously-owned business to prepare it to take control of the local economy at a later stage. The organisation was specifically mandated to assist the development of indigenous businesses through provision of business skills and offering technical advice.<sup>54</sup> BAPS was also supported, financially and technically, by Ireland, Germany and USAID. USAID and Germany focused mostly on agricultural businesses.<sup>55</sup> As noted, the government continued to focus on manufacturing and agro-businesses and, thus, continued to neglect commerce, where the majority of Basotho business owners were located. Just as the LIPC had duplicated the LNDC's role, the BAPS also duplicated BEDCO's role of assisting indigenously owned business. It established a Business Information Centre to offer advisory services to indigenously-owned business. The aim was to establish information centres in the 10 districts of the country. However, only one centre was established in Maseru, the capital.<sup>56</sup>

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<sup>52</sup> LNA, Ministry of Trade Documents, *MTV/DEV/SAF/12/104/Vol.1*, IMF Task-Force Midterm Review of E.S.A.F Meeting, Ministry of Planning, March 11, 1994, Maseru.

<sup>53</sup> LNA, Ministry of Trade Documents, *MTV/DEV/SAF/12/104/Vol.1*, IMF Task-Force Midterm Review of E.S.A.F Meeting, Ministry of Planning, March 11, 1994, Maseru.

<sup>54</sup> LNA, Ministry Trade Documents, *MTV/DEV/SAF/12/104/Vol.1*, Enhanced Structural Adjustment Facility Conditionality Report.

<sup>55</sup> LNA, Ministry of Trade Documents, *MTV/DEV/SAF/12/104/Vol.1*, A Concept Paper for 1994/95, ESAP Successor Negotiations.

<sup>56</sup> LNA, Ministry of Trade Documents, *MTV/DEV/SAF/12/104/Vol.1*, A Concept Paper for 1994/95, ESAP Successor Negotiations.

Basotho business owners continued to have problems of access to credit. To address this problem, the government removed the credit lending portfolio of BEDCO in 1993. As seen previously, BEDCO had a mandate of providing loans to small-scale business owners. The government transferred the responsibility of lending money to the Lesotho Bank.<sup>57</sup> LIPC, BAPS, and BEDCO were subsequently given the mandate of training Basotho business owners and mentoring them to develop bankable business plans.<sup>58</sup> The government claimed that: “There was excess liquidity with the commercial banks mainly because the banks do not get viable proposals.”<sup>59</sup>

Notwithstanding the alleged excess liquidity at Lesotho Bank, many Basotho business owners continued to have problems in accessing business finance.<sup>60</sup> Many of Basotho’s business loan applications were turned down by the bank officials on the grounds that their proposals were not ‘bankable’, and that, they did not have collateral. As a result, the banks could not trust that they would repay the loans. As Basotho were struggling to access credit from the banks, top government officials, their friends and family members, had easier access to business loans. In an interview with one business owner, and former senior employee of Lesotho Bank, and later Agric-Bank, ‘Mathabo Thefa, said that the bank managers would request them to approve certain business loan applications from high ranking government officials, and their friends, even if they did not meet the bank’s conditions.<sup>61</sup> She testified that:

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<sup>57</sup> LNA, Ministry of Trade Documents, *T&I/DEV/6/2/Vol.1*, Plans for the Restructuring of BEDCO.

<sup>58</sup> LNA, Ministry of Trade Documents, *MTV/DEV/SAF/12/104/Vol.1*, IMF Task-Force Midterm Review of E.S.A.F Meeting, Ministry of Planning, March 11, 1994, Maseru; LNA, Ministry of Trade Documents, *T&I/DEV/6/2/Vol. 1*, Plans for the Restructuring of BEDCO.

<sup>59</sup> LNA, Ministry of Trade Documents, *MTV/DEV/SAF/12/104/Vol.1*, IMF Task-Force Midterm Review of E.S.A.F Meeting, Ministry of Planning, March 11, 1994, Maseru; LNA, Ministry of Trade Documents, *T&I/DEV/6/2/Vol. 1*, Plans for the Restructuring of BEDCO.

<sup>60</sup> Lesotho Cooperative Colleges, Report: Seminar on Small Business Education and Training, June 18-22, 1990, Maseru, Lesotho, p. 8.

<sup>61</sup> Interview with ‘Mathabo Thefa, Businesswoman and former Lesotho Bank and Agric-Bank of Lesotho Employee, Maseru, November 10, 2013. The Lesotho Bank went bankrupt and was liquidated in 1999. Commission of inquiries into the bankruptcy of these banks was carried out. However, the reports were never disseminated to the public owing to wide allegations of mismanagement and looting of resources.

The banks at the time also had political issues. I have a very difficult personality to deal with. I don't just agree to something when I realise that it not proper. [A person would] just be given a loan of half a million. [That person] does not qualify, you are instructed to process the loan and I wouldn't do it . . . I decided to say, okay fine, I am leaving. I left the bank. . .<sup>62</sup>

In essence, under the SAPs, indigenously owned businesses were further marginalised. Liberalisation of the economy benefited foreign investors and political and business elites. The government did not channel its efforts towards meaningfully developing conditions out of which Basotho would benefit in the economy. It rather focused its efforts towards duplicating institutions and training Basotho in order to develop a business culture amongst them. Basotho's businesses suffered a further major blow due to political conflicts of 1998 after the country had just begun the privatisation and economic restructuring process. This was a major setback for many Basotho as discussed in the next section.

### **The 1998 Election and its Aftermath**

The Congress Party had deeply rooted internal factions since its return from exile in 1988. However, at the beginning, these were not clearly visible to the public. The division had to do with the leader of the party, Ntsu Mokhehle. There were those, known collectively as the Pressure Group, who were critical of his leadership and wanted him to step down. This faction consisted of young Congress Party members who were not in exile and some older people who were in exile but disapproved of the leadership methods of Mokhehle. They supported the deputy chairperson of the Congress Party, Molapo Qhobela.<sup>63</sup> Generally, they opposed Mokhehle's alleged authoritarianism and the fact that he ran the operations of the party in exile with his younger brother, and the Deputy Secretary General of the party, Shakhane Mokhehle.<sup>64</sup> The other group was called, in *Sesotho*, *Majelathoko* (literally, those who eat alone yonder – those that enrich themselves with public resources). This is the

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<sup>62</sup> Interview with 'Mathabo Thefa, Maseru, October, 2013.

<sup>63</sup> Pule, "Politics since Independence", pp. 204-205.

<sup>64</sup> See, Ntsukunyane Mphanya's two book volumes; *My Life in the Basutoland Congress Party* (Maseru: Motjoli Publishers, 2010) and *Exiled Ntsu Mokhehle: The Great Mass Leader and the Victim of Politics of Convenience in Retrospect* (Moriya: Morija Printing Works, 2010).

group which supported the leader, Mokhehle. It consisted of Congress Party loyalists who were in exile and old people who supported the party back home.<sup>65</sup> Nonetheless, there were still those Congress loyalists, like Ntsukunyane Mphanya (Secretary General of the Congress at the time, and Minister of Agriculture during the Congress regime), who, though strongly supported and admired Mokhehle, remained critical of him in exile, during his leadership and even after his death.<sup>66</sup>

During its one-term government tenure, the division in the party increased. In February 1997, the Pressure Group dominated the annual conference and removed Mokhehle as leader of the party. *Majelathoko* made an appeal to the High Court to declare the removal of the leader as null and void and the court upheld the challenge. However, it noted that his leadership's five years term had also come to an end. Because of this, the Court ruled that the Executive Committee of the party should hold another annual conference within a period of three and half months. In this sense, the court's verdict legitimised the Pressure Group's position. Following the verdict, it was clear that *Majelathoko's* political future was at risk. The Pressure Group dominated the party, while *Majelathoko* dominated government. Instead of following the verdict of the High Court, *Majelathoko* formed an alternative party. This was the Lesotho Congress for Democracy (LCD), which was launched on June 19, 1997.<sup>67</sup>

LCD's successful launching was aided by Mokhehle's popularity among ordinary party members since he had been the leader of the Congress Party since 1952. Among these people, Mokhehle was celebrated as a leader who fought against the suffering of Basotho, not only during the despotic rule of the National Party and Military regimes, but also, from colonialism. By virtue of this, the majority of party members in the constituencies followed him.<sup>68</sup> This was how, despite his unpopularity in the party's leadership, he was able to

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<sup>65</sup> Pule, "Politics since Independence", pp. 204-205.

<sup>66</sup> See, Mphanya, *My Life in Basutoland Congress Party*; Mphanya, *Exiled Ntsu Mokhehle*.

<sup>67</sup> Pule, "Politics since Independence", p. 205.

<sup>68</sup> See, Mphanya, *My Life in the Basutoland Congress Party and Exiled Ntsu Mokhehle*.

reproduce himself politically. This was also one of the significant factors behind why LCD became the dominant party for almost 15 years afterwards.

In May 1998, Lesotho held general elections. In these elections, three major changes were introduced. Firstly, the voting age was dropped from 21 to 18. Secondly, the number of constituencies was increased from 65 to 80. Lastly, the Independent Electoral Commission (IEC) was formed. It took over the functions of the Chief Electoral Officer and the Constituency Delimitation Commission.<sup>69</sup> Towards election time, opposition parties, mainly, the Congress Party, National Party and *Marematlou* Freedom Party (MFP), lodged an application to the High Court requesting the court to postpone elections due to irregularities in the registration of voters. They complained that the IEC had failed to provide political parties with voters' lists as the law required. Moreover, they maintained that voters' lists were again full of irregularities, such as multiple registrations and the listing of many people born on the same date. In addition, about 30% of the list consisted of phantom voters. The three parties argued that the IEC had failed to do its job well and demanded that the Chairman resign.<sup>70</sup>

On May 19, the High Court delivered its verdict on the matter and ruled that it could not postpone the election because it did not have the powers to do so. Additionally, it informed the parties to make more investigations into the alleged irregularities. It pointed out that they could still lodge their petition after the election. As planned, the country went to elections on May 23, 1998. Both local and international observers agreed that elections were free and fair. On May 24 and 25, results of the election were announced. LCD won 79 out of 80 constituencies, while the National Party won the remaining one.<sup>71</sup> On May 24, as results were being read and LCD had won 52 constituencies, the three major opposition parties rejected the results. Consequently, in the period between May and the beginning of August, they challenged the results by filing petitions in the courts of law. Not making much progress, they changed their approach from August and marched to the palace to present

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<sup>69</sup> Pule, "Politics since Independence", p. 207.

<sup>70</sup> Pule, "Politics since Independence", p. 208.

<sup>71</sup> Pule, "Politics since Independence", p. 208.

King Letsie III with a petition demanding that he dissolve government and parliament, and then form a government of national unity. Opposition occupied the area near the palace gates for about two months. Government offices were forced to close, there were 'stay-aways' and seizures of government property. Radio Lesotho had to close and there were also frequent violent confrontations between opposition supporters and the police.<sup>72</sup>

These domestic conflicts culminated in external mediation by the South African Deputy President at the time, Thabo Mbeki, resulting in the appointment of a commission of inquiry into alleged irregularities in August. This was the Langa Commission, which was named after its chair, Pius Langa, a South African Judge. Its findings were presented on September 17. The Commission revealed that though elections had proceeded well, there had indeed been some irregularities. However, the elections had not been rigged.<sup>73</sup> Despite South African diplomatic intervention, violent confrontations persisted at the level of party supporters. LCD acknowledged that it had lost control of government. It did this in its letters to other Southern African Development Community (SADC) countries requesting military assistance. South Africa and Botswana responded, and sent their troops to Lesotho in the name of restoring peace and order and rescuing the legitimate government. Their intervention resulted in one of the most heavily armed conflicts in the history of contemporary Lesotho. These events occurred in the period between September 22, when South African troops first landed in Lesotho, and October 17. Maseru, the capital, and other major district towns were severely damaged. It was after this SADC military intervention that domestic conflicts were finally abated to allow for negotiations. LCD regained its position as leader of government.<sup>74</sup>

The events of 1998 negatively affected Lesotho's economy.<sup>75</sup> They did so to a point where many people felt that food aid would have to be made available to the people. This was

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<sup>72</sup> Pule, "Politics since Independence", p. 209.

<sup>73</sup> For more details on this, see, *The Report of the Commission of Enquiry into the Conduct and Results of the Lesotho General Elections held in May 1998*, September 9, 1998.

<sup>74</sup> For more details of this political history see, Pule, "Politics since Independence"; Gill, *A Short History of Lesotho*.

<sup>75</sup> Masilo Philemon Makhetha, "The Socio-Economic Cost of the Post-Election Conflict", *Journal of African Elections*,

particularly because retail and wholesale businesses were the most severely damaged, since they were burnt and raided for food supplies. However, the Lesotho Chamber of Commerce and Industry (LCCI) and the Association of Lesotho Employers (ALE), countered the proposal of food aid. Their argument was that instead of relying on foreign aid, “. . . accurate data were urgently needed to assess the damage and the implication of this for employment and economic recovery.”<sup>76</sup>

Sechaba Consultants<sup>77</sup>, together with these two associations, took a lead in this study. They created a Crisis Committee mandated to deliberate on the research and other potential matters that would arise regarding the damages in business. The study focused on the three districts in which the disruptions were experienced most profoundly. These were Maseru, the capital, Mafeteng and Mohale’s Hoek.<sup>78</sup> Further, the investigation revealed that a total of 1,045 businesses had been damaged by the conflicts of 1998. The majority were owned by Basotho. These were particularly small retail shops, butcheries, bakeries, cosmetics, hair and saloons, footwear and cloth shops. The investigation also revealed that 80% of these damaged Basotho businesses were owned by women.<sup>79</sup> The majority of the businesses employed between one and two people.<sup>80</sup> The most damage was experienced in Maseru, the epicentre of the disturbances, followed by Mafeteng in the neighbouring southern district, and Mohale’s Hoek District, further south, came last. Of the total, 779 businesses damaged were in Maseru, 136 in Mafeteng and 105 in Mohale’s Hoek. Outside these districts, in other parts of the country, only five cases of damaged businesses were reported. These were in

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[http://reference.sabinet.co.za/webx/access/electronic\\_journals/eisa\\_jae/eisa\\_jae\\_v7\\_n1\\_a11.pdf](http://reference.sabinet.co.za/webx/access/electronic_journals/eisa_jae/eisa_jae_v7_n1_a11.pdf), [May 14, 2014, 09:17].

<sup>76</sup> *Lesotho 1998: Assessment of Damages to Business and Loss of Employment Report – A joint Assessment of 1, 045 Businesses in Maseru and District Towns*, November, 1998.

<sup>77</sup> As they put it in the Report, Sechaba Consultants “. . . offered to contribute to these efforts by providing its expertise in data collection and analysis on a not-for-profit basis.”

<sup>78</sup> *Lesotho 1998: Assessment of Damages to Business and Loss of Employment Report*.

<sup>79</sup> Though it is not easy to get statistics on the number of businesses owned by men and women, respectively, in the postcolonial period, statistics such as these are important in highlighting that the majority of business owners in post-colonial Lesotho are women.

<sup>80</sup> *Lesotho 1998: Assessment of Damages to Business and Loss of Employment Report*, p. iv.



the following districts: Berea, Quthing, Leribe and the Highlands part of Maseru in the east central area (Semonkong).<sup>81</sup>

Most of the 70 big businesses which were damaged were owned by foreigners. These were wholesales, building hardware stores, petrol stations, medical and pharmaceutical companies, furniture stores, garages and motor spares shops and supermarkets. These foreign businesses employed many people. The damage was valued in millions. However, they had insurance unlike many Basotho owned businesses.<sup>82</sup> Due to lack of insurance and other financial constraints, only 67% of Basotho businesses were restarted in Maseru by the end of the year. A small number of previously damaged Basotho owned businesses resumed operations in the districts of Mafeteng (36%) and Mohale's Hoek (23%). A total of 423 businesses, which employed about 2,413, had not yet started by the time the study was conducted. Damages experienced by all these businesses resulted in extensive unemployment. In total, there was an estimated retrenchment of 1,506 employees.<sup>83</sup>

Evidence presented above demonstrated the severity of the impact of the 1998 election and its aftermath on business. Many Basotho businesses never recovered from this because they had to find ways to refinance their businesses on their own. As it took power, the LCD government implemented a number of policies and programmes that were meant to reconstruct the country's economy and business after the destruction. The next section explores how it sought to achieve this.

### **LCD Government and the Privatisation Programmes**

This section focuses on how the LCD government attempted to develop Lesotho's economy after the 1998 destruction of businesses. Primarily, it continued and completed the World Bank's *Privatisation and Private Sector Development Project*, which had been adopted by the Congress government in 1995. Specific focus is placed on how the government

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<sup>81</sup> *Lesotho 1998: Assessment of Damages to Business and Loss of Employment Report*, pp. iv and vi.

<sup>82</sup> *Lesotho 1998: Assessment of Damages to Business and Loss of Employment Report*, p. iv.

<sup>83</sup> *Lesotho 1998: Assessment of Damages to Business and Loss of Employment Report*, p. iv.

completed the privatisation project, institutions and programmes it enacted to develop local business, and the impact of its policies in the economy, as well as, on how the majority of Basotho business owners were positioned in the privatisation process.

The *Privatisation and Private Sector Development Project* began under the BCP regime in 1995. As shown, the project replaced the SAPs. However, it was still in line with the World Bank's mandate to liberalise 'Third World' economies. In 1995, the government and the World Bank implemented the first five-year phase of *Lesotho Privatisation and Private Sector Development Programme*. Under the project, former state-owned companies were privatised. There were 32 major companies and a few other small ones, which were directly owned by the government and indirectly owned through LNDC, BEDCO and Lesotho Bank.<sup>84</sup> In order to facilitate the country's privatisation and economic reconstruction program, the government (Congress government) passed the *Privatisation Act No. 9 of 1995*. The Act did two major things. Firstly, it established the *Lesotho Privatisation Unit* under the Ministry of Finance to "plan, manage, implement and control the privatisation process in Lesotho. . ."<sup>85</sup> Secondly, the Act laid down privatisation principles, guidelines and regulations to be followed. It basically adopted three methods of privatisation. These were private management contracts, outright sale of company shares, and/or, their assets and liquidation of bankrupt companies and parastatals.<sup>86</sup>

In so far as the practical privatisation process of state-owned companies and parastatals was concerned, not much progress was made by the Congress government. The government was only able to begin negotiations with various investors in order to buy or manage state-owned companies. The bulk of privatisation contracts and deals were completed by the LCD government.<sup>87</sup> For example, in 1995, the Lesotho Housing Finance Corporation was merged

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<sup>84</sup> *First Lesotho Privatisation and Private Sector Development Project Progress Report (1995-2002)*, <http://lesothoembassy.de/PUweb/documents/progress-rpt-9502.htm>, [May 14, 2014, 15:31].

<sup>85</sup> *First Lesotho Privatisation and Private Sector Development Project Progress Report (1995-2002)*.

<sup>86</sup> *First Lesotho Privatisation and Private Sector Development Project Privatisation Progress (1995-2002)*.

<sup>87</sup> See, Lesotho Privatisation reports on the Lesotho Privatisation Unit Website, <http://lesothoembassy.de/PUweb/documents/reports-index.htm>.

into Lesotho Bank. Lesotho Housing was a government corporation created to provide housing loans to the people.<sup>88</sup> The government stopped the privatisation of the National Abattoir and Feedlot Complex. USAID, which supported liberalisation of agro-business at the time, withdrew its support because the Congress government cancelled grazing fees that had been put in place under the SAPs. These fees were very unpopular amongst the rural majority who depended on livestock. Alternatively, the government called in a Danish private company to run the Abattoir.<sup>89</sup> In 1997, the government privatised Lesotho Airways Corporation. The government sold 100% of Lesotho Airways' shares to Rossair Contracts, a South African company.<sup>90</sup>

After the LCD government came to power in 1998, it continued with the privatisation project. The major justification for privatisation was that the state had failed to manage such companies, and indeed, many had gone bankrupt.<sup>91</sup> There was mismanagement and looting of resources in many state-owned companies and parastatals.<sup>92</sup> The government viewed the privatisation and attraction of FDI as an effective solution, and above all, Lesotho's rescue from aid dependency.<sup>93</sup> In an opening address of the 'National Dialogue on Privatisation and Restructuring of the Lesotho Economy', held in Maseru on September 1 and 2, 1999, the then Prime Minister of Lesotho, Pakalitha Mosisili, observed that:

Today the situation is much more difficult than it has ever been: for a variety of reasons foreign aid has almost dried up completely. A key political problem is that many among us continue to behave as if Foreign Aid is still available to bail us out of our difficulties . . . let us face reality once and for all. Foreign aid is no

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<sup>88</sup> [Lesothoembassy.de/PUweb/projects/Privatised.htm](http://Lesothoembassy.de/PUweb/projects/Privatised.htm), [May 13, 2014, 08:38].

<sup>89</sup> LNA, Ministry of Trade Documents, *MTV/DEV/SAF/12/104/Vol.1*, IMF Task-Force Midterm Review of E.S.A.F Meeting, Ministry of Planning, March 11, 1994, Maseru.

<sup>90</sup> LNA, Ministry of Trade Documents, *MTV/DEV/SAF/12/104/Vol.1*, A Concept Paper for 1994/95 ESAP Successor Negotiations; [Lesothoembassy.de/PUweb/projects/Privatised.htm](http://Lesothoembassy.de/PUweb/projects/Privatised.htm), [May 13, 2014, 08:38].

<sup>91</sup> Of course this was a popular neo-liberal justification for the introduction of free-market economic policies.

<sup>92</sup> See, Privatisation Reports on the Privatisation Unit website, [Lesothoembassy.de/PUweb/projects/Privatised.htm](http://Lesothoembassy.de/PUweb/projects/Privatised.htm), [May 13, 2014, 08:38].

<sup>93</sup> Opening address by the Prime Ministry of Lesotho, Pakalitha Mosisili, National Dialogue on Privatisation and Restructuring of the Lesotho Economy, Maseru, September 1-2, 1999, [Lesothoembassy.de/PUweb/projects/Privatised.htm](http://Lesothoembassy.de/PUweb/projects/Privatised.htm), [May 13, 2014, 08:38].

longer available to us. In the place of foreign aid we have to look for foreign investment.<sup>94</sup>

The Prime Minister's speech captured government's approach to privatisation and economic restructuring of Lesotho's economy. That is, the government further opened the economy to foreign investment. The main aim of the *Privatisation Programme*, in restructuring the economy of Lesotho, was to "free taxpayers of subsidies to non-performing state enterprises; to attract capitalization and management expertise" in order to "stimulate growth, efficiency and job creation" as well as "to create a favourable climate for private sector development."<sup>95</sup>

By and large, beneficiaries of privatisation were foreign investors and a few local business owners who had capital. A number of examples demonstrate this observation.<sup>96</sup> In 1998, Lesotho Flour Mills (LFM) was privatised. LFM had been established in 1975 with Government holding all the company shares. Under the privatisation drive, two international companies bought 51% of LFM's shares. These were Seaboard Overseas Limited and Saxonvale Investment Limited – 49% was retained by the government – of these remaining shares, 39% was reserved for Basotho's participation through Lesotho Unit Trust (this will be explored later). The remaining 10% was reserved for the Employment Share Ownership Scheme.<sup>97</sup> Similarly, in 1998, International Freight and Travel Services (IFTS), a transport agency that rented out cars, was sold entirely to a South African-based company, Avis Southern Africa.<sup>98</sup>

The government privatised the Lesotho Bank in 1999. It justified this on the grounds that the bank's fiscal position had begun to deteriorate over the years due to political

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<sup>94</sup> Opening address by the Prime Ministry of Lesotho, Pakalitha Mosisili, National Dialogue on Privatisation and Restructuring of the Lesotho Economy, Maseru, September 1-2, 1999.

<sup>95</sup> *Fourth Annual Report: Lesotho Privatisation and Private Sector Development Project, April 1, 1999 to March 31, 2000*, [Lesothoembassy.de/PUweb/projects/Privatised.htm](http://Lesothoembassy.de/PUweb/projects/Privatised.htm), [May 13, 2014, 08:38], p. 1.

<sup>96</sup> To see individual cases of the privatisation process in various companies, visit the Lesotho Privatisation Unit's website, [Lesothoembassy.de/PUweb/projects/Privatised.htm](http://Lesothoembassy.de/PUweb/projects/Privatised.htm), [May 13, 2014, 08:38].

<sup>97</sup> *Privatisation Progress Report: Lesotho Privatisation and Private Sector Development Project (1995-2002)*.

<sup>98</sup> *Privatisation Progress Report: Lesotho Privatisation and Private Sector Development Project (1995-2002)*.

interference and inadequate management. In 1995, the bank had reported a loss of approximately R58.3 million. In 1999, the government was forced to rescue the bank by injecting a total of R240 million in order to safeguard public's deposits. The government of Lesotho invited Standard Bank of South Africa to invest in Lesotho. Consequently, Standard Bank bought 70% of Lesotho Bank's shares, while the 30% was retained by the government. The name of the new bank became Standard Bank (Lesotho) Ltd. 15% of the 30% stocks retained by government were reserved for Basotho to buy shares through the Unit Trust.<sup>99</sup>

Minet Kingsway (Pty) Ltd, an insurance company in which the government had a 51% share control, through Lesotho Bank, was privatised in 2000. Its other partner, AON Risk Services, a Netherlands-based international company, owned 49% of its stocks. AON increased its shares to 80% in 2000 and the government remained with 20%.<sup>100</sup> The Plant and Vehicle Pool Services (PVPS), which was established under the Ministry of Works, with administrative control by the Ministry of Finance, was privatised the same year. PVPS's major duties had been to purchase and maintain all government's plant and vehicle fleet, to provide storage and supply of spares and parts, and to exercise the general administration of all government's equipment and vehicles. It was divided into two companies. These were PVPS Plant Pool Workshop and Plant and Vehicle Pool Services. Imperial Fleet Services of South Africa bought 80% of the latter. The government reserved the remaining percentage to allow Basotho to buy shares through the Unit Trust.<sup>101</sup> A Mosotho local investor by the name of J. Ralebitso bought all the 100% shares of the former.<sup>102</sup> George Kou, a local Mosotho business owner, bought 100% of Orange River Lodge in 2000. The same year, a South African company Eskom Enterprises bought 70% of Telecom Lesotho's shares. In 2008, it sold all its stocks to Econet Wireless Communications (Pty). This is a Zimbabwean company owned by Strive Masiyiwa. The following year, a local group of investors, by the name of Sekhametsi Investment Consortium, bought 12% shares in Vodacom Lesotho.<sup>103</sup>

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<sup>99</sup> *Privatisation Progress Report: Lesotho Privatisation and Private Sector Development Project (1995-2002).*

<sup>100</sup> *Privatisation Progress Report: Lesotho Privatisation and Private Sector Development Project (1995-2002).*

<sup>101</sup> *Privatisation Progress Report: Lesotho Privatisation and Private Sector Development Project (1995-2002).*

<sup>102</sup> *Privatisation Progress Report: Lesotho Privatisation and Private Sector Development Project (1995-2002).*

<sup>103</sup> *Privatisation Progress Report: Lesotho Privatisation and Private Sector Development Project (1995-2002).*

## Privatisation Reforms and Development of Indigenously-Owned Business

The previous section demonstrated that the privatisation transition was dominated by foreign investors, government and a few Basotho, who had the financial capacity to invest. Due to lack of capital and access to credit from commercial banks, the majority of Basotho were not able to respond to economic opportunities that came with the privatisation project.<sup>104</sup> As a result, the government explored ways (and these are examined below) in which Basotho could be assisted in order to respond to economic opportunities brought by the economic restructuring.

The government of Lesotho acknowledged the importance of allowing potential Basotho investors to participate in the process, as one of the key indicators of the project's success. Through the privatisation project, the government created two programmes with the aim of facilitating participation of the majority of Basotho business owners. Firstly, it created the Entrepreneurship Training Programme (ETP) in 1996, which operated with minimal success until 2000. The entrepreneurship programme was established because the Business Advisory and Promotion Services, which was mandated to provide the business community with investment information and training, when the SAPs were first introduced, had "... not performed as expected."<sup>105</sup> ETP was placed under BEDCO. As the name suggests, ETP was meant to inculcate the perceived lack of entrepreneurial spirit and business culture amongst Basotho through training. This was done with the view to involve them in the privatisation and economic restructuring of Lesotho. To this end, a number of courses were offered to small business owners around the country.<sup>106</sup>

Secondly, the government launched the Lesotho Unit Trust in August 2001. The Unit Trust was an investment holding through which the majority of Basotho could collectively buy

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<sup>104</sup> *Fourth Annual Report: Lesotho Privatisation and Private Sector Development Project, April 1, 1999 to March 31, 2000*, p. 7.

<sup>105</sup> *Annual Report: Lesotho Privatisation and Private Sector Development Project (1997-1998)*, [Lesothoembassy.de/PUweb/projects/Privatised.htm](http://Lesothoembassy.de/PUweb/projects/Privatised.htm), [May 13, 2014, 08:38].

<sup>106</sup> *Annual Report: Lesotho Privatisation and Private Sector Development Project (1997-1998)*.

shares of privatised companies.<sup>107</sup> The Trust came as a result of “. . . major public criticisms of the Lesotho Privatisation and Private Sector Development”, namely that, Basotho had “not been afforded the opportunity to purchase shares of former state-owned enterprises.”<sup>108</sup> The government placed the Trust under private management through the creation of Standard Bank Lesotho Unit Trust (Pty) Ltd. It was established with a mandate to manage the Trust.<sup>109</sup> As a policy of affirmative action, the government gave the Trust a number of tax exemptions and subsidies in order to increase returns on investments for Basotho investors through the 2003 Lesotho Unit Trust Bill.<sup>110</sup> The major objective of the Bill was to “. . . make provision for administration, investment and management of the Lesotho Unit Trust” with the aim to accord . . . concession and subsidies that will make the Trust an attractive investment opportunity of the citizens of Lesotho.”<sup>111</sup>

## Conclusion

This chapter has chronicled the history of the adoption of the World Bank’s neo-liberal economic policies, which came to be guided by the liberal state under multi-party political systems, equated to democratic governance, as the country shifted from civilian to military dictatorship governments. The country adopted the policies as a means to establish the multi-billion Lesotho Highlands Water Project as well as to allow the international flows of capital into the country. From the outset, the impact of the policies was felt as many people lost their jobs. These policies became the basis through which the majority of Basotho were marginalised in the local economy while priority was given to foreign investors and a few

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<sup>107</sup> *Annual Report: Lesotho Privatisation and Private Sector Development Project (1997-1998)*; Lesotho Parliamentary Debates (Hansard), Fifth Meeting, Sixth Session, September 4, 2003. I made attempts to find out people who invested in this Trust but such efforts did not result in any desired results since this was regarded as sensitive investment information. I was interested to find out the following issues: Who invested? What was the role of political party affiliations? How transparent was the process? And, how inclusive was it?

<sup>108</sup> *Annual Report: Lesotho Privatisation and Private Sector Development Project (1997-1998)*.

<sup>109</sup> *Annual Report: Lesotho Privatisation and Private Sector Development Project (1997-1998)*.

<sup>110</sup> *Annual Report: Lesotho Privatisation and Private Sector Development Project (1997-1998)*; Parliamentary Debates (Hansard), Fifth Meeting, Sixth Session, September 4, 2003.

<sup>111</sup> Parliamentary Debates (Hansard), Fifth Meeting, Sixth Session, September 4, 2003, p. 22.

Basotho business elites. The next chapter explores the impact of neo-liberalism on indigenously-owned business as well as Basotho business owners' resistance.



## CHAPTER 7

### Continued Marginalisation of, and Resistance by, Indigenously-Owned Business: 2000-2012

#### Introduction

The previous chapter accounted for neo-liberal economic restructuring in Lesotho since 1988, within the context of the transition from military dictatorship to multi-party political system since 1993. This chapter assesses the impact of this neo-liberal economic and political transition. The chapter argues that the liberal duo facilitated further marginalisation of the majority of Basotho business owners. It demonstrates that from the early 2000s to 2012, the Lesotho Congress for Democracy (LCD) government, in its 15 years in office, consolidated its power and economic interests. The government controlled economic opportunities that came with Lesotho's neo-liberal economic transition. It used its political power and influence to distribute such opportunities to a few business elite groups, who were selected political party members, fellow politicians, foreign investors, friends and family.

Consequently, the majority of Basotho business owners were excluded from economic opportunities that emanated from the restructuring. The government deliberately frustrated and balkanised indigenously-owned business by employing the classic 'divide-and-rule' strategy as it rewarded those who followed its dictates while side-lining those who challenged its authority. This made the LCD government's authoritarian rule even more pronounced. Cotton and Ramachandran argue that: "The economic liberation that has taken place in many Sub Saharan countries failed to bring about the dramatic growth needed to lift the economies out of poverty,"<sup>1</sup> while the "privatisation process itself, often pursued via non-transparent means, also offered opportunities for patronage and rent seeking."<sup>2</sup> Similarly, Hart, Laville and Cattani correctly observe:

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<sup>1</sup> Cotton and Ramachandran, "Governance and the Private Sector in Africa", p. 213.

<sup>2</sup> James J. Emery, "Governance and the Private Investment in Africa" in Nicolas van de Walle and Nichole Ball and Vijaya Ramachandran (eds), *Beyond Structural Adjustment: The Institutional Context of African Development* (New York: Palgrave Macmillan, 2003), p. 241.

We have just been through a prolonged social experiment in which markets and money were left to find their own way around the world . . . This experiment has been called ‘neoliberalism’ . . . The freedom of these markets was mainly for those with lots of money. The rest of us had to adjust; and society became much more unequal as a result. One victim of neoliberalism was certainly democracy in any meaningful sense.<sup>3</sup>

This chapter is organised into four sections. The first section explores institutions that the LCD government created in order to subject the local business under its control. The second section expands the debate of how the ruling party further consolidated its power in the local business through promoting elitism. The third section accounts for Basotho business owners’ resistance to government’s subjugation and continued marginalisation. The fourth section exposes how the LCD regime retaliated to Basotho’s resistance; basically, by sanctioning and balkanising them, which means deliberately undermining their unity. The last section demonstrates how Basotho business owners, specifically, LCCI and its members, mobilised other marginalised Basotho groups in the economy in order to create what has now become the biggest solidarity movement against the LCD regime and impact of neo-liberalism.

### **LCD Regime’s Consolidation of its Control over Local Business: Situating the Role of Public-Private Sector Partnership Institutions and Programmes**

This section examines how the LCD government consolidated its political and economic control in Lesotho’s local business. As will be shown, under the rubric of public-private sector participation (PPP), the government maintained a strong grip on the economy in its 15 years of government. To achieve this, it created two institutions. These were the Smart Partnership Hub and the Business Council of Lesotho. This section provides a history of their formation, activities and short-comings.

In 2005, the LCD government launched the Smart Partnership Hub with the rationale to create dialogue between the business community and the government. As outlined by the Lesotho Smart Partnership chapter, it was established as a movement to counter the following problems: red tape and theft, lack of consultation between government and

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<sup>3</sup> Hart, Laville, Cattani, “Building the Human Economy”, p. 1.

business, government's delays in payments of service providers, poor dissemination of government information, high tax rates, lack of transparency at the Central Tender Board, preferential treatment of foreign companies by government, lack of local entrepreneurship skills as well as discrimination based on politics, gender and religion.<sup>4</sup>

Smart Partnership was an idea copied from Malaysia during the leadership of President Mahathir bin Mohamad and applied in Lesotho. He is credited for having been the one who championed the Smart Partnership as an economic strategy for Malaysia.<sup>5</sup> Prior to this, Smart Partnership was established in 1995 in New Zealand as a movement within the Commonwealth by the Heads of State and Government. The idea behind the Smart Partnership is to bring various sectors of the economy together with the aim of exchanging information, ideas, interests and experiences to facilitate a vibrant economy. It is organised around eight groups called the 'Links', in Smart Partnership terminology. These are: Government and Politics, Social Issues, Labour, Media, Academia, Arts and Culture, Business and Club 29 (Youth). People then join these various groups depending on their interests, expertise and skills.<sup>6</sup>

When it was launched in Lesotho, it was placed directly under the Prime Minister's Office. This ensured that the Hub enjoyed generous financial and other support, which came from both the government and international institutions. For example, in the financial year 2011/12, government received a total of R1.8 billion in the form of loans and grants from various development partners. These were: European Investment Bank, World Bank, Saudi Fund for Development, Organisation of the Petroleum Exporting Countries (OPEC),

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<sup>4</sup> *A Report on Lesotho National Business Dialogue*, 'Manthabiseng Convention Centre, Maseru, Lesotho, April 5-6, 2006, p. 12. A list of problems provided by the Smart Partnership is important to provide supportive information on some of the political and economic tendencies which were taking place in Lesotho after privatisation, particularly, lack of transparency in awarding tenders and economic discrimination based on political affiliation.

<sup>5</sup> *Smart Partnership: Southern African International Dialogue Proceedings Report*, Maseru, Lesotho, November 9-12, 2005, p. 1.

<sup>6</sup> *Smart Partnership: Southern African International Dialogue Proceedings Report*, Maseru, Lesotho, November 9-12, 2005, p. 1.

Multilateral Debt Relief Initiative, Irish Aid, European Union (EU), African Development Bank (ADB) and the IMF.<sup>7</sup>

In its active years between 2005 and 2012<sup>8</sup>, the Hub made a number of significant contributions to the economy and business infrastructure. Firstly, the Hub pushed for an establishment of what is called the One-Stop Business Facilitation Centre (OBFC), or what is popularly called the One-Stop shop.<sup>9</sup> OBFC brought together various Ministries and Authorities involved in issuing licences, company registration, import and export permits, visas, tax clearances, residents permits and others, under one roof to ensure easy access to these business services.<sup>10</sup> Accordingly, in 2009, the government placed OBFC under the Ministry of Trade, Industry, Co-operatives and Marketing. OBFC facilitated ease of access to various business services mentioned above. It now takes a shorter time and less effort to apply for, and acquire, licences, as well as, to register companies.<sup>11</sup>

Furthermore, the public and government have persistently criticised institutions of higher learning in Lesotho for providing a curriculum that does not support the needs of the country, particularly, those of business. The argument has been that since many educational institutions were established during the colonial period, they promoted literacy for employment, as opposed to self-employment. For example, the government held that Lesotho's "[v]ocational training outfits . . . do not appear to meet the skills requirements of the established industries."<sup>12</sup> The first director of the Hub, Lira Ralebese, argued that, because of this gap between Lesotho's education and the economic needs of the country,

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<sup>7</sup> Progress Report distributed during the National Dialogue in Preparation for the Global 2013 Smart Partnership Conference, Maseru Sun Hotel, Maseru, Lesotho, May 29, 2013.

<sup>8</sup> During the time of my fieldwork, it had become weak and ineffective because the new government did not support it as much as the LCD government had done.

<sup>9</sup> *A Report on Lesotho National Business Dialogue*, 'Manthabiseng Convention Centre, Maseru, Lesotho, April 5-6, 2006, p. 12. As seen previously, the Military government could not open a similar centre due to time and resource constraints. In this sense, the idea to establish this facility was not new.

<sup>10</sup> <http://www.obfc.org.ls/aboutUs/default.php>, [May 13, 2014, 10:34].

<sup>11</sup> <http://www.obfc.org.ls/aboutUs/default.php>, [May 13, 2014, 10:34].

<sup>12</sup> [www.intracen.org/WorkArea/DownloadAsset.aspx?id=52379](http://www.intracen.org/WorkArea/DownloadAsset.aspx?id=52379), [March 02, 2014, 12:57].

the Hub successfully advocated for the establishment of a new university that would train students who could create employment for others through entrepreneurship. Accordingly, the government established Limkokwing University of Creative Technology in 2008.<sup>13</sup> This is an international private university owned by Tan Sri Dato' Sri Paduka Dr Lim Kok Wingm, which has its headquarters in Malaysia.<sup>14</sup>

The university was established within such a short space of time that it immediately sparked a lot of controversy in Lesotho. Many government buildings were rented out to it while students who could not qualify for enrolment into the National University of Lesotho (the only university at the time) and other reputable institutions of higher learning were accepted in big numbers. These students were funded by the government to pursue their studies.<sup>15</sup> However, as it turned out, qualifications which students obtained could not be recognized internationally and within the country's institutions of higher learning. On September 11, 2012, the Council on Higher Education<sup>16</sup> called for a commission of inquiry into the operations and qualifications of Limkokwing University. However, the Ministry of Education ignored these and kept its silence.<sup>17</sup> *Lesotho News*, a local newspaper, argued that: "Basotho are a resilient people but they were shattered to discover that, as an investment, Limkokwing is something of a Ponzi scheme."<sup>18</sup> In fact, "Limkokwing Lesotho has an annual turnover of about M125 million, making it perhaps the most lucrative business venture in this country."<sup>19</sup>

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<sup>13</sup> Interview with Lira Ralese, Director of Smart Partnership Hub (2006-2012), Maseru, June 25, 2013.

<sup>14</sup> <http://www.limkokwing.net/malaysia/about/founder>, [May 14, 2014, 13:06].

<sup>15</sup> <http://lestimes.com/university-of-cash-and-tosh/>, [February 15, 2015, 10:46];  
<http://www.mwakilishi.com/content/blogs/2012/11/01/urgent-investigation-by-the-kenyan-government-required-of-limkowking-university.html>, [February 15, 10:22].

<sup>16</sup> The Council was established in 2004 to regulate and ensure quality education in Lesotho's institutions of higher learning. See its website: <http://www.che.ac.ls/about/default.php>, [February 15, 2015, 11:46].

<sup>17</sup> <http://www.mwakilishi.com/content/blogs/2012/11/01/urgent-investigation-by-the-kenyan-government-required-of-limkowking-university.html>, [February 15, 10:22].

<sup>18</sup> <http://lestimes.com/university-of-cash-and-tosh/>, [February 15, 2015, 10:46].

<sup>19</sup> <http://www.mwakilishi.com/content/blogs/2012/11/01/urgent-investigation-by-the-kenyan-government-required-of-limkowking-university.html>, [February 15, 10:22].

Apart from these interventions and other activities, the Prime Minister's Office, through the Smart Partnership Hub, created the Business Council of Lesotho in order to consolidate government's power and control over Lesotho's local business. The Council was first proposed in the 2006 Smart Partnership dialogue.<sup>20</sup> It was officially launched on October 9, 2009. The Council consisted of representatives of the business community (the Business Foundation) and government (Public Sector) and was chaired by the Prime Minister. However, the council only sat six times in the time between its formation and 2012.<sup>21</sup> The Smart Partnership, in collaboration with the Business Council, successfully advocated for the formation of a Partial Credit Guarantee Scheme in November 2012. As has been demonstrated, one of the central problems of Basotho business owners has always been the lack of access to credit from commercial banks. The scheme was placed under the Lesotho National Development Corporation (LNDC). LNDC justified that in Lesotho ". . . access to finance [was] the major inhibiting factor".<sup>22</sup> Raleche Semethe, LNDC official, added that:

. . . local banks are hesitant to broaden their services to aid businesses in Lesotho . . . the local business framework is such that 15% are large owned Basotho businesses while the remaining bulk (or 85%) is small businesses which still need to be supported financially to grow larger . . . if the banks hesitate to boost them financially, that means Lesotho will never go as far as improving its economy . . .<sup>23</sup>

Three banks were identified as partners in the credit scheme. These were South African-headquartered Ned Bank, Standard Bank and First National Bank. Applications were to be made to both LNDC and the respective banks. Through the scheme, the government would provide 50% as indemnity for all loans.<sup>24</sup> Specifically, the scheme

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<sup>20</sup> *A Report on Lesotho National Business Dialogue*, 'Manthabiseng Convention Centre, Maseru, Lesotho, April 5-6, 2006, p. 12.

<sup>21</sup> Prime Minister's Office letter of invitation to the Lesotho Chamber of Commerce and Industry to be part of the Business Council, February 22, 2013; Minutes of the Meeting between the Principle Secretary of the Ministry of Trade and Industry with the Lesotho Chamber of Commerce and Industry, LCCI Head Office, Maseru, March 19, 2013.

<sup>22</sup> <http://www.lndc.org.ls/services/PCG-Pilot.php>, [May 14, 2014, 13:45].

<sup>23</sup> [http://www.informativenews.co.ls/index.php?option=com\\_content&view=article&id=453:local-banks-do-not-recognize-small-businesses-semethe&catid=11&Itemid=111](http://www.informativenews.co.ls/index.php?option=com_content&view=article&id=453:local-banks-do-not-recognize-small-businesses-semethe&catid=11&Itemid=111), [January 26, 2015, 09:44]

<sup>24</sup> <http://www.lndc.org.ls/services/PCG-Pilot.php>, [May 14, 2014, 13:45].

was established to give access to finance to people who wish to start or expand medium to large size businesses but do not have sufficient collateral/security to support facilities provided by participating banks. The scheme provides 50% guarantee on loans ranging from M200, 000 to M5 million.<sup>25</sup>

The scheme focused on the following business sectors: agro-processing, mining and quarrying, tourism, information technology, construction, franchising and manufacturing.<sup>26</sup> However, after almost a year, only three people had gained access to the money. Only R1.8 million of the allocated R10 million had been used.<sup>27</sup> During my fieldwork, I discovered that business owners and government officials of the new government were dissatisfied with the fact that only a few people had received the money.<sup>28</sup> They even questioned the political motivations behind the scheme. There were strong suspicions and discontent over the fact that the scheme was meant to benefit only a clique of LCD party members, as the pattern of events had also shown.<sup>29</sup> However, towards the 2012 elections, LCD fragmented due to internal disputes as some factions of the party challenged the authoritarian character of the leadership (this will be explored later). As a result, it could not form government. Unexpectedly, a new multi-party government was formed. This undermined alleged LCD vested interests to control the economy. As late as the end of 2014, during the write-up of the study, representatives of some of Basotho's business associations, Private Sector Foundation in this case, complained:

Something more needs to be done by government. The current guarantee scheme is not working for the private sector. In Swaziland, such a scheme assists the entrepreneurs with 95 per cent of capital for start-ups and 75 percent for

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<sup>25</sup> <http://www.lndc.org.ls>, [July 30, 2013, 14:00].

<sup>26</sup> <http://www.lndc.org.ls/services/PCG-Pilot.php>, [May 14, 2014, 13:45].

<sup>27</sup> <http://publiceye.co.ls/?p=984>, [May 14, 2014, 14:13].

<sup>28</sup> I made efforts to interview LNDC officials and its management to verify this during my fieldwork, as well as to get the names of people who were able to access funds of the scheme. However, my efforts were in vain. But, what I gathered was a strong sense of discontentment amongst the business owners and new government.

<sup>29</sup> Minutes of the Meeting between the Principle Secretary of the Ministry of Trade and Industry with the Lesotho Chamber of Commerce and Industry, LCCI Head Office, Maseru, March 19, 2013.

existing businesses. It is high time we reviewed our scheme. That thing is not working for us.<sup>30</sup>

This section chronicled major business development initiatives by the government in the neo-liberal period. It demonstrated how the government asserted its power over the economy. In its 15 years in government, LCD centralised and tightly controlled economic opportunities in order to stay in power. It basically created two significant institutions, the Smart Partnership Hub and the Business Council as a disguise to control the local economy. It aligned itself with foreign investors so as to reproduce itself politically, internally. As a result, the economy came to be dominated by foreign investment and a small clique of elitist LCD ruling party members. The next section explores elitist Basotho business associations that the government prioritised, as a way of consolidating its grip over the local economy, further.

### **Elitism and Economic Moral Crisis**

The period after 1995 saw a vigorous transition from an economy where the state was the main engine of investment to one in which business (or the private sector) was given a leading role in Lesotho's economy, *albeit*, in partnership with the government. However, the economy was structured in such a way that it would benefit a small clique of LCD political party members, friends, fellow politicians, and family members, who created and directed opportunities among their circles.<sup>31</sup> Ntsukunyane Mphaya, a Congress Party veteran and critical admirer of Ntsu Mokhehle, former Congress Party leader and founder of LCD, captured this turn of events in Lesotho's economy in his book dedicated to Mokhehle. Writing as somebody who had been close to the Congress Party leader, since the party's

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<sup>30</sup> <http://www.publiceyenews.com/site/2014/11/14/credit-schemes-turn-of-fortunes/>, [January 26, 2015: 09:54]. It is important to remind that the fortunes of the Private Sector Foundation changed in 2012 when the LCD government came to an end

<sup>31</sup> See, Mphanya, *Exiled Ntsu Mokhehle*. Though it has been difficult to get to the bottom of who owned what or invested in which businesses, since many deals were done in secrecy, the period preceding, and after, 2012 elections saw an increased exposure of many economic 'back-door deals,' which had been hidden. When I was doing my fieldwork, I came across many anecdotes of these 'back-door deals,' but, without proper evidence to substantiate. In 2008 to 2009, I was involved in Lesotho's economy as a business owner myself. This was the first time I came into close proximity with this complex economic and political arrangement, where opportunities were directed to friends, fellow party members and family. This phenomenon existed all the way from the low ranks of government, right to the top.



formation in 1952, in his capacities as both a member of the Congress Party Executive and Minister in the Congress government, Mphanya revealed that Mokhehle was indeed a great mass leader. However, he reduced himself to “an indecisive politician [who] condoned corruption in [the] promotion of elitism in mercenary politics of convenience.” In the process, he “turned against his known discipline in selflessness, self-sacrifice, service to the people, commitment to the purpose, Party Policy and discipline...”<sup>32</sup>

Conceived as an elitist party, LCD further consolidated its tight grip on Lesotho’s economy. It further took advantage of the formation of one business association, *Mohloli* Chamber of Businesses (MCB). *Mohloli* was formed by a group of Basotho business owners in December 2005. They identified themselves as a “. . . group of local entrepreneurs and professionals, who are engaged in business and other professional vocations” in Lesotho, as well as, other regional states “who aspire to play in the big league of business locally, regionally [and] internationally.”<sup>33</sup> The association had its roots in the pursuits of five Basotho business owners who had close economic relations to the King of Lesotho, Letsie III. The group called itself *Sesiu* (meaning the ‘granary’). In 2005, one of their friends died. He had neither resources nor family support to bury him. *Sesiu* approached the King for assistance. The King advised them to go and establish an organisation that would help them in the long-term, should similar occurrences take place. At first, they thought of approaching LCCI in order to carry-out their idea. However, at the time, LCCI had internal conflicts. Rather, they harboured an alternative ambition of establishing an organisation of their own. *Mohloli* was thus conceived.<sup>34</sup> Thuso Green, former Deputy-President of the association, testified to the fact that:

Mohloli was formed by people like Sekhoete, Lebohang Phohleli, Thabiso Mothabeng and Theko Retšelisitsoe. What had happened is; a friend of them had then died and they found that he had nothing and [that was] a problem . . . [They approached the King for assistance]. He said: “Guys, go and set-up

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<sup>32</sup> Mphanya, *Exiled Ntsu Mokhehle*.

<sup>33</sup> <http://www.mohloli.org.ls>, [August 01, 2013, 14:42].

<sup>34</sup> Interview with Thuso Green, Former Deputy-President and one of the Founding Members of Mohloli Business Chamber, Maseru, December 30, 2014.

something, which will help us solve problems like these. But also go out and make this economy to rise.” It is a group which called itself ‘Sesio’, which was around the King. So they came and invited some of us . . . So we started working on the concept of Mohloli. Personally, I went to – the two of us with someone called Motsekoa – approached LCCI, but at that time LCCI was fighting . . . It had serious conflicts. We then decided [to form our own organisation] . . . since [we realised that] the minute you get in there, you are going to fall into one of the factions.<sup>35</sup>

Immediately after its formation, *Mohloli* became a powerful economic force in Lesotho. It attracted a lot of public attention by drawing to itself rich local Basotho business owners. It formed strong relations with the government. As will be shown later, the Chamber’s relations with the government had reached their lowest ebb. The LCD government approached *Mohloli* to work together with it. Its popularity and close relations with the government grew so much that it was immediately characterised as a government creation. Some of its members, who belonged to the LCD party, took advantage of this.<sup>36</sup> As Green says,

[Tlohang] Sekhamane [Government Secretary in the Ministry of Trade at the time], then came to us [and said]: “Guys, I’ve realized you can help us here . . . we’ve called other business people (meaning the Chamber) but we don’t see any active action in terms of what is happening.” And then we started working with [the government] . . . But naturally everybody wanted to align themselves with Mohloli, because we were younger guys. We were very dynamic. We had pulled in [rich Basotho business] people like Matekane, Nthane, all these other guys . . . it became a very vibrant business group, which everybody just wanted to align with it. Of course we took people to China because our idea was very simple; China is the next frontier in terms of business. So we took people to China and did all those things. In some cases we went with the government. . .<sup>37</sup>

He added:

So, yes, people . . . have the perception that we were formed by the government . . . we were very effective in making things happen . . . And it continued to [irritate some] people . . . Mohloli had very high level professionals – not only business people but also people with degrees . . . naturally they dominated

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<sup>35</sup> Interview with Thuso Green, Maseru, December, 2014.

<sup>36</sup> Interview with Thuso Green, Maseru, December, 2014.

<sup>37</sup> Interview with Thuso Green, Maseru, December, 2014.

things . . . And I will not say no, there were some people who took advantage of Mohloli by getting tenders or whatever.<sup>38</sup>

Evidence presented thus far illustrates that the government found an ally in the newly formed *Mohloli*. As a new organisation, *Mohloli* also took the opportunity that the government accorded it. However, *Mohloli* did not survive long; it collapsed in 2008 due to political factors. In 2006, a group of LCD members who were dissatisfied with the Prime Minister's (Pakalitha Mosisili) authoritarian leadership formed the All-Basotho Convention (ABC) political party, under the leadership of Thomas Thabane.<sup>39</sup> Towards the 2008 elections, competition for power and influence between LCD and ABC cascaded down into *Mohloli*. The organisation's leadership and membership bifurcated according to these two political parties.<sup>40</sup> Green acknowledges that:

We failed to be neutral and take a business line when it came to political issues in 2008 . . . that is where the trouble began. Some within us stood for the elections . . . And, everybody was thinking that ABC was going to make it and ABC was "the thing" in politics . . . That's where the crash of Mohloli came. Then people started saying "we have to change the chairperson because we think he is an ABC member [and saying all sorts of things] . . . And at that stage . . . we started having problems [and it collapsed].<sup>41</sup>

After the collapse of *Mohloli*, another business association was formed by the government in 2009, with assistance from the World Bank. This was the Private Sector Foundation of Lesotho (PSFL).<sup>42</sup> The government justified the formation of PSFL by maintaining that Basotho business owners lacked the spirit of co-operation and unity to effectively deal with their problems in the local economy. Thus, they could not play an effective role in the development of local business. For example, the government claimed that the country's business community was fragmented. It alleged that:

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<sup>38</sup> Interview with Thuso Green, Maseru, December, 2014.

<sup>39</sup> Thomas Thabane became the Prime Minister of Lesotho in 2012 when his party partnered with two other opposition political parties (LCD and BNP) to form three thirds of the parliament.

<sup>40</sup> Interview with Thuso Green, Maseru, December, 2014.

<sup>41</sup> Interview with Thuso Green, Maseru, December, 2014.

<sup>42</sup> Interview with Thabo Qhesi, Chief Executive Officer of Private Sector Foundation of Lesotho, Maseru, September 17, 2013.

There is an apparent lack of entrepreneurship culture at the present moment. This could be one area that needs to be developed in order to support sustainable economic growth and development . . . The private sector institutions appear to be weakly developed and fragmented in respect of business policy advocacy.<sup>43</sup>

The veracity of this government's observation is questionable. It utilised a snap-shot approach to analyse the fragmented state of indigenously-owned business. It neglected the historical construction of that situation, which was instigated by the ruling government in its pursuits of elitist interests. Consequently, based on the experiences of *Mohloli* and the widespread embezzlement of public funds into private 'pockets' by various ruling party members and business elite groups, some people questioned the motives behind the establishment of PSFL. One anonymous observer commented that:

I am not impressed . . . All this [sic] initiatives will continue to be fruitless unless real business is engaged. *Mohloli* was largely small Basotho business people . . . Most [of the] so called business groupings in Lesotho are made up of insignificant players such as retired government employees who claim to be in the business of consultancy and small Basotho businessmen who believe they have government connections.<sup>44</sup>

As it had done with *Mohloli*, the ruling party used PSFL as its vehicle to control Lesotho's economic developments and business initiatives. Its activities and membership remained centralised in Maseru, the capital. It was not long before PSFL started to show signs of the hidden political and economic interests of its members. Evidence of this started to emerge from 2011 when the Foundation started having internal conflicts. One of the leaders, Leonia Mosothoane, revealed:

. . . [S]ince its establishment in 2009, there had never been transparency among the board . . . there was a lot of favouritism . . . The government of Lesotho encouraged us to form this foundation in order to give the private sector equal opportunities of doing business with them in order to empower Basotho but it is like these people failed to understand that is why they forgot this foundation's mandate.<sup>45</sup>

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<sup>43</sup> [www.intracen.org/WorkArea/DownloadAsset.aspx?id=52379](http://www.intracen.org/WorkArea/DownloadAsset.aspx?id=52379), [March 02, 2014, 12:57].

<sup>44</sup> <http://www.topix.com/forum/world/lesotho/TR3NGVBUDLF4P3RNO>, [May 19, 2014, 12:50].

<sup>45</sup> <http://publiceye.co.ls/?p=1561>, [July 30, 2013, 12:08].

During these conflicts, one of the most notable manifestations of shady deals and political privileging was the discovery and subsequent conviction of Osman Moosa, its chairman, for fraud and tax evasion. In August 2011, Moosa and his son were found guilty on 361 counts of fraud and tax evasion. After being found guilty, they were ordered by the High Court to pay a total of R6.1 million in fines and taxes to the Lesotho Revenue Authority.<sup>46</sup>

In support of the above charge, Monaheng Papashane, construction businessman in Maseru, shared his experiences in local business, which demonstrated an acute lack of transparency in the awarding of tenders. He got into business in 1978 after he resigned from working in the mines in South Africa. Papashane observed that, in their industry, there is “always an element of corruption”. In most cases, “some people get jobs because they have connections with the ruling party.” In his long experience in the industry, he noticed that “. . . there is [typically] a group of [elitist business people] who meet, let’s say, at Victoria Hotel, in the board room or hall, to talk about issues like that (tenders).” Other construction business owners “. . . will only hear about it two years later when they tell you that we have now closed the tender.”<sup>47</sup>

To substantiate further, Bokang ’Musa, Secretary General of the Maseru Regional Taxi Operators (MRTO) and businessman, suggested: “. . . [If] you can investigate all of the successful big investors, you will find that the Minister in charge has shares in a particular company. So, that is the biggest [problem] Lesotho [has].” Transparency International, an international non-governmental organisation, which monitors and publishes reports on corporate and public corruption, observed in its 2014 Lesotho country report that:

. . . Corruption is still commonplace in the public service. Anti-corruption institutions lack the capacity to address the country, anti-corruption policies and accountability mechanisms are generally weak, and access to information is not reality to citizens outside of government. Scandals including ministers and public

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<sup>46</sup> [http://www.lra.org.ls/News\\_items/Tax%20evader%20seeks%20longer%20grace%20period.php](http://www.lra.org.ls/News_items/Tax%20evader%20seeks%20longer%20grace%20period.php), [May 19, 2014, 14:48].

<sup>47</sup> Interview with Monaheng Papashane, Mosotho Business Owner, Maseru, September 04, 2013.

contracts have arisen in the past years and have shaken trust in the public sector.<sup>48</sup>

This section exposed how the LCD government prioritised elitist business groups in the local economy. It used its power and influence to direct resources and other economic privileges to such local business elites affiliated to the ruling party. To achieve this, it used elitist urban-based business associations and groups to assume leadership of the local economy. However, the actions of the government and these elite groups degenerated into an economic and moral crisis as corruption and greed became the order of the day.

### **Resistance to LCD's Economic Authoritarianism and Marginalisation**

The previous two sections demonstrated how the LCD government maintained a tight grip over the local economy, as well as how it used selected elitist business groups to lead the local business. This section explores how some groups, specifically LCCI, in the local economy contested this exclusion and marginalisation. The Chamber of Commerce and its members felt the bulk of the LCD regime's exclusion. Though LCCI still represented the majority of Basotho in business, its legitimacy and membership were undermined by the government, following the formation of *Mohloli* and Private Sector Foundation, sequentially. In fact, *Mohloli* was formed at the time when relations between LCCI and LCD government had reached their lowest ebb. As shown, from the outset, LCCI was formed as an organisation that would advance collective business interests in Lesotho. Due to the continued marginalisation of Basotho, LCCI changed its outlook in order to advance their interests. In this way, it managed to consolidate its position as a legitimate representative of the majority of Basotho in business, as seen in chapter five.

As already examined, LCCI's relations with the previous governments of Lesotho were fluid. Under the Military government, Moletsane Mokoroane, Minister of Trade and Industry, observed, in 1991, that the government and the Chamber should have "transcended the boundaries of mutual suspicion and lack of trust . . ." Instead, relations between LCCI and government had not improved since there were "signs of old habits reflecting hostile

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<sup>48</sup> [http://www.transparency.org/files/content/corruptiongas/Country\\_Profile\\_Lesotho\\_2014.pdf](http://www.transparency.org/files/content/corruptiongas/Country_Profile_Lesotho_2014.pdf), [November 17, 2014, 10:00].

attitude to Government emerging again.”<sup>49</sup> However, under the LCD regime, it was totally written off and excluded. The precipitation of their conflict is outlined below.

At the beginning, relations between LCCI and the LCD government were fairly amicable. As discussed earlier, though its membership was cosmopolitan, in terms of political parties, the bulk of its membership also happened to be members of the Congress Party who were not exiled. The Congress Party then took over government after the 1993 multiparty elections. Under the Congress Party government, LCCI was given an opportunity to buy Security Lesotho Ltd Pty when the privatisation reform started.<sup>50</sup> When LCD took over government following the 1998 elections, it gave LCCI a site to build offices. Prior to this, it used to operate from a small government office in Maseru West. LCCI found developers to finance the building of the office complex. It rented out other sections of the complex in order to repay the developer.<sup>51</sup> It also played an influential role in the drafting of trading laws and policies.<sup>52</sup> In return, the government attempted to use LCCI as an organisation to advance its interests, under the privatisation project (see Chapter 7), to consolidate its control over the local economy and business as it used *Mohloli* and the Private Sector Foundation.<sup>53</sup>

However, relations between LCCI and LCD government changed for the worst in the early 2000s. This happened when an influential group of Maseru-based members of LCCI approached Simon Kuena Phafane, who they had developed respect for in their interactions, to lead the Chamber. He was the former Personal Assistant to Moshoeshoe II (Lesotho’s King between 1966 and 1996), Principal Secretary of the Ministry of Trade, Commerce and Industry as well as the former Chief Executive Officer of BEDCO. He was seen as a politically

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<sup>49</sup> Opening speech by Moletsane Mokoroane, Minister of Trade and Industry, *Strengthening the LCCI through Organisation Development Strategy Workshop*, Maseru, February 19-21, 1991.

<sup>50</sup> *First Lesotho Privatisation and Private Sector Development Project Progress Report (1995-2002)*.

<sup>51</sup> Though attempts were made, the name of the developer was kept anonymous.

<sup>52</sup> For example, they played a leading role in the drafting to the *1999 Enterprises Trading Laws and Regulations*.

<sup>53</sup> Interview with Phafane, Maseru, September, 2013; Minutes of the Meeting between the Principle Secretary of the Ministry of Trade and Industry with the Lesotho Chamber of Commerce and Industry, LCCI Head Office, Maseru, March 19, 2013.

ideal person to rescue the Chamber out of that political crisis. Accordingly, these members campaigned around the country to place him as the leader of the Chamber. In 2003, he became the deputy President of the Chamber and in 2005 he was elected as the President.<sup>54</sup>

Phafane's leadership was critical and vocal towards the LCD government's undemocratic control of the local economy. Phafane overtly refused to take orders from the government. The LCCI President informed the Minister of Trade and Industry at the time, Mpho Malie, that the Chamber could not be given instructions by the government. It had its own mandates and expectations to fulfil for its members and the business community.<sup>55</sup> Phafane emphasised:

Fako and others prevailed over me and said: "You must stand (for elections)." So I stood for the Deputy President. And we started working, but unfortunately, the guy who had been elected President was very weak. He would go the Minister . . . He'd go to him and get instructions to tell us what to do. And, Maseru (business owners) resisted that, and I also felt no, we can't be dictated . . . to do certain things by the Minister.<sup>56</sup>

The Chamber felt that the government's involvement in business was too close and non-transparent. The organisation even questioned the democratic implications of the Prime Minister's position as the chair of the Business Council. 'Mmmako Molapo, a member of the Chamber affirmed that:

I was one of the people who were fighting very hard saying that I do not understand how it is that the Business Council can be started and [the government claim that] it [was] the mother body, yet there was Lesotho Chamber of Commerce and Industry, as the mother body. And, if the Lesotho Chamber of Commerce and Industry had problems and weaknesses [that] we saw, why [didn't they] not strengthen [it]? [Instead] another body [was] formed [by the government]. Why do people have to be divided? I [didn't] understand why . . . and I really refused that the Chamber should join that thing. I was

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<sup>54</sup> Interview with Ntaote Seboka, Mosotho Businessman and President of the Lesotho Chamber of Commerce and Industry, Maseru, August 1, 2013; Interview with Fako Hakane, Secretary General of the Lesotho Chamber of Commerce and Industry, Maseru, August 6, 2013.

<sup>55</sup> Interview with Phafane, Maseru, September, 2013; Minutes of the Meeting between the Principle Secretary of the Ministry of Trade and Industry with the Lesotho Chamber of Commerce and Industry, LCCI Head Office, Maseru, March 19, 2013.

<sup>56</sup> Interview with Phafane, Maseru, September, 2013.



saying, “let us be given an explanation as to why the Business Council [was] formed.” I’m [also] one of the people who were saying “I don’t agree that the Prime Minister [should] be the chairman of the body . . .”<sup>57</sup>

Indeed, that was problematic since the Prime Minister was a powerful figure with clear political and economic interests, as the study has established. The Chamber’s position was that the government should have a clear policy regulating its own role in business. In this regard, LCCI saw the role of government in business as the one where the government would work together with the business community. Specially, the role of the government should be to make the business environment more conducive for the majority of Basotho business owners through policy and other resources. In LCCI’s view, this was different from a typically infringing approach adopted by the government.<sup>58</sup>

The government retaliated by supporting *Mohloli*, which became influential in the activities of the Smart Partnership Hub and other business developments at the time. LCCI was marginalised and viewed as an incapable and a petty-politics-ridden organisation of non-progressive insignificant Basotho business owners.<sup>59</sup> As a strategy to sanction it, the LCD government withdrew the subvention fund that LCCI received, from government. The subvention was calculated at 20% of all licencing fees paid per year. The government explained that LCCI could no longer be given the subvention since there were other associations that represented other segments of the business community.<sup>60</sup> LCCI questioned and challenged the withdrawal of the subvention but to no avail. The Prime Minister responded by stating that:

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<sup>57</sup> Interview with ‘Mammako Molapo, Business Woman, one of the Founding Members of Lesotho Liquor and Restaurants’ Owners’ Association and former Executive Member of the Lesotho Chamber of Commerce and Industry, Maseru, October 30, 2013.

<sup>58</sup> Interview with Phafane, Maseru, September, 2013; Minutes of the Meeting between the Principle Secretary of the Ministry of Trade and Industry with the Lesotho Chamber of Commerce and Industry, LCCI Head Office, Maseru, March 19, 2013. As demonstrated previously, the government of Lesotho attempted to empower elitist business circles, which consisted of selected ruling party members, fellow politicians, friends and family. So, it was difficult to use the Chamber since it had a variety of its membership from various political parties, which the Chamber had to serve indiscriminately.

<sup>59</sup> <http://lestimes.com/mosisili-rebuffs-lcci-demand-on-funding/>, [July 30, 2013, 12:30].

<sup>60</sup> Interview with Hakane, Maseru, August, 2013; interview with Phafane, Maseru, September, 2013; interview with Seboka, Maseru, August, 2013.

The Lesotho Chamber of Commerce and Industry (LCCI) lost its right to receive funding from government because it no longer represents all trade associations . . . other associations of equal standing had come on board . . . Today industry has grown and widened and there are many business associations and therefore LCCI no longer represents all businesses . . . the money is now being given to the Private Sector Foundation “which represents all trade associations” . . . LCCI and other similar associations must join the Private Sector Foundation to access funding . . . The LCCI is making itself miserable by keeping itself detached from talks between traders and the government. We cannot cry for someone who caused himself problems.<sup>61</sup>

Apart from demonstrating that there was a clear war going on between the government and the Chamber, the above quotation also shows how the government attempted to co-opt and subordinate the Chamber, under its tutelage, in order to stamp its authority and have all business associations under its hegemonic influence and control, as the only alternative – it was a case of ‘its way or the highway’. Such coercive predispositions exposed the government’s authoritarian rule and lack of democratic benevolence.

### **Balkanisation of Indigenously-Owned Business**

While the previous section accounted for Basotho business owners’ resistance to the LCD regime’s authoritarian rule, this section explores the impact of continued marginalisation of indigenously-owned business in Lesotho. It argues that the government deliberately frustrated and sanctioned indigenously-owned business and that this led to acute divisions. The Government’s conduct demonstrated its lack of democratic munificence. In accounting for these divisions, as seen previously, the government argued that Basotho business owners lacked an adequate spirit of solidarity to effectively advance their economic interests, collectively.

After the adoption of neo-liberal policies, particularly from the mid-1990s onwards, many business associations emerged. Many of these associations were affiliate members of LCCI. They organised themselves to deal with their specific business problems in their various sectors. They had their own independent constitutions while they ‘affiliated’ with LCCI. LCCI represented their interests in business and economic cross-cutting issues, such as policy

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<sup>61</sup> <http://lestimes.com/mosisili-rebuffs-lcci-demand-on-funding/>, [July 30, 2013, 12:30].

issues, national constitutional matters and other advocacy campaigns. LCCI would intervene as a mediator in times when they could not adequately address their specific problems. After the formation of other associations such as *Mohloli* and Private Sector Foundation, in the mid-2000s, some smaller business associations had multiple memberships, instead of being members of LCCI, only. They did this mostly because they felt that the LCCI was not supporting their interests adequately. In an interview with Tsietsi Chabatsane, chairperson of Leribe Forestry Association and the Leribe branch of LCCI, he affirmed:

The reason why we join LCN [Lesotho Council of Non-governmental Organisations], Chamber and other associations [*Mohloli* and Private Sector Foundation] is because we are looking for support. Most of the support is given to associations or business owners who are in Maseru. They forget about us in the districts. That is why we complain that Chamber is not doing anything for us.<sup>62</sup>

Apart from struggling to receive meaningful support from big associations, smaller associations face a variety of challenges due to marginalisation. These are challenges that have also led to the collapse of some associations in the past. Internally, many associations face challenges of fluctuating membership and lack of financial and other resources to support their activities. Typically, when there is a common problem at given times, or when the association starts, often, due to a challenge commonly faced, associations are able to draw large numbers of people. However, over time, numbers start to decline as members deem that their problems have either been solved or they feel that they are just wasting their time. The latter carries a strong sentiment of 'silent' resistance. Members will start to attend meetings in fewer numbers until some associations collapse. As 'Mateboho Rose Mathibeli, chairperson of the Exporters' Association of Lesotho, said:

All-in-all we are 50 in the association. But, you know as things are bad, people join the association. We join the association because we have targets. You will find that our expectations are, [as people express them]; "let's go and hear how the cross-border and how other things operate". At the end of the day, because you are expecting something to happen, when you want it to happen, and if you

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<sup>62</sup> Interview with Tsietsi Chabatsane, Chairman of the Leribe Forestry Association and Leribe Chamber of Commerce and Industry, Leribe, December 17, 2013.

do not see it happen, what do you do? You hide at the back. So, we are now 30.<sup>63</sup>

It became even more difficult for the Chamber to support its members because, as demonstrated, the government withdrew the subvention fund, which it was giving to LCCI. This led to a crisis wherein its membership in the districts collapsed. During this researcher's fieldwork in 2013, only the district of Maseru was still active, *albeit*, with decreased membership and poor attendance of meetings and participation in its activities. In other districts, members of the Chamber joined *Mohloli* and, later, the Private Sector Foundation. Some districts formed their own business associations. For instance, the district of Mafeteng established the Mafeteng Chamber of Business. In Lesotho, business activities and opportunities are mostly centralised in Maseru, the capital. This is also where the bulk of the business community is concentrated. As a result, LCCI membership in Maseru was at the centre of many developments and opportunities. Consequently, members of the Mafeteng branch of LCCI seceded and formed their business association.<sup>64</sup>

By the late 2000s, Lesotho's business community was heavily fragmented, with the Private Sector Foundation being supported by the World Bank and LCD by the government, while LCCI, together with the majority of Basotho in business, were marginalised. As a result of these divisions and consequent rivalries, in 2011, the Lesotho Revenue Authority (LRA), with assistance from the SADC, initiated the formation of a business forum. This was the LRA Business Partnership Forum that was to be a platform through which all business associations would share their collective concerns, irrespective of their associational affiliations. LCCI became part of this arrangement when it began. The Lesotho Transformation Resource Centre (TRC) captured Phafane's views about the forum when he said:

[I] strongly maintained that this forum is not a duplication of any formation to those already set up by Lesotho government and the private sector. [TRC

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<sup>63</sup> Interview with 'Mateboho Rose Mathibeli, Businesswoman and Chairperson of the Exporters' Association of Lesotho, Maseru, October 2, 2013.

<sup>64</sup> Interview with Alicia Motšoane, Businesswoman and President and Founding Member of Mafeteng Chamber of Business, Mafeteng, October 10, 2013; interview with Bitsang Theoane, Businesswoman and Founding Member of the Mafeteng Chamber of Business, October 10, 2013.

clarified that] on this point, he was referring to the two structures, namely, the Business Council of Lesotho and the Private Sector Foundation of Lesotho. We are not re-inventing the wheel but we are moving forward with the kind of forum that will improve and foster relationships between government, LRA and the business community.<sup>65</sup>

However, when the forum was created, its structures resembled any other business association. Hence, it became a duplication of other associations that it sought not to resemble. Consequently, LCCI withdrew its participation.<sup>66</sup> The forum was subsequently joined by members of the business community who were exasperated with politics in the business sector. In this manner, the forum expanded the divisions within Basotho's business community. However, by the time the fieldwork for this study was conducted, the forum had become moribund.

This section has demonstrated that the negative impact of neo-liberalism and the undemocratic character of the LCD government led to fragmentation of indigenously-owned business in Lesotho. It was argued that contrary to claims by some policymakers, divisions and rivalries in local business were not due to Basotho business owners' incompetence and lack of solidarity. Rather, they were results of the ruling party's desire and greed to exclusively enrich its members and consolidate its political interests in a neo-liberal period. As a result, indigenously-owned business lost direction, as many people struggled to survive in the local business.

### **“The Mother of All Protests”, August 2011**

The previous two sections demonstrated how Basotho in business protested marginalisation, as well as how the government retaliated. As will be demonstrated, this tension also existed in other segments of the economy. This section analyses how various Basotho groups, in different economic sectors, formed a solidarity movement against the LCD government. These groups included indigenously-owned business, which was

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<sup>65</sup> <http://trc.org.ls/formation-of-lra-business-partnership-forum-appreciated/>, [July 2013, 30, 12:13].

<sup>66</sup> Interview with Phafane, Maseru, September, 2013.

represented by LCCI, and its Affiliate member, the Maseru Regional Taxi Operators (MRTO), which led the movement.

2011 was a significant year in the political economy of Lesotho since the adoption of the World Bank's neo-liberal economic policies. Various trade unions, civil society organisations and other popular organisations, had previously separately remonstrated against the LCD government's authoritarian rule and the marginalisation of the majority of Basotho.<sup>67</sup> Textile workers, taxi operators, LCCI and others had persistently protested against unfavourable economic, social and political conditions but to no avail. Their petitions were ignored or suppressed by the government, which used varying tactics that included armed responses and imprisonment of protest leaders, as well as using the legal apparatus and political influence to illegitimise and illegalise their demonstrations.<sup>68</sup>

In what the local media labelled the 'mother of all protests'<sup>69</sup>, LCCI, MRTO, youth organisations, trade unions (Lesotho Congress of Democratic Unions, Factory Workers' Union, United Textile Employees and Lesotho Security Workers) and other non-governmental organisations, formed a 'Coalition of Concerned Citizens', which undertook a protest march on August 23, 2011.<sup>70</sup> The August 2011 movement was significantly different from other previous protests in two ways. Firstly, as already mentioned, it ". . . was the first one to have pulled a crowd that represented more than just political parties and special interest groups."<sup>71</sup> Secondly, apart from its broad-based composition, its demands went beyond the typical trade union's petitions requesting better wages, improved working conditions, and favourable economic opportunities or challenging election outcomes. The

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<sup>67</sup> <http://www.fesmedia-africa.org/what-is-news/statements-developments/news/article/lesotho-alert-private-radio-stations-off-air-amid-demonstrations/>, [March 17, 2015, 15:19].

<sup>68</sup> <http://lestimes.com/police-foil-massive-protest-march/>, [February 28, 2015, 19:20].

<sup>69</sup> <http://www.osisa.org/hrdb/blog/lesothos-mother-all-protests>, [February 28, 2015, 19:16].

<sup>70</sup> <http://www.osisa.org/hrdb/blog/lesothos-mother-all-protests>, [February 28, 2015, 19:16];  
<http://lestimes.com/police-foil-massive-protest-march/>, [February 28, 2015, 19:20].

<sup>71</sup> <http://www.osisa.org/hrdb/blog/lesothos-mother-all-protests>, [February 28, 2015, 19:16].

movement protested against poverty, high levels of unemployment and poor service delivery by the government.<sup>72</sup>

After a three-day ‘stay-away’, which started on August 15, the protesters marched to the Prime Minister’s Office on August 23, demanding the following: government accountability, better service delivery, the improvement of the legal system (which in the protesters view, only privileged the rich), increase in taxi fares, increase in the salaries of factories workers, the Prime Minister to step down as the chair of the Business Council, protection of indigenously-owned business from the Chinese (see Chapter 8) and other foreign business interests, civil servants to be allowed to form or join unions, cutting down of the Prime Minister and Cabinet’s luxurious benefits, free cross-border movement of Basotho to other countries, and for the government to renew the agenda of the ‘conquered territories’; Lesotho’s land, which was appropriated by the Boers in the nineteenth century, as seen in chapter 3. This is the land that now forms the Free State province of South Africa.<sup>73</sup>

At that time, many Basotho, particularly the workers – both in the formal and informal economies – were discontented with the LCD regime’s authoritarian rule and ever deepening poverty. One of the leaders of the movement, Manama Letsie, stated:

We will not end our struggle. We will fight until we achieve what we are demanding. We will not even run away from this country; we will face everything and everyone head-on. What we need is change.<sup>74</sup>

The most prominent leader of the movement, Mokete Jonase, a taxi driver, declared:

It is a new dawn in the citizens’ patriotism and consciousness in Lesotho . . . elections have not solved the problems and therefore people should not wait for elections in the hope that they will change the government but should hold the present government accountable. It is time for the poor to fight for their rights that have been trampled upon by the rich . . .<sup>75</sup>

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<sup>72</sup> <http://www.osisa.org/hrdb/blog/lesothos-mother-all-protests>, [February 28, 2015, 19:16].

<sup>73</sup> <http://www.osisa.org/hrdb/blog/lesothos-mother-all-protests>, [February 28, 2015, 19:16].

<sup>74</sup> <http://www.osisa.org/hrdb/blog/lesothos-mother-all-protests>, [February 28, 2015, 19:16].

<sup>75</sup> <http://www.osisa.org/hrdb/blog/lesothos-mother-all-protests>, [February 28, 2015, 19:16].

Not surprisingly, the Prime Minister avoided addressing the protesters and their grievances. Instead, the government cut-off from the air, four private radio stations that supported and broadcast the August events; “only static could be heard from the four stations’ assigned frequencies”.<sup>76</sup> The radio stations were: People’s Choice FM, MoAfrika FM, Harvest FM and Thaha-Khube FM.<sup>77</sup> ‘Malichaba Lekhoaba, the manager of Harvest FM, was summoned by the Acting Principal Secretary of the Ministry of Communications and Chief Executive Officer of Lesotho Communications Authority, Ratokelo Nkoka, who threatened that their radio stations were going to be “shut down”, if they did not “mend their ways as this was a sensitive issue”. She was informed that the government deemed their coverage as “disrespectful”.<sup>78</sup>

It was quite clear to the public that the government was covering up that the four radio stations went off the air due to ‘technical failures’ and that it was only a ‘coincidence’ that this occurred during the protests.<sup>79</sup> Thus, the government only acted to suppress the movement, but not to address the people’s concerns and made sure that the general public was kept in darkness about the activities of the movement. Though the government did all it could to suppress and vilify the movement, leaders of the movement still maintain that, in as far as they were concerned, their movement was a success, particularly, in putting pressure on the government and in expressing their grievances, collectively. In the context of authoritarian rule, it had become difficult for the people to freely express their discontentment towards the government, while people on the ground had remained divided for a long time. The representative of LCCI, ‘Malitlou Morojele, a Mosotho businesswoman and chairperson of the Maseru Chamber of Commerce and Industry at the time, stated:

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<sup>76</sup> <http://www.fesmedia-africa.org/what-is-news/statements-developments/news/article/lesotho-alert-private-radio-stations-off-air-amid-demonstrations/>, [March 17, 2015, 15:19].

<sup>77</sup> <http://allafrica.com/stories/201108230123.html>, [March 17, 2015, 15:18]; <http://www.fesmedia-africa.org/what-is-news/statements-developments/news/article/lesotho-alert-private-radio-stations-off-air-amid-demonstrations/>, [March 17, 2015, 15:19].

<sup>78</sup> <http://www.fesmedia-africa.org/what-is-news/statements-developments/news/article/lesotho-alert-private-radio-stations-off-air-amid-demonstrations/>, [March 17, 2015, 15:19].

<sup>79</sup> <http://www.fesmedia-africa.org/what-is-news/statements-developments/news/article/lesotho-alert-private-radio-stations-off-air-amid-demonstrations/>, [March 17, 2015, 15:19].



. . . we realised that the ruling party does not have an ear. There was nothing going well in the country. The taxi men came and said: “No, Mrs Morojele, we cannot sit down and watch these things which are happening in our country” . . . I was part of the leadership, which made that march . . . we were saying no as business. We were saying no to the Chinese; no to many things . . . I will always say [that] the things we did were a success. I believe such a protest has never been seen in this country.<sup>80</sup>

A few months down the line, the country went for general elections in 2012. Many of the people who were marginalised and who protested exclusion found refuge in the All-Basotho Convention (ABC). In the 2007 election, the party had won 17 constituencies (mostly in the urban areas).<sup>81</sup> In 2012, the ABC’s number of constituencies won increased to 26.<sup>82</sup> ABC, LCD and BNP, merged to form two thirds of the parliament, a requirement, in order to form government. The leader of the ABC, Thomas Thabane, became the Prime Minister of Lesotho. This regime change gave people hope for change, and they halted their demonstration against the government.

## Conclusion

This chapter has demonstrated that the country’s adoption of neo-liberal economic policies and LCD’s political authoritarianism facilitated continued exclusion, marginalisation and balkanisation of the majority of Basotho in business. The government centralised business resources and opportunities in order to control their distribution to elitist groups that consisted of loyal party members, foreign investors, friends, family members and fellow politicians. To mask their sinister motives of promoting elitism and exclusive beneficitation – often characterised by corruption and greed – the government alleged that the majority of Basotho business owners lacked an adequate spirit of solidarity to effectively address their constraints and challenges in the local business environment. Given this background, the next chapter will demonstrate how Basotho survived in business notwithstanding the

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<sup>80</sup> Interview with ‘Malitlou Morojele, Businesswoman and Former Chairperson of the Maseru Chamber of Commerce and Industry, October 8, 2013.

<sup>81</sup> <http://eisa.org.za/PDF/lesothoomr07.pdf>, [March 19, 2015, 10:53].

<sup>82</sup> <http://www.iec.org.ls/index.php/about/rep/2011-08-13-16-47-57>, [March 19, 2015, 12:10].

impact of neo-liberalism and political exclusion in contemporary Lesotho, albeit within new challenges brought by the Chinese domination of the local economy.

## CHAPTER 8

### **Indigenously-Owned Business and the Influx of the Chinese Traders in Lesotho, 2000c-2012**

#### **Introduction**

Previous chapters have demonstrated how local politics and Western supremacy facilitated the marginalisation and balkanisation of the majority of Basotho in the local economy. This can be traced as far back as the colonial period. This was continued by post-colonial governments and international institutions (particularly, the World Bank) and other development agencies with their neo-liberal economic policies from the 1980s onwards. The marginalisation of the majority of Basotho in business continued with the arrival of the Chinese and their subsequent domination of the country's economy. This chapter explores the impact of the Chinese business activities in Lesotho and accounts for how Basotho have been surviving in the last two decades in the light of this new threat to their role in the national economy and in the context of neo-liberalism and multi-party politics.

The Chinese economic activities in Lesotho, as elsewhere in the continent, have sparked a lot of controversy among scholars, politicians and policy-makers.<sup>1</sup> This is because there is mounting evidence of, and resistance to, the Chinese's domination of the local economy. However, their commercial activities in the local economies have been received with varying responses that are characterised by economic collaboration and confrontation, as has been the case with other ethnic business groups in Lesotho since the colonial period. Terence McNamee observes that:

The 'China in Africa' story brims with ambivalence and ambiguity. Nowhere is this more evident than on the African street. The influx of Chinese products and the proliferation of small Chinese enterprises are affecting ways of life in African towns and cities, but exactly how and to what extent is hotly contested. Their presence has sparked outbreaks of xenophobic violence, led to increased competition with local businesses and prompted calls for tougher regulation and government intervention. They have become the whipping boy for Africa's politicians, merchants and labour unions upset by Beijing's growing ties to the continent. However, Chinese traders have also afforded millions of African consumers the opportunity to purchase a range of goods for the first time.

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<sup>1</sup> Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (Oxford: Oxford Press, 2009).

Whilst debate over their impact on Africa's development escalates, they have remained a largely unknown newcomer, scarcely understood and rarely examined.<sup>2</sup>

This chapter is organised into four main sections. The first section provides a background to the arrival of the Chinese traders in Lesotho. The second section explores the Chinese business activities and how they concretely came to dominate the local economy. The last two sections demonstrate Basotho's popular and economic (individual and collective) relations and responses to the Chinese traders' domination of the local economy.

### **Background to the Chinese's Domination of Local Business in Post-colonial Lesotho**

With the decline and eventual collapse of European traders' monopoly of local business in the post-colonial period (as examined in chapter five), local business came to be dominated by Asian traders, first by the Indian traders, who had a much longer history in Lesotho, and currently, East Asians – indiscriminately called the 'Chinese' by Basotho. Sequentially, these were the Taiwanese, Shanghainese and Fujianese business communities. Since the late 1990s and early 2000s, waves of Fujianese arrived in Lesotho and dominated the local economy. Hereafter, the term 'Chinese' will be used interchangeably with the Fujianese.

Prior to 1973, Indian traders had been restricted to operating in a few selected parts of the country in order to lessen their competition with European traders. They were allowed to operate mostly in the north western parts of the country in the Butha-Buthe district, which has come to be known locally as their home area in Lesotho.<sup>3</sup> In 1973, the National Party government passed the Trade Ordinance in order to free the country's local businesses, among others, since the country had opted to follow the capitalist mode of production and the principles of the free market economy, as previously discussed. This law lifted the restriction on the Indian traders' areas of operation.<sup>4</sup>

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<sup>2</sup> McNamee, "Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola", p. 4.

<sup>3</sup> Thabane, "Aspects of the Colonial Economy and Society", p. 120.

<sup>4</sup> *Trade Ordinance of 1973*.

For a long time in the history of local business in Lesotho, the Indian traders had posed stiff competition to European traders. With the decline of the European traders' monopoly, they took over the country's local commerce.<sup>5</sup> The Indian traders already had strong established trading links organised around kinship networks, which were connected to Natal and India. With free local mobility, they were able to expand their business activities more strategically across the country's major business centres in the districts. However, their monopoly did not survive long. They were soon to be replaced by Fujianese migrants who arrived in Lesotho from the end of the 1990s and in the early 2000s in large numbers. In response to this, many Indian traders shifted their business focus and moved to real estate where they rented out their buildings to the Chinese migrants. McNamee estimates that 59% of the Chinese's premises are rented from the Indians, while 41% are rented from Basotho.<sup>6</sup> They, thus occupy already existing businesses. Details of how they achieved this are provided later in this chapter.

The arrival and economic activities of the Fujianese, in Lesotho, are connected to the East Asians who had settled in Lesotho in the 1970s and early 1990s. These were the Taiwanese and Shanghainese, respectively. As noted, after Lesotho gained independence, it established relations with a number of countries in order to secure development aid and industrial investment (see Chapter 4 and 5). Taiwan was amongst these countries. In its development assistance mission, the Taiwanese government sent teams of skilled Taiwanese experts, mostly in medicine and agriculture, to Lesotho. Upon completion of their mission, a number of them remained to exploit opportunities in local commerce.<sup>7</sup>

Apart from these experts, more Taiwanese also arrived after 1974. These were investors and administrators in Lesotho's export-led textile and garments industries.<sup>8</sup> This economic transnational mobility was triggered by the introduction of the Multi-Fibre Agreement

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<sup>5</sup> Mothusi Tuner, "Rethinking the Peripheral: Chinese Migrants in Lesotho".

<sup>6</sup> McNamee, "Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola", p. 28

<sup>7</sup> Tuner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", p. 40.

<sup>8</sup> Tuner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", pp. 40-42.

(1974-2005), which introduced quotas on textiles and garments on developing countries' exports to the US and European markets.<sup>9</sup> A number of developing countries, particularly, those outside Asia, like Lesotho, were exempted from the Agreement. As a result, it became easier for the Taiwanese to transfer their business interests to such countries. Lesotho became one of the favourable investment destinations.<sup>10</sup>

However, in the early 1990s, the flow of skilled Taiwanese employees declined as they responded to more lucrative job opportunities in China. Factory owners recruited cheaper skilled labour from mainland China. They were reluctant to employ local Basotho in such high positions because they considered them not to have adequate skills or they could not be trusted as employees. The first groups to seize these employment opportunities were skilled workers from Shanghai. They were recruited through private labour agencies. Like the Taiwanese had done, some of these Shanghainese migrants saw and took advantage of opportunities in Lesotho's local business. They opened clothing outlets, building and construction hardware businesses, motor vehicle spare parts shops, groceries and manufactured goods stores selling items imported directly from China and Taiwan or through South African-based suppliers, mostly in Johannesburg and Durban.<sup>11</sup>

Towards the end of the 1990s, it had become difficult for the Taiwanese factory owners in Lesotho to recruit skilled cheap labour from Shanghai. This was due to increased economic growth in the coastal regions of China, which attracted skilled Shanghainese labour. Consequently, factory owners sought other avenues of cheaper labour. The Fujian province provided them with such an alternative. However, Fujianese were not highly skilled workers.<sup>12</sup> Many of the Fujianese migrants also penetrated Lesotho's retail sector. The

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<sup>9</sup> For more details on the Agreement see; Christoph Ernst, Alfons Hernández Ferrer and Daan, "The end of the Multi-Fibre Arrangement and its Implication for Trade and Employment", [http://www.ilo.org/wcmsp5/groups/public/@ed\\_emp/@emp\\_elm/documents/publication/wcms\\_114030.pdf](http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_elm/documents/publication/wcms_114030.pdf), [June 26, 2013, 09: 08].

<sup>10</sup> Tuner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", p. 43.

<sup>11</sup> Tuner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", pp. 43-44. As seen previously, Lesotho had also adopted an industrialisation policy, not only for economic growth, but also, to create employment. So, the country also supplied these textile processing zones with cheap labour.

<sup>12</sup> Tuner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", p. 50.

period since 1998 saw an influx of Fujianese migrants who came straight to exploit opportunities in Lesotho's local business. These were mostly young to middle aged adults who had left their families back home to seek their fortunes in Lesotho.<sup>13</sup> Their mobility from China, Johannesburg, and finally to Lesotho, is facilitated by human-traffickers known as the *snakeheads*. *Snakeheads* are paid to organise their visas and boarding passes.<sup>14</sup>

### **Demystifying their Domination: The Fujianese's Business Activities in Lesotho**

For a long time since their arrival, there have been a number of viewpoints surrounding their business activities and monopoly. There were views that China's diplomatic relations (political and economic) have directly opened routes for the Chinese people to conquer local economies.<sup>15</sup> The local narrative supports this by demonstrating recently intensified relations between Lesotho and China, as is the case all over the continent. The government of Lesotho has benefited immensely in its intensified relations with China. For example, China has recently been injecting financial and other resources meant for infrastructural and other developments in Lesotho.<sup>16</sup> As a result, the government has been lenient, and even silent, on the Chinese migration and economic activities in Lesotho.<sup>17</sup> New evidence by scholars such as Turner and McNamee has revealed different factors behind the Fujianese transnational mobility.<sup>18</sup> These are not directly connected to China-Africa diplomatic relations. McNamee argues that:

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<sup>13</sup> Tuner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", pp. 49-50; Tim Cobbe, "Lesotho: From Labour Reserve to Depopulating Periphery?", <http://www.migrationpolicy.org/article/lesotho-labor-reserve-depopulating-periphery/>, [June 29, 2014, 15:00]. It is difficult for the government of Lesotho to get reliable population statistics on the Fujianese migrants since many have settled illegally. They are also notorious for being 'worst census duckers'. According to Turner, there is an estimated minimum of 4000 and maximum of 10 000 Fujianese migrants in Lesotho.

<sup>14</sup> Tuner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", pp. 52-55.

<sup>15</sup> McNamee, "Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola", p. 15.

<sup>16</sup> Some of the most notable have been the National Library, Ministry of Health and Social Welfare Headquarters and the Parliament of Lesotho.

<sup>17</sup> Tuner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", p. 57.

<sup>18</sup> For some time, it was difficult to study the Chinese activities in Lesotho, and in the region, due to language and secrecy of their migration and activities, which bordered on illegality and criminality.

What ‘pulled’ the new traders to Africa were not . . . state-led initiatives such as the provision of trade zones on the continent, or Small-Medium Enterprises International Market Development Fund (which ostensibly is geared to helping SMEs explore overseas markets) . . . although Beijing’s loosening of its once-prohibitive emigration policies beginning in the 1990s did enable millions to leave China for the first time. Instead, it was the ineluctable lure of an immense market for low-cost Chinese goods. Unlike markets in Europe or North America, in Africa there were few constraining regulations and minimal entry requirements, so entrepreneurs with limited capital and low levels of skills and education could compete.<sup>19</sup>

McNamee adds:

With rare exceptions, Chinese small business owners have never had contact with the Chinese Embassy or officials in the country they operate in; the near unanimous perception of ‘Beijing’ amongst them is negative.<sup>20</sup>

Groups of Fujianese continue to migrate to Lesotho. However, as in many other African countries, their numbers are less known. However, it is estimated that there could be more than 20 000 Chinese in Lesotho.<sup>21</sup> The Fujianese have been able to exploit the economy through complex transnational networks of mobility based on kinship relations and transference of knowledge about economic opportunities in Lesotho. In his study of the Chinese migrants in Lesotho, Turner revealed that the Chinese migrants have constructed a perception that there is ‘easy money’ to be made in Lesotho. As a result, this has enticed many Fujianese to seek similar opportunities in Lesotho.<sup>22</sup>

Despite the controversies and politics surrounding the economic activities of the Fujianese migrants in Lesotho, Turner and McNamee’s studies are important in demonstrating business strategies employed by the Fujianese to dominate the local business. They

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<sup>19</sup> McNamee, “Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola”, p. 15.

<sup>20</sup> McNamee, “Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola”, p. 7.

<sup>21</sup> McNamee, “Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola”, p. 33.

<sup>22</sup> Tuner, “Rethinking the Peripheral: Chinese Migrants in Lesotho”, pp. 52-55.



maintain that the Fujianese have a strong economic network based on kinship relations.<sup>23</sup> In Lesotho, these are connected to two local Chinese Associations, namely: *Fuqing* Association and the Association of Chinese Enterprises. Important elements of this network are as follows: Firstly, new arrivals are lent money by these two associations. Secondly, they have collective bulk-buying and transportation arrangements, which allow them to sell at lower prices and reduce transportation cost across the country.<sup>24</sup>

Thirdly, with access to capital and the ability to reduce prices, the Fujianese have employed a hegemonic strategy to drive out Basotho business owners, who typically have inadequate access to business finance, as already demonstrated. Upon their arrival, they employ some local Basotho to investigate numbers and status of local Basotho businesses within a particular area of interest. With that information, they strategically open businesses and lower their prices on key business items. When local competitors look unstable, they make them offers to buy their businesses.<sup>25</sup> In his words, Turner argues that:

. . . the profitability of the periphery is ensured by a centrifugal force that pushes new arrivals away from areas where a strong Fujianese presence already exists. This is because the Fujianese model relies on total monopoly over tiny village markets. The Fujianese specialise in driving out local competitors and establishing small regimes of hegemony . . . The prices at which these goods are sold are always calculated to be cheaper than the local competitor. Specific businesses are targeted as rivals and Fujianese traders, supported by capital borrowed from a local Chinese association, will operate at a loss until the local competitor has been driven out of the market. Success is virtually guaranteed . . . As soon as the local competitor looks shaky, the Fujianese will send a representative to negotiate the purchase of the failing shop.<sup>26</sup>

A local Mosotho businesswoman, 'Maseala Seala, in the district of Thaba-Tseka, in the central highlands of Lesotho corroborated this. She said:

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<sup>23</sup> See, Turner, "Rethinking the Peripheral: Chinese Migrants in Lesotho; McNamee, "Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola".

<sup>24</sup> Turner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", pp. 52-55.

<sup>25</sup> Tuner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", pp. 57-65.

<sup>26</sup> Tuner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", pp. 60 and 64.

I used my personal savings [to start my businesses] . . . business is not going that well in the moment. Competition from the Chinese traders is quite strong. We have tried by all means to outsmart them but they come to our small businesses to investigate on how we conduct our businesses. Then they buy and sell at wholesale prices to win customers over.<sup>27</sup>

The Fujianese's hegemonic economic behaviour arises out of their economic responsibilities. They have to repay loans, which are typically issued at high interests. They also have to share costs of transport and other business costs of operating in remote areas of the country. Importantly, they have to remit money back home. These factors have forced them to operate on slim profit margins, as well as to operate even in remote mountainous regions of the country under difficult conditions. They also reside on their business premises in order to cut expenses while in Lesotho. They further avoid incurring more costs by keeping their profits with them, instead of depositing them in local banks as well as to evade paying tax.<sup>28</sup>

### **Popular Responses to the Fujianese's Emergent Domination of the Local Economy**

The above discussion has demonstrated how the Fujianese migrants have turned Lesotho's local economy into a profitable business landscape, contrary to popular views that they had covert assistance from their government's diplomatic relations in Africa. This section examines their reception in the local economy and popular responses. No sooner had they arrived than they made a huge impact on the local economy. In the words of a local newspaper, *Public Eye*, Basotho's early reactions were complaints against ". . . an influx . . . of Chinese . . . immigrants that come to Lesotho under the pretext of being skilled workers . . . [and now] conquer the territory of small traders throughout the country . . ." <sup>29</sup> McNamee observes that:

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<sup>27</sup> Interview with 'Maseala Seala, Mosotho Businesswoman, Thaba-Tseka, January 06, 2014.

<sup>28</sup> See, "The Plight of Small Basotho Businesses", Parliamentary Debates (Hansard), First Meeting, Sixth Session, August 12, 2002, p. 4; Tuner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", pp. 60 and 64.

<sup>29</sup> *Public Eye*, January 20-27, 2006.

Chinese traders might number in the hundreds of thousands across the continent. Their presence in rural towns and urban centres has sparked outbreaks of xenophobic violence, led to increased competition with local businesses and prompted calls for tougher regulation and government intervention.<sup>30</sup>

Various countries have responded differently to their arrival in the local economy. While governments of countries like Lesotho adopted a more passive approach towards the arrival and activities of the Chinese, some governments, such as those of Botswana and Zambia, adopted more aggressive and radical responses. Persistent Festus Mogae had advanced an accommodative policy towards the Chinese in Botswana. In 2008, he was succeeded by Ian Khama who approached the matter differently. He became aggressive against the Chinese. They had basically conquered various aspects of the country's economy and were pushing the local entrepreneurs out of business. Consequently, the government passed legislation to restrict the Chinese from operating in the clothing sector, which the majority of indigenous entrepreneurs operated in. As a result, those who were already in that business were forced to sell their stock and leave the country.<sup>31</sup> In Zambia, President Michael Sata strongly criticised the Chinese for exploiting local Zambian labour. In 2006, he was recorded to have said that he "didn't want China turning the country into a 'dumping ground' for their human beings."<sup>32</sup> His statement resulted into the subsequent destruction of many Chinese owned businesses by some segments of the local people.<sup>33</sup>

Since their arrival in Lesotho, the Fujianese have now built a strong business monopoly throughout the whole country, mostly in building hardware businesses, motor car spares, liquor stores, retail shops, wholesales, clothing stores and tailoring. During data collection for this study, in a number of districts, there were numerous complaints about the Chinese's

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<sup>30</sup> McNamee, "Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola", p. 7.

<sup>31</sup> McNamee, "Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola", pp. 32-33.

<sup>32</sup> McNamee, "Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola", pp. 36-37.

<sup>33</sup> McNamee, "Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola", p. 37.

monopoly of the local economy. In addition, there were new complaints by some Basotho business owners that some Chinese migrants have also extended their business activities into the informal economy. They have done this through employing local Basotho to sell fruits, vegetables, mobile airtime and clothes on the streets on their behalf. M. F. Mothae, a Member of Parliament (1998-2003), complained as early as 2002 that the Chinese migrants “sell their goods on the streets thereby competing with street vendors . . .” in Lesotho.<sup>34</sup> In an irritated way, a Mosotho businesswoman, in the district of Mafeteng, said: “What I hate the most, and see the Chinese do, is that they buy a lot of stock”, and because they are financially stronger, “they pay young [Basotho] boys to sell their things such as apples on the streets as hawkers . . .”<sup>35</sup>

Due to their monopoly of the local economy, particularly, the propensity to drive local Basotho out of business, relations between the Chinese and many Basotho business owners have been characterised by severe animosity.<sup>36</sup> As early as 1999, one Mosotho Parliamentarian, M. Tšuluba of the Qoaling constituency in Maseru complained that:

. . . Basotho businesses . . . are now facing serious problems which are caused amongst others, by unfair competition from foreigners (the Fujianese) engaged in small businesses who use fraudulent methods to account for their tax obligations, a practice which makes them pay no taxes and empowers them to under-sell Basotho businesses.<sup>37</sup>

The Chamber of Commerce has been one of the organisations critical of the Chinese monopoly of local business, since this directly impacted on its membership. It has made a number of petitions to the government to restrict and regulate the Chinese’s business activities in small businesses.<sup>38</sup> The Chamber’s efforts led to the passing of the 1999 Trading

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<sup>34</sup> Parliamentary Debates (Hansard), Third Meeting, Fifth Session, February 08, 2002, p. 1.

<sup>35</sup> Interview with ‘Manthabiseng Mpitso, Mosotho Businesswoman, Mafeteng, October 10, 2013.

<sup>36</sup> Sean Maliehe, “The Changing Roles of Economic Activities of Chinese in the Maseru Urban: Outcomes of Chinese Infiltration into Local Retail Shops”, Research project submitted in partial fulfilment of the requirements for the Bachelor of Arts degree in the Department of Development Studies, National University of Lesotho, May 2008. While I was doing field work in 2013, hostility towards the Chinese was still wide-spread and intensifying from some Basotho business owners.

<sup>37</sup> Parliamentary Debates (Hansard), First Meeting, Sixth Session, August 12, 2002, p. 4.

<sup>38</sup> Petitions placards at the Head Offices of the Lesotho Chamber of Commerce and Industry, Maseru.

Regulations, which, amongst others, defined parameters within which the Chinese businesses were to operate. Basically, they were to operate in big businesses defined as those businesses above the floor space of 1000M<sup>2</sup>.<sup>39</sup> Despite the passing of the regulations, the Fujianese have constantly found ways to circumvent these laws. It is from such practices that the Chinese government has also withheld its intervention to protect the Chinese interests. McNamee affirms that:

The issue of tax evasion perpetuates and reinforces other practices that impact Chinese trader activity, particularly the 'bribe culture'. . . [the Chinese] traders continually protest . . . that other than their immediate family or network, they cannot rely on anyone in local societies . . . they claim that they had never received assistance of any kind from their Chinese embassies . . . [And in the words of] a clothing trader in Maseru ". . . the embassy here only knows how to eat rice, they never help us Chinese, they are totally useless [sic]". The embassy's response to several who complained of ill-treatment or unlawful arrest was that "we cannot intervene in the internal affairs of another country".<sup>40</sup>

Furthermore, the Fujianese traders in Lesotho are also heavily criticised for selling poor quality equipment and frequently rotten foodstuffs. Because of their bulk buying arrangements, they are forced to store food for longer periods of time. This forces them to sell items beyond their expiry date.<sup>41</sup> Moreover, long established Taiwanese have also expressed their dissatisfaction with the Fujianese's practices in business since local Basotho indiscriminately see all East Asians as the Chinese. Taiwanese feel that "their good reputation in Lesotho had been tarnished by the unscrupulous practices of recent Fujianese migrants."<sup>42</sup> The Fujianese's business practices have also negatively affected other East Asian migrants since local thieves constantly rob, mug and attack all of them indiscriminately. This is because the Chinese are notoriously known for keeping large sums of money in their premises, rather than depositing it in local banks.<sup>43</sup>

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<sup>39</sup> 1999 *Trading Enterprises Regulation*.

<sup>40</sup> McNamee, "Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola", pp. 26-27.

<sup>41</sup> Maliehe, "The Changing Roles of Economic Activities of Chinese in the Maseru Urban: Outcomes of Chinese Infiltration into Local Retail Shops".

<sup>42</sup> Turner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", p. 67.

<sup>43</sup> Turner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", p. 67.

Nonetheless, local Basotho consumers continued to rely on the Chinese due to cheap goods.<sup>44</sup> The Chinese also break bulk products and repackage some items such as teabags, sugar and mealie-meal into smaller affordable packages. In many ways, the Chinese infiltration in Lesotho's economy has transformed the conservative business organisation in the country wherein, previously, small grocery shops were dotted about in villages, while bigger items and cloths and other manufactured goods, were purchased in urban and towns centres. Since the establishment of the Chinese migrants, this has changed. Basotho customers have access to a variety of goods locally available at lower prices. Thus, this cuts their costs and the effort of having to travel to towns centres.

Apart from perceived changes brought by, and controversies surrounding, the Fujianese migrants in Lesotho, their activities have also contributed to a significant increase in their commercial contribution to the country's GDP. For example, in the 2012/13 financial year, wholesaling and retailing came third after the manufacturing and real estate business sectors. The sector contributed 7.2% to the country's GDP. Its contribution has been steadily increasing since the mid-2000s, after the arrival of the Fujianese.<sup>45</sup>

### **Economic Responses to the Fujianese's Emergent Domination of the Local Economy**

The previous section explored popular responses to the newly emergent Chinese domination of Lesotho's local economy. Though the hostility, as elsewhere in Africa, is dominant, the Chinese economic activities in Lesotho have also ignited an array of other economically pragmatic reactions. This section details some of Basotho's individual and collective strategies to survive in local business, which is dominated by the Fujianese business migrants.

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<sup>44</sup> Tuner, "Rethinking the Peripheral: Chinese Migrants in Lesotho", p. 68.

<sup>45</sup> Masilo Makhetha, "Central Bank of Lesotho's Economic and Financial Review", Country economic review presented at the *Economic Stakeholders' Briefing Session*, Maseru Sun Hotel, Maseru, Lesotho, August 15, 2013, p. 5.

### A. Individual Survival Strategies

As highlighted in the previous section, while some Basotho responded more politically by expressing their anti-Chinese sentiment, some Basotho responded by moving out of retail businesses to make way for the Chinese. They rented out their business premises to them. 59% of the business premises that the Chinese use are rented from the Indians, while 41% are rented from Basotho.<sup>46</sup> Though many were driven out of business, through what Turner terms ‘centrifugal force’, another way of looking at this is that this forced some Basotho into the real estate business. In this sense, some are able to earn an income with less pressure of having to manage a business.

In some cases, some Basotho enter into informal partnerships with the Chinese traders. In these arrangements, a local Mosotho owns a licence and fulfils all its requirements, while a Chinese, the *de facto* owner, runs the business.<sup>47</sup> Turner discovered that, in the “event that the authorities should appear to question the legitimacy of the outfit, the local ‘owner’ can be summoned to vouch for his Chinese ‘staff’.”<sup>48</sup> As a result of some Basotho leasing their licences to the Chinese migrants, the government of Lesotho found it even more difficult to intervene in order to protect other Basotho in business from the Chinese domination of the economy. In a Parliamentary session on August 12, 2002, Tšuluba, a female parliamentarian, requested the then Minister of Trade, Industry and Marketing, Mpho Malie, to provide the government’s intervention policy in order to protect Basotho in business against the Chinese domination. The Minister found it difficult to answer Tšuluba’s question because his ministry had discovered that some Basotho leased their licences to the Chinese to make a living. The Minister disclosed: “We found out that they hire them (licences) to the foreigners for rents that can amount between [R]5, 000 – [R]10, 000 per month.” He added:

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<sup>46</sup> McNamee, “Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola”, p. 28.

<sup>47</sup> Turner, “Rethinking the Peripheral: Chinese Migrants in Lesotho”, p. 59.

<sup>48</sup> Turner, “Rethinking the Peripheral: Chinese Migrants in Lesotho”, p. 60.

“We discovered that this makes some Basotho . . . to participate in business and work, while others saw it as a way to earn money in an easy way . . .”<sup>49</sup>

Some Basotho have been able to compete effectively without moving out of their businesses. Though many Basotho have been displaced in the local business, some managed to stay in business and compete effectively with the Chinese.<sup>50</sup> Three examples are used to substantiate this point. The first example is that of Tšehla, a Mosotho businessman, who owns a clothing store in his home district of Quthing. He started his business selling fruits, vegetables and earrings on the streets in the 1990s as a young man. He would buy his stock in Durban. With his savings, he was able to start selling clothes, informally, until he was able to rent a business premises. Accounting for how he survived, Tšehla said:

Most of them (Basotho) have left (business) already [due to the Chinese pressure]. But let me tell you my secret since you brought up the topic. What makes the Chinese have more customers is pricing. There is no other secret. If we bought an item for R5, we sell it for R10. But the day before we go to Gauteng to buy stock, we usually put our stock for sale and sell it for R5 to R8. Another big secret is one that we got from the Ethiopians. They come from a poor country, just like ours. When they got to Johannesburg they introduced the low price system and that got them rich. Since I have been doing this for a while now, I copied their pricing system.<sup>51</sup>

He added:

The truth is that our profit is not that much but the lower prices allows customers to buy. I struggle a bit when it comes to making profit because I go to Gauteng every week or two. Sometimes I have to go three times before making a profit then the fourth time that's when I make a profit. Businesses prosper when customers buy. When they don't, they usually collapse that is why my prices are lower. I used the same principle with my fruit and vegetable business. Low prices keep customers coming.<sup>52</sup>

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<sup>49</sup> Parliamentary Debates (Hansard), First Meeting, Sixth Session, August 12, 2002, p. 5.[Translated from Sesotho].

<sup>50</sup> There are no clear statistics as to how many Basotho have been pushed out of business. Amongst others, this is because the Chinese's migration and business activities remain sensitive in as far as the government of Lesotho is concerned.

<sup>51</sup> Interview with Tšehla Tšehla, Mosotho Businessman, Quthing, December 12, 2013.

<sup>52</sup> Interview with Tšehla, Quthing, December 2013.



McNamee's study on the Chinese in southern Africa demonstrated that, of all the countries in the region, the Chinese face a lot of competition from other migrant groups in South Africa as compared to other countries. These groups include the Vietnamese, Somalis, Pakistanis, Turks, Indians, Lebanese, Congolese, Ethiopians, Ghanaians, Nigerians and Malians.<sup>53</sup> So, Tšehla took advantage of the opportunities and strategies employed by other trading groups, and in his case, the Ethiopians. The second example is that of a local manufacturer, Sello Hakane of *Seshoeshoe* Products (Pty Ltd), a textile manufacturing company that produces clothes and school uniforms. This is one of the areas where the Chinese are very strong. He started his business in the early 2000s where he would operate informally selling school uniforms from door-to-door, and on the streets. He would knit school jerseys and uniforms at night, and sell them during the day.<sup>54</sup> He recalled:

I saw an opportunity as Lesotho only had a few Basotho dressmakers at the time. The Chinese however, were dominating the industry and they were making a fortune. They exported their products to overseas while we only sold to fellow Basotho. Sometime if we were lucky, we would export a few products to South Africa. That bothered me for a very long time because I wanted to be one of the popular local seshoeshoe producers (traditional dresses). I believed that we could produce school uniforms, produce overalls, and produce seshoeshoe. At the beginning, I really wanted to focus on seshoeshoe but because the material was too expensive for us at the time, we started making dresses and jerseys. Honestly, I could go all overselling. I used to carry a bag on my shoulders and go village to village, door to door. I mean I would make dresses and jerseys through the night and sell them door to door the next morning. I worked hard. I did not sleep much.<sup>55</sup>

Due to the quality of his products, their affordability, as well as diversifying his business products, and moving away from expensive items – as the primary focus of his business – Hakane was able to compete effectively with the Chinese who dominated the industry in which he operates in. Lastly, Thuso Moselele is a Mosotho businessman in the district of Quthing. He owns businesses in real estate, transport and retailing. His retail shop is located outside the main town centre of the Quthing district, where the Chinese mostly dominate.

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<sup>53</sup> McNamee, "Africa in their Words: A Study of Chinese Traders in South Africa, Lesotho, Botswana, Zambia and Angola", p. 27.

<sup>54</sup> Interview with Sello Hakane, Mosotho Businessman, Maseru, October 02, 2013.

<sup>55</sup> Interview with Hakane, Maseru, October, 2013.

He took advantage of this geo-position since the Chinese have not opened any businesses in his vicinity. Basically, his strategy is based on two aspects. He has altered his business working hours and gives local customers goods on credit. He has learnt that when customers have money, particularly, at the end of the month, they do their shopping in town, but, during the month, when their finances decline, they come to him. That is where he capitalises.<sup>56</sup> In our interview, when asked whether the Chinese pose any stiff competition for him, this was how he responded:

No, no, no! We are sharing the same customers, but, at different times. My shop is in this location. I am a Mosotho and I was born here whereas they are foreigners and their shops are mostly in town . . . So, what happens . . . is that [customers] buy from them when they have money. But, they buy mostly on credit from me. Then they also buy from me after hours if they have money because I know that after pay day, they will go to town and buy from the Chinese . . . However, they usually open after 8 a.m. and close early. I, on the other hand, open very early and close very late. So, I know that I get most customers between 5 and 8 a.m. . . .<sup>57</sup>

The relationship that Moselele has with his customers is different from that which they have with the Chinese traders. He has a long-term relationship with them because they are his village mates. As a result, levels of trust in this relationship are higher. Instead of fighting the customers for buying from the Chinese when they have money, he allows them to buy on credit from him. This is because the relationship that the customers have with the Chinese is less personal, and it is short-term – in fact, instantaneous. It begins and ends with the exchange of money and goods from the respective parties. For Moselele, it also means that at the end of the month, not only do customers buy from the Chinese in town, but also, they repay their debt, which they owe him.

Other Basotho who have taken advantage of Lesotho and China's renewed diplomatic and economic interests have been those business owners who have been able to import their stock and supplies directly from China. Ordering straight from China cuts out South African intermediaries, and that allows them to get goods at lower prices. One person who has

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<sup>56</sup> Interview with Thuso Moselele, a Mosotho Businessman, Quthing, December 12, 2013.

<sup>57</sup> Interview with Thuso Moselele, Quthing, 2013.

made a significant impact on the local economy is Alicia Motšoane. Motšoane is a single mother who owns and manages two medium sized businesses, a furniture shop (Prestige Furniture, which has branches in three districts of Lesotho) and a funeral parlour (*Sentebale* Gap Funeral Services) with two branches in the country, one in Mafeteng and the other in the Berea district. In 1993, she started stocking clothes and blankets from South Africa, where she bought them at cheaper wholesale prices to resell in Lesotho.<sup>58</sup> She started selling her merchandise at the time when she was working as a secretary for a law firm in Maseru. In an interview, she said:

I started my business where every typical Mosotho woman starts. This is where we start off as hawkers. Well, I would go to the Republic of South Africa to get merchandise, which I would later sell to other Basotho . . . I also got some of the merchandise from local shops. Blankets, [I would get from] Pep Stores (a South African clothing chain store, with many branches in Lesotho). There was a time in the past when Lady Diana (the late Princess of England) was getting married. So, they named the blankets after Lady Diana, and this kind of blankets were very popular (in Lesotho). I used to buy a box of these blankets from Pep stores and sell them from one office to another . . . on part-time basis because by then I was permanently employed. I used to do my business during lunch break.<sup>59</sup>

In 1998, the company that she was working for closed down. Instead of looking for another job, she decided to start her own business (Prestige Furniture Shop) with her savings and gratuities. She started by selling second-hand furniture. She said: “We would buy all the repossessed furniture and later sell it”.<sup>60</sup> However, soon after she started, the 1998 riots (refer to Chapter 6) affected her business suppliers. It became difficult for her to get second-hand furniture since many of them had burnt down. Consequently, she “started to gradually buy the new ones until [she] only sold new furniture [imported from] China.”<sup>61</sup>

Some local producers have also taken advantage of the markets that the Chinese traders offer their commodities. Some Basotho producers sell products such as eggs, bakery

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<sup>58</sup> Interview with Motšoane, Mafeteng, October, 2013.

<sup>59</sup> Interview with Motšoane, Mafeteng, October, 2013.

<sup>60</sup> Interview with Motšoane, Mafeteng, October, 2013.

<sup>61</sup> Interview with Motšoane, Mafeteng, October, 2013.

products, bottled traditional porridge and bottled water. An example of one business woman in the poultry and insurance businesses is used to provide a concrete example. 'Matokelo Seturumane owns and manages one of the two medium sized insurance brokerages in the country, Thaba-Bosiu Risk Solutions. She started her business journey in poultry at Tokelo Poultry Farm (named after her eldest daughter). She developed a love for business from an early age. Raised by her grandmother, together with other cousins, they were encouraged to work in other people's fields in order to earn an extra income to purchase the small items they needed. With her earnings, she would then buy berets and sell them to women. These were fashionable when she was growing up.

After finishing high school in Lesotho, she trained in secretarial studies in Swaziland. Upon her return in the early 1980s, she worked for Catholic Relief – a USAID Project in Lesotho– and later, with Thebe Insurance Company in Maseru. While at Thebe Insurance Company, she started buying women's cosmetics and perfumes in Johannesburg to sell in Lesotho. She said: "I used to sell things like roll-ons and lotions. Common deodorant brand names were Sadie and Swankie . . . I moved and started selling handbags which I got from Botswana."<sup>62</sup> However, after she got married and started her family, the money she was earning, both in business and as a secretary, combined with that of her husband, was not enough to support the type of life she aspired for her family.

In 1993, Seturumane ventured into poultry farming with the money she had saved. She knew little about the business. Accordingly, she sought advice from one local lady who kept chickens. Then she started with broilers – chickens bred specifically for meat production. In 1998, she moved to chicken egg layers because broilers were expensive to rear. She remembered that with "the little bit of money [I] had and salary and the money from [my] spouse, [we] joined hands to start the [chicken] layers [agro-business]."<sup>63</sup> From 360 layers in 1998, she was managing more than 500 layers by 2013. She supplies eggs to local shops owned by the Indians, Basotho and Chinese, alike.<sup>64</sup> She attempted to supply Maseru

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<sup>62</sup> Interview with 'Matokelo Seturumane, Mosotho Businesswoman, Maseru, November 09, 2013.

<sup>63</sup> Interview with Seturumane, Maseru, November, 2014.

<sup>64</sup> Interview with Seturumane, Maseru, November, 2014.

branch of Pick'nPay, a South African chain store, but all to no avail. This was due to their stringent conditions, and in accounting for this, she said:

I have tried and tried but I just threw the towel because they are demanding and we can't meet some of their demands. The challenge with *Pick'nPay* is that they come and assess your place and our style of farming is different from the styles of other countries like South Africa whereby there are farms and here we just do it in our backyards.<sup>65</sup>

As a result of their stringent conditions, she added that:

Well, mainly, I sell to the shops but I get support from Basotho and Chinese businesses. [But] Chinese can negotiate you up to zero if they could afford it but they are very serious about their business.<sup>66</sup>

### *B. Collective Survival Strategies*

Apart from more individualised strategies, some Basotho have also survived in the Chinese dominated economy through self-organised business organisations. These are business organisations which Basotho business owners created on their own without any intervention, particularly from government or international organisation or umbrella business associations like the Chambers. These are in the form of self-organised business associations, co-operatives and rotating credit schemes. It has been demonstrated in the previous chapters that the majority of Basotho have continuously had problems of access to business finance and credit. As a result, they have had difficulties raising capital and insuring their businesses. As a means to address these problems, they would enter into various economic arrangements with more powerful members of the business community for support while they would collectively form cooperatives and associations in order to solve their problems and advance their collective interests (see Chapters 3). In contemporary Lesotho, these collective strategies continue to be their salvation.

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<sup>65</sup> Interview with Seturumane, Maseru, November, 2014

<sup>66</sup> Interview with Seturumane, Maseru, November, 2014.

Despite common challenges that these associations face (as seen in the previous chapter) they play a vital role in addressing various economic difficulties that many Basotho business owners experience. One of the biggest challenges that they address is lack of access to credit and supply of equipment and stock in their businesses. Due to pressure from the influx of the Chinese, many Basotho found it even more difficult to survive. As a result, they resorted to forming new associations and strengthening old ones. Three examples are used support this point. The first example is that of Lesotho Liquor and Restaurants Owners' Association (LEROA). LEROA was formed in 1992 by members of the Chamber who owned liquor stores and restaurants. At the time, Lesotho Brewery was only selling beverages to bigger businesses like hotels and bottle stores. Basotho would then have to go and buy from these intermediaries. In this way, Basotho could not buy in bulk. They also had to buy their stock at higher prices than they would otherwise do from the producer. 'Mammako Molapo, one of the founding members and first treasurer of the association recalled:

These businesses of ours were very small - and LEROA - when we formed it, it was because we were still hurting. We were still members of Lesotho Chamber of Commerce and Industry and we worked a lot with hotel owners and we were hurt by the fact that they ended up discussing with brewery that no, we should buy directly from bottle stores. So we disagreed and told them that we are also business people and if we buy from bottle stores . . . "what price would we sell at?" [we questioned].<sup>67</sup>

When the association started, it had about 400 members. Its members would then be divided into smaller groups of 10. Each member contributed R200 per week for a month. At the end of the month, they collectively buy stock and share it amongst the members of the group. Motseki Nkeane, President of the association testified:

I joined in 2002. Truly speaking LEROA helped me . . . to come up with plans on how to grow the business . . . the problem that we had [was that] this space (his business premises) was big and needed a lot of stock. But I did not have the financial means, and I did not know where to get money . . . And, honestly it helped a lot of businesses to grow.<sup>68</sup>

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<sup>67</sup> Interview with 'Mammako Molapo, Maseru, October, 2013.

<sup>68</sup> Interview with Motseki Nkeane, President of Lesotho Liquor and Restaurants' Owners' Association and Maseru Chamber of Commerce and Industry, Maseru, October 29, 2013.

However, with the rise of the Chinese monopoly of the local economy, many of their members found it difficult to compete. They closed down their businesses. The association realised that though their credit scheme was helping them, it still could not effectively help members to stay in business. As a result, the association formed another credit scheme – in addition to the already existing one. This was what they called the *Golden Table*. In this scheme, they contributed R500 that is saved separately, which members can borrow from.<sup>69</sup>

The second example is drawn from activities of *Thekommoho*, literally, “buying together”. This bulk buying arrangement has a longer history in Lesotho. The most significant was the 1969 *Thekommoho* cooperative (see Chapter 3). The new *Thekommoho* was formed in 2004 when many Basotho were feeling pressure from the Chinese infiltration into the local economy. Similarly, through the new *Thekommoho* (also registered as a cooperative), members contribute money into a common pool in order to buy from local wholesalers in bulks and then share the goods amongst themselves.<sup>70</sup> They select priority items to buy on a weekly basis. Priority is put on basic necessities. Mosito Chopo, member of the cooperative, affirmed that:

We buy [an item that we know], in our business, dark or blue, it will be sold and then we go and buy another one. But, we do not buy one thing. For example, we can buy milk right now. When it is finished, we buy sugar or buy milk and sugar and soap [at the same time]. When they are finished, we buy something else . . . Honestly, *Thekommoho* is very strong. It is strong because right now, we are not able to fight the Chinese individually because when you go to the *wholesale* alone you are given at a high price. So, right now when we have come together, we are going to be given the same price as the Chinese.<sup>71</sup>

To substantiate further, in 2010, *Lesotho Business*, a local newspaper, reported:

. . . This association of theirs has helped a lot of[Basotho] business owners since their businesses were collapsing . . . It has helped them [to]compete with foreigners (Chinese traders) who are operating close to them.<sup>72</sup>

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<sup>69</sup> Interview with Nkeane, Maseru, October, 2013.

<sup>70</sup> *Lesotho Business*, January 13-19, 2010, p. 9 [Translated from Sesotho]; interview with Mosito Chopo and Tlokotsi Letsie, Businessmen and Members of *Thekommoho*, Maseru, October 3, 2013.

<sup>71</sup> Interview with Chopo and Letsie, Maseru, October, 2013.

<sup>72</sup> *Lesotho Business*, January 13-19, 2010, p. 9, [Translated from Sesotho].

The last example is derived from the operations of the Women’s Federation. The Federation was formed in 2012. Since then, it has grown to be the biggest nationwide women’s association. Its membership covers all women in business regardless of size and type of business – whether formal or informal. Its membership consists of 12,085 women, 111 men. Deliberately, men are not permitted to contest for and occupy leadership positions. This is a direct women empowerment strategy. One of the striking features of many associations in Lesotho, including the Chambers, was that the women constituted the majority of their membership. However, few of them were or are in leadership, which is typically dominated by the men. As also established in the introduction, the majority of the marginalised people in business are women.<sup>73</sup>

The most striking economic feature of the Federation is its reliance on *stokvels* – rotating credit schemes.<sup>74</sup> The Federation has branches in all districts. In the districts, members further divided themselves into smaller groups. The division is based on the economic stature of various members. Members who can contribute more money group together, usually in groups of 10. Those who cannot afford to contribute more are grouped separately. Those who cannot contribute money, make a contribution in kind. Usually, they can provide a space where some members, for instance, those who are in agro-business, can rear their animals or grow vegetables.<sup>75</sup> In describing how their *stokvels* function, ‘Mamahlapane Rakuoane, President and founding member of the Federation, testified that:

We made clusters of businesses; meaning some owned pigs, some green houses, some fabrics, and so on . . . we started by forming *stokvels* . . . Our *stokvels* work this way; we contribute money and divide ourselves in groups according to our capabilities, and some contribute R1500 every month, others R15 000 . . . some contribute R200, some R500, R100, some even R50. We accommodate everybody. Some cannot even afford R30 monthly but [may have] a site where we can rear chickens. So, we put that site on the plate while others put money. [Then] . . . we give one person to start or [expand] their business. [And on a monthly basis] we go to [one member’s place where] she is supposed to have

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<sup>73</sup> Interview with Rakuoane, Maseru, October, 2013.

<sup>74</sup> Interview with Rakuoane, Maseru, October, 2013.

<sup>75</sup> Interview with ‘Mamahlapane Rakuoane, Business Woman and President of the Women’s Federation, Maseru, October 26, 2013.



cooked food [to feed members of the *stokvel* at the day's gathering] and each of us is expected to pay R300 . . . We give her the money.<sup>76</sup>

Makhiba Nkoko, a business woman and member of the Federation in the district of Berea, in the north central western parts of the country, added:

Teyateyane ladies chose to breed chickens and we chose to help each other to grow. We made groups of 10. We started by paying subscriptions of R150 of which R100 is for the society's bag . . . In our group, we decided to put R500 down – the 10 of us. We gave [the money] to one member so that she could [raise] chickens [in order to start an agro-business]. When [they have grown] everyone will take 15 chickens to sell. Once we have sold, we chose a day in which we think we have collected the whole money. On that day, they cook . . . and we buy those plates for R200. So we try as much possible to return the money . . . That's the *stokvel*. We sit every month. Myself I was lucky. Sometimes I left with R14,000 and R12,000. The money is aimed at growing the business; it can't be used elsewhere.<sup>77</sup>

During the fieldwork for this study, the Federation appeared to be the most vibrant and popular association with wide membership around the country. Its inclusive approach helped it to draw wider membership. On top of that, its economic strategy anchored on *stokvels* has been effective in helping members to start and expand their businesses.

This section has demonstrated how the majority of Basotho business owners survive, both individually and collectively, in business in the post-1990s period, which is dominated by the Chinese traders. It revealed various ways in which many Basotho in business have responded to the Chinese domination of the local economy as well as the impact of continued marginalisation due to neo-liberal economic policies and multi-party politics. Their reactions signify a higher sense of economic pragmatism and collaboration, both within themselves and the Chinese, than more politically confrontational responses.

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<sup>76</sup> Interview with Rakuoane, Maseru, October, 2013.

<sup>77</sup> Interview with 'Makhiba Nkoko, Mosotho Businesswoman and Member of the Women's Federation, Teyateyaneng, November 7, 2013.

## Conclusion

This chapter chronicled the history of the Chinese migrants in Lesotho. It demonstrated that the Fujianese economic activities in contemporary Lesotho have a longer history in the post-colonial period. However, from the late 1990s, the Chinese economic activities shifted dramatically from big industries to local business where they took over, displaced many Basotho and dominated the local business. Their activities further expanded into the informal economy. Due to their domination of the economy, many Basotho have responded with hostility and strong anti-Chinese sentiment. However, as compared to other countries, this xenophobic reaction has basically remained non-violent. Though the hostility is dominant, some Basotho have taken advantage of the Chinese arrival to improve their own economic situation, either as consumers or as collaborators. Other Basotho organised themselves collectively to challenge the Chinese monopoly and survive in the neo-liberal era through cooperatives and self-organised business association.

## CHAPTER 9

### Conclusion

This study has focused on the history of indigenously-owned business in post-colonial Lesotho, from 1966 to 2012. The main aim was to chronicle the history of Basotho's attempts to play a significant role in the country's local economy following independence. The investigation focused on historical processes that shaped the country's contemporary economic landscape. Specific emphasis was placed on individual and collective economic and political pursuits of Basotho business owners, which were aimed at changing their historically marginal position in the colonial economic configuration. It examined the conditions that they operated under, their opportunities, and how they have survived – individually and collectively. Lastly, it also explored how the state and economy worked for and against their interests and efforts at self-realisation.

The study concurs with the idea of the human economy as developed by Hart, Laville and Cattani who argue that the two dominant ideologies of production (capitalism and socialism) in the twentieth century, as well as, neoliberalism in the post-1980s into the twenty first century, created an unequal world wherein the majority of the people occupied the bottom of the pyramid. In light of this conclusion, they argue that if the world is to achieve development for the majority of the people, attention should be placed on what people do for themselves as a means to drawing lessons from past and present conditions, formations and alliances.<sup>1</sup> In line with the human economy approach, this study focused on what the majority of Basotho business owners have been doing for themselves (individually and collectively) in the economy, notwithstanding a myriad of challenges and the marginalisation they experienced.

The study used archival documents, oral histories and ethnography at the Lesotho Chamber of Commerce and Industry to chronicle and analyse the history of Basotho in local business. In light of these findings, the study argues that Basotho business owners have a long but hitherto untold history of marginalisation and struggle to better their conditions, fortunes and ambitions to play a more significant role in the country's post-colonial local economy.

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<sup>1</sup> Hart, Laville and Cattani, "Building the Human Economy Together", pp. 1-17.

However, this history was concealed by the West's post-Second World War dominant development ideology, which was followed by Lesotho, in common with many other developing countries. This thinking emphasised technocratic development, which dictated that developing countries should follow prescribed solutions to develop their economies in the image of the West as examined in chapter one and two.

This development approach perpetrated the classic colonial thinking that the African people lacked capacity to develop independently and had no history to prove otherwise, as Hugh Trevor-Roper, a British historian, polemically expressed in a series of lectures he delivered at the University of Sussex in the UK in 1963. He claimed that there is no history of Africa. He added: "[T]here is only the history of the Europeans in Africa. The rest is largely darkness . . . And darkness is not a subject for history."<sup>2</sup>In the specific case of Lesotho, chapter three established how Europeans traders popularised, as an alibi, the idea that Basotho lacked capacity and history of creating and responding to economic opportunities. In this pursuit, they obscured, or indeed, were oblivious of the fact that towards the end of the nineteenth century, Basotho had emerged as an economically independent society by responding to economic opportunities that came with European contact. In fact, prior to this, there existed complex and vibrant regional trade networks, which were only disrupted by the *Mfecane* wars of the early nineteenth century.

Successive post-colonial governments inherited and perpetrated this view that Basotho lacked adequate business acumen and entrepreneurial agency without paying attention to history, as examined in chapters five and six. These governments attempted to create Lesotho's economy and society at large in the image of the west as they sequentially embraced economic models of the developmental state and neo-liberalism. As a corollary to that, far into the post-colonial period, the understanding continued to be that developing countries needed Western experts (mostly economists/development economists) to nurture them. In the specific case of entrepreneurship and business development, the post-Second World War development discourse focused on psycho-social individual characteristics

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<sup>2</sup> As cited in: <https://davidderrick.wordpress.com/2010/06/09/there-is-no-african-history/>, [February 01, 2015, 16: 26].

associated with rational economic motives and innovation propensities to maximise profit in order to grow national economies. Using these entrepreneurship traits, as the development blueprint, Western experts and governments of Lesotho saw Basotho as lacking capacity and adequate economic acumen, and thus needing acculturation through training.

However, this Western development hegemony undermined the economic efforts of indigenously-owned business in Lesotho and deepened inequality. This was because the economic approach emphasised acute individualism and followed some kind of ‘economic survival of the fittest’ approach – otherwise known as *Homo-economicus*. Chapters six and seven explored the history and impact of Lesotho’s adoption of neo-liberal policies, respectively. These chapters demonstrated that neo-liberalism increased unemployment and poverty for the majority of Basotho while priority was given to foreign investors and a few Basotho business elites, who had strong connections to the ruling party. Chapter six went further to illustrate how the majority of Basotho in business were marginalised as the LCD government encouraged elitism to support its political power.

Friedrich Engels and Karl Marx’s conception of the ‘ruling class and ruling ideas’ in their thesis of the *German Ideology* is useful in explaining the dominance of the post-Second World War technocratic development thinking and practice. They argue that in any given epoch in a society, there are dominant ideas governing the people. These ideas are those of the dominant groups – the West in this regard, in collaboration with the governments. These are the groups that manipulate the economy and political office. Simultaneously, they control the intellectual consciousness of the rest of the society.<sup>3</sup> In this case, the West, through the World Bank, other Bretton Woods institutions and international development agencies, have been dictating how other countries of the world are to develop their economies.

In *Tyranny of the Experts*, Easterly argued that development discourse, practice and its pedagogy facilitated neglect of the ordinary citizens’ economic pursuits and freedom

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<sup>3</sup> Karl Marx and Friedrich Engels, *The German Ideology* (New York: Prometheus Books, 1998).

because it was, as he calls it, ‘technocratic dictatorship by the experts’.<sup>4</sup> In the specific case of Lesotho, Ferguson observed that

. . . the “development” apparatus in Lesotho is not a machine for eliminating poverty . . . it is a machine for reinforcing and expanding the exercise of bureaucratic state power . . . it uncompromisingly [reduced] poverty to a technical problem, and by promising technical solutions to the sufferings of powerless and oppressed people, the hegemonic problematic of “development” is the principle means through which the question of poverty is de-politicised in the world today.<sup>5</sup>

The technocratic approach to development armed the political and business elite, at a national level with an excuse to mask more sinister motives of corruption, greed, and exclusion of the majority of Basotho in business. All the post-colonial governments of Lesotho maintained a highly centralised and despotic form of governance. They used economic resources and opportunities at their disposal to preserve and expand their political base with little regard for the rest of the ordinary people.

Chapters four and seven, demonstrated how the National, the military and the Congress governments out-rightly marginalised and violently, and even strategically, suppressed Basotho in business as they undemocratically sought to consolidate and expand their political and economic power. The National Party and military regimes were openly dictatorial while the Congress regimes were more subtle in their authoritarian form of governance. Comparatively, they used less violence, though they engaged police force to suppress Basotho business owners’ protests. In these pursuits, they manipulated the laws and legal institutions to illegitimate Basotho’s protests. This character of the post-colonial state in Africa was aptly captured by Frantz Fanon in his third chapter of the *Wretched of the Earth* – “Pitfalls of National Consciousness”. In this chapter, Fanon argues that the post-colonial ruling elites divorced themselves from the people, who they liberated from colonial oppression, and personalised the state and national resources.<sup>6</sup> Fanon argued:

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<sup>4</sup> Easterly, *Tyranny of the Experts*.

<sup>5</sup> James Ferguson, *Anti-Politics Machine*, pp.255 and 256.

<sup>6</sup> Frantz Fanon, *The Wretched of the Earth* (New York: Grove Press, 1963), pp. 148-205.

History teaches us clearly that the battle against colonialism does not run straight away along the lines of nationalism. For a very long time the native devotes his energies to ending certain definite abuses: forced labour, corporal punishment, inequality of salaries, limitation of political rights, etc. This fight for democracy against the oppression of mankind will slowly leave the confusion of neo-liberal universalism to emerge, sometimes laboriously, as a claim to nationhood. It so happens that the unpreparedness of the educated classes, the lack of practical links between them and the mass of the people, their laziness, and, let it be said, their cowardice at the decisive moment of the struggle will give rise to tragic mishaps.<sup>7</sup>

However, this does not mean Basotho business owners were passive observers in the economy. As chapters four, seven and eight firmly demonstrated, they organised themselves to deal with their challenges in business, individually and collectively; be that as it may, all post-colonial governments of Lesotho sought to co-opt and subordinate these organisations as a way of preserving and expanding their own political base. Chapter four clearly established how the National Party government violently undermined Basotho's economic solidarity in business in the first ten years after independence. Chapter seven revealed further that these governments rewarded those who obeyed, such as *Mohloli* Business Chamber and the Private Sector Foundation of Lesotho but punished those who stood for their independence and freedom of expression like the Lesotho Chamber of Commerce and Industry, and others, as seen in chapter seven.

The study established that Basotho business owners fought for economic independence in business. They persistently fought to restrain the invasive predispositions of the successive governments in business. Instead of requesting the government to develop business for them, as the government did with international institutions, they only held it accountable for not providing favourable conditions for them to pursue economic opportunities on their own account. All they wanted to have was a meaningful say and participation in economic matters that affected and continued to affect their lives. Equally important, they never denied the government the role it had to play. Persistently, they sought to work in collaboration with successive governments of Lesotho to better economic conditions for the majority of Basotho in local business. However, the governments, which had their own political and economic agendas, denied them this opportunity. As a corollary, across space,

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<sup>7</sup> Fanon, *The Wretched of the Earth*, p. 148.

relations between the two have been characterised by the lack of trust and heated confrontations.

Basotho business owners' efforts could have realised better results if successive governments had not used political power and state institutions to effectively weaken the business owners' economic solidarity using the age-old strategies of 'divide and rule'. In these processes, successive governments, together with the international organisations, undermined conditions through which the majority of Basotho's economic spontaneous action or economic freedom could have been allowed to flourish. In fact, evidence presented in this thesis demonstrates that at times when the governments and international organisations limited their interference, Basotho's economic initiatives exhibited promising signs of progress. The case of *Thekommoho* and other collective self-organised associations, discussed in chapters four and eight, clearly demonstrate this.

*Thekommoho* remains one of the most significant collective initiatives of Basotho business owners in the post-colonial period. Apart from almost throwing Europeans out of business, through this cooperative, Basotho defined the geo-political and economic position of Lesotho in the so-called "shadow" of South Africa. Chapters one and five discussed the dominant political economy narrative which ascribes Lesotho's lack of economic growth to its land-locked position in side of South Africa. Of course, this is a factor among others, but Basotho on the ground interpret this differently through their economic activities. In fact, they used this to their advantage in order to counter European traders' domination of the local economy. They bought stock in bulk straight from South African-based manufacturers and wholesalers through the cooperative, and even individually. By so doing, they exploited the fact that money and markets know no boundaries, and no economies can ever be self-sufficient; they depend on one another. Basotho business owners' entrepreneurial efforts accord us the opportunity to critically rethink this dominant narrative. Rather, national politics and domestic elitist interests are persistently responsible for their poor performance, not the geo-political position of South Africa. In fact, while Lesotho was a labour reserve for South African mines, many families had a stable source of income through which they reinvested their proceeds in various forms of business and in agriculture back home. The economy was more regional than it is currently.



Furthermore, foreign business ethnic groups that migrated into Lesotho added a further dynamics to the local economy. As chapters three and eight proved, with better financial muscle and economic networks, they dominated the local economy. This began with the European and the Indian traders in the 19<sup>th</sup> and 20<sup>th</sup> century and continued after independence into the 2000s as waves of East Asians (Fujianese – the ‘Chinese’) increasingly settled in Lesotho. Because of their political neutrality, as compared to Basotho, who were simultaneously business people and members of various political parties that included major opposition parties, foreign traders offered the governments with a necessary buffer. Foreign business owners supported successive governments with financial resources. Across time, relations between these groups and Basotho remained complexly characterised by economic collaboration and confrontation. Basotho were not necessarily anti-foreign traders. They collaborated with them through various economic arrangements. However, at a collective level, Basotho also persistently contested exclusion and the domination of the local economy by foreign business owners.

Little is known about whether the present and historical conditions of the majority of the Basotho will change in the local economy or what their future might look like, but their history which was presented in this study has demonstrated a society with more entrepreneurial and creative potential than is often acknowledged. The fact is that there are so many Basotho who have survived in local business notwithstanding a myriad of challenges and marginalisation. How they have survived is important to recognise. This was the prime objective of this study. Hopefully, this history has contributed to a better understanding of the dynamics and complexities of the economic experiences of societies in the Global South which, arguably, can inform future domestic and international policy towards local business initiatives and the development of the existing potential.

Finally, the study also demonstrated the existence of a complex relationship between individuals and the bigger economy. Contrary to debating the dominance of the subjectivity of individuals in the economy or the impersonal economic machinery, the study focused on how the people have persistently tampered with imposed development blueprints. Using money and markets as their central points of economic engagement, instead of following the typical neo-liberal rational economic ethic and embracing ideals of western modernity,

they engaged on their own account by forming associations and collective credit schemes. Basotho's activities in the local economy, chronicled in this study, exposed the plurality of the economy – be it at a subjective behavioural or macro levels. They demonstrated solidarity, trust, loyalty, mutuality and reciprocity as other key economic principles, instead of exaggerated economic individualism. These are important inclusive principles that should be allowed to flourish, if meaningful attempts to change the economic fortunes of the majority of the people in the Global South are to be made. This is a matter of shifting away from discourse, practices and paradigms that only privilege the rich minority.

Equally important, Basotho's activities in local business also demonstrated that politics and the economy cannot be treated separately; they are sides of the same coin. Development perpetrated the illusion that the economy only concerns itself with scientific and mathematical equations. Ferguson firmly argued this point that in Lesotho, development neutralised politically charged situations. This trivialised and sought to illegitimate Basotho's collective entrepreneurial subjectivity and political engagement. The study has established that development is political since it concerns the people; the majority of which have been marginalised in the economy for decades. They have their economic ambitions and persistently seek to better their economic fortunes. They are not passive observers that lack capacity, and in need of intervention. This study provided a whole different narrative of persistence and economic improvisation and spontaneity, which has been obscured by dominant economic narratives since the colonial period into the post-colonial period.

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