Zimbabwe: Mine Nationalisation Fears

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Foreign investors nervous about Mugabe's plan to place country's mines in state hands.
President Robert Mugabe has thrown the economic future of beleaguered Zimbabwe into greater uncertainty and confusion with a declaration that the state intends nationalising all 500 of the country's mines.

Speaking at Independence Day celebrations on April 18, Mugabe fanned fears among foreign investors when he proclaimed a new mine ownership policy. "We said we want 51 per cent in favour of Zimbabwe and 49 per cent in favour of the investors," he said.

"The depleting resources, non-renewable resources, are ours in the first place. You, the investor, will get a reward, yes, but that reward will be balanced by what we keep for ourselves."

The Mines Ministry subsequently further shocked foreign investors by issuing a statement saying 25 per cent of the shares in mine companies would be nationalised without any compensation.

Mining has become Zimbabwe's top foreign currency earner following the collapse of commercial farming, which critics blame on Mugabe's decision to abolish ownership rights of former owners, mainly white, and drive them off the land.

However, some senior ministers are now suggesting that the government is willing to compromise and take only an initial 15 per cent of shares in the mines in order to reduce the level of alarm among investors.

Jack Murehaw, president of the Zimbabwe Chamber of Mines, representing some 200 foreign and local mine owners, said the organisation is still discussing the issue with government. "We presented specific suggestions and discussions are earnestly in progress," he said. "It will, therefore, be improper for me at this point to get into the details of the discussion currently taking place.

"Our response centres on our desire for government to come up with amendments to the Mines and Minerals Act which will encourage further investment in the industry, and therefore growth of the sector, while also addressing the issues of [indigenous] empowerment."

The Chamber of Mines has warned that the policy, as outlined by Mugabe on Independence Day, would kill all foreign investment. Zimbabwe is already suffering a critical shortage of foreign exchange, both in the private sector and in government coffers, which would make the financing of the deal sought by the president very difficult. "The government and locals will have to fork out at least three trillion Zimbabwe dollars [3 billion US dollars] to take any significant equity in current mining operations," said Murehaw.

A senior government official confirmed to IWPR that negotiations were continuing and that the percentage ownership ultimately demanded by the government was likely to be lower than Mugabe's 51 per cent, perhaps around 30 per cent. "Zimbabwe is not the only country that has done this, but because Mugabe [is] proposing [it], it is blown out of proportion," said the official.

"Mali has 51 per cent shareholding [in gold mines], while Namibia and Botswana have 49 per cent in their diamond mines. South Africa is also talking about it. So it's nothing new. It is a SADC (Southern African Development Community) approach to mining that we are adopting."

On talk that Zimbabwe might lose current investment and future investors, the official said threats of pulling out from Zimbabwe were not serious. If current owners, mainly South African and British, pulled out other investors from Russia, Australia, India and the Middle East had indicated their interest in mining in Zimbabwe.

"Mugabe is doing it all for the future, for our children, grandchildren and other future generations," the official continued. "We can't sit by while our country is being raped. These are not renewable resources. If they are gone, they are gone. The figure of 51 per cent is just a

discussion point."

The trouble is that past experience of Mugabe's catastrophic nationalisation of land makes it difficult to shrug off his statements on mine nationalisation as mere politicking. Whatever the senior official might say, Mugabe has the final word in Cabinet and he broaches no opposition.

Ask anyone in the ZANU PF party or the government who has tried to contradict the president, often rightly so, and they relate receiving a tirade of insults. Few dare to criticise seriously for fear of being sacked.

Vice President Joseph Msika and ZANU PF's national chairman John Nkomo tried to convince Mugabe some two years ago that it would be a mistake to allow the incompetent government-owned Agricultural and Rural Development Authority, ARDA, to nationalise the once successful and lucrative Kondozi farm in Odzi, Manicaland province.

Despite being given facts about ARDA's past failures, Mugabe stuck by his guns and went ahead to confiscate from its owners the huge property, which was one of Zimbabwe's largest horticultural exporting concerns, with markets in Europe and South Africa. The property was registered as a protected Export Processing Zone with an annual turnover of 15 million US dollars and employing 5,000 people.

Although some cabinet ministers agreed with Msika and Nkomo, none dared to add their voices to the protests. Now, two years later, Msika and Nkomo are having the last laugh. The farm is lying derelict and most of the equipment has been looted and vandalised. Mugabe's righthand man, Security Minister Didymus Mutasa, and Agriculture Minister Joseph Made are among senior ministers accused by military investigators of stealing machinery from the farm.

A senior official of the opposition Movement for Democratic Change, MDC, told IWPR it would be a mistake to assume that Mugabe was only politicking on Independence Day. "Mugabe has now said the final word and there is no going back," he said. "It is just another way of nationalising the mining sector. I strongly believe that we are shooting ourselves in the foot. The mining companies are going to pull out and we will not get any more foreign investment in that sector because investors are there to make money."

The mining sector is the last remaining pillar of the collapsing Zimbabwean economy, earning 626 million US dollars last year, which represents 44 per cent of the country's total foreign currency revenues.

Major companies that will be affected by any legislation include the world's second largest platinum producer, South Africa's Implats with an 87 per cent interest in the local-based Zimbabwe Platinum Mines; South Africa's Anglo Platinum, the world's largest platinum producer; the United Kingdom's Rio Tinto Zinc; and Metallon, owned by South African tycoon Mzi Khumalo.

Zimbabwe, with the second largest platinum deposits after South Africa, is the main area for Implats' future planned growth.

Zimbabwe introduced royalty fees on mineral production in January last year, piling pressure on an industry already saddled with foreign currency shortages and a surge in power costs. "The cost of foreign currency, officially and unofficially, is putting producers on edge," said leading independent Harare economist John Robertson. "The constraints are quite serious and nothing government is doing is encouraging investment. No miner wants to invest a lot of capital because of the uncertainty in the sector."

In South Africa, Zimbabwe's giant southern neighbour, investment analysts are watching the Zimbabwean mining and economic situation keenly, trying to gauge the right moment to invest in what was once the second strongest industrial economy in Africa, and pick up bargain basement concerns. That moment may not come until 82-year-old Mugabe leaves the stage and the dust settles on the successor regime. What could then follow is a takeover of vast swathes of the near-destroyed Zimbabwean economy by capital-rich South African interests.

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