

BRICS [Brazil-Russia-India-China-South Africa] seen from a weakening Zimbabwe

Monday 21 April 2014, by [MAGUWU Farai](#) (Date first published: 9 April 2014).

Industrial investment in Africa by BRICS nations has been mired in scandal at times but on the whole appears to be welcomed. Farai Maguwu takes a closer look at the real impact of BRICS investments in Zimbabwe, and questions what is required for Zimbabwe's long term benefit.

Zimbabwe's latest economic blueprint, known shorthand as Zim Asset, identifies BRICS as being central to the country's economic revival. There has been an upsurge of Russian, Chinese and South African investments in Zimbabwe's extractive sector over the past decade, but mining has been characterised by environmental degradation, tax evasion, human rights abuses and exploitative labour practices.

No one knows whether Zimbabwe stands to benefit from BRICS, nor does the government have clearly stated objectives, or a well defined strategy, for getting the most out of BRICS. Even the much celebrated 'Look East Policy' remains more of a political slogan than a coherent strategy.

The biggest dilemma is how to redirect the extraction and externalisation of resources, and generate a patriotic path for capital accumulation arising from diamonds, platinum, gold, chrome and other minerals. In order to achieve ambitious double-digit growth targets for minerals, the Mugabe government claims it will establish a Sovereign Wealth Fund, attract FDI, establish special economic zones, continue using the multi-currency system, implement value-addition ('beneficiation') strategies, and ensure improved electricity and water supply. This will also require the re-capitalization of the Minerals Exploration Company, Zimbabwe Mining Development Corporation and Minerals Marketing Corporation of Zimbabwe.

BRICS investments will be needed, but the past decade has seen highly controversial precedents. BRICS corporations make up Zimbabwe's top three investors: China leads with investments of \$375 million, approved by the Zimbabwe Investment Authority (ZIA) in 2013. This is followed by Russia with approvals worth US\$40 million and South Africa with US\$39million. Next door in Mozambique, Brazilian and Indian corporations are not far away - in Tete Province - digging coal and displacing the peasantry on a vast scale.

CHINA

Since 2000, China has been Zimbabwe's biggest foreign investor. ZIA records show that from 2010, investments contributed 72 per cent of total FDI, or US\$670 million from a total of US\$930 million worth of projects. In 2012, China's cumulative investments in the mining sector (gold, diamonds and chrome) totalled US\$583 million, or 62 per cent of the total US\$688 million in FDI approvals for the entire Zimbabwean mining industry last year.

China is unapologetic about the fact that its aid and investment are not tied to political or economic conditions. Such conditions, when imposed by the US or Europe, typically mix liberal democratic

provisions with structural adjustment. The latter policy was imposed on Zimbabwe, and in part accepted by Robert Mugabe's government, during most of the 1990s. They failed, as in most of Africa, but unusually, Mugabe bucked the trend of acquiescence from 1997, during a series of social uprisings, and he has since zigzagged between authoritarianism and concessions to the majority.

Like the West, China seeks Africa's natural resources but its investments are not conditional upon achievement of minimal human rights and democratic objectives. There continue to be reports of human rights abuses perpetrated by Chinese employers against their Zimbabwean employees, as well as reports that China's co-owned ventures in the diamond mines contributed to the war chest that helped Mugabe hire an Israeli firm, Nikuv, to undermine the integrity of the July 2013 elections, which he won handsomely.

China has become a major player in the country's economy through joint venture enterprises like Anjin Investments - involved with the military in the Marange diamond fields - and Sino-Zimbabwe Holdings, which also previously held a concession in Marange. According to a recent report by Global Witness, Anjin enjoys the most lucrative diamond concessions. One gift, in exchange, was \$98 million for the construction of the army's National Defence College. Sino-Zimbabwe is now conducting chrome mining along the Great Dyke belt.

RUSSIA

There are a handful of Russian companies operating in Zimbabwe's mining sector. One company, DTZ-OZGEO (Private) Limited is jointly owned by the Development Trust of Zimbabwe (DTZ) and a Russian company, Econedra Limited. This company is involved in gold and diamond mining in Penhalonga and Chimanimani respectively, and holds several claims all over Zimbabwe in places such as Shurugwi and the Bvumba. However, DTZ-OZGEO has performed poorly in terms of transparency, environmental management and corporate social responsibility. The world's biggest diamond producer, Russian group ALROSA (which produced 26 per cent of the world's diamonds in 2012), is now seeking a joint venture partner to carry out geological explorations in Marange.

In the platinum sector, Russian firms Rostec and Vneshekonombank are part of a consortium that owns 40 per cent of one of the world's largest platinum fields in Zimbabwe. Aside from South Africa, which holds an estimated 80 per cent of the world's platinum - and which since late January has suffered a shutdown due to a trade union strike - the only other large-scale producer of platinum is Russia.

The Darwendale platinum deposit reportedly includes 19 tonnes in proven reserves and 775 total tonnes of metals including palladium, gold, nickel and copper. Ruschrome Mining Ltd is partly owned by the Harare government through the Zimbabwe National Army and the Center of Business Cooperation with Foreign Countries, an association of machinery and defence firms that retains a 10 per cent stake in the project. Ruschrome is currently setting up a pilot open pit platinum mine in Darwendale.

President Robert Mugabe expressed disappointment with the secretive nature of DTZ OZGEO operations during the ZANU PF People's Conference held in Mutare in December 2010, and during a meeting with traditional chiefs in Manicaland in 2011. He was quoted as saying: "The company (Development Trust of Zimbabwe), having joined hands with the Russians, approached us saying they wanted to mine gold in Mutare and we gave them the go-ahead. They later moved to Chimanimani. We were told that DTZ and their Russian counterparts are mining gold in Chimanimani and now it is diamonds. We have not realized any real revenue coming from them and they are saying they are having some difficulties. I talked to some of the directors during our December People's Conference here in Mutare and I told them that they were remaining too much in

isolation and [that they should] become transparent. We will pursue the matter because we want to know what they are doing. We want our people, especially our children, to benefit through this company.”

However, three years later DTZ-OZGEO continues with its opaque operations amidst massive environmental degradation. Penhalonga residents are up in arms with the company for destroying the course of Mutare River. Since commencing its operations about a decade ago, DTZ-OZGEO has been panning for gold on the banks. For a stretch of over three kilometers, the Mutare River has been reduced to a canal whilst vegetation on either side of the river has disappeared. Water in the river has become perennially muddy due to panning. Amongst these conditions, the Mutare River is a major source of drinking water for humans, livestock and wild animals further downstream.

In August 2013 the company was fined and temporarily halted its environmentally unfriendly mining activities, but later resumed operations with no change in its processes or outcomes.. DTZ-OZGEO co-director, Ismail Shillaev, speaking during a media tour of journalists on June 24, 2011, could not convincingly explain their operations, insisting that they sell their gold to Fidelity Printers. When asked to explain the actual quantities they were getting on a daily basis he remained mum.

Shillaev said they were involved in community development work when approached by local authorities like the Mutasa Rural District Council. He said they had rehabilitated some of the roads in the district, despite the fact that most roads remain impassable.

A 2013 visit to Tsvingwe Primary School by this researcher exposed a distinct lack of corporate social responsibility: children were learning in the open even during the dead of winter due to a shortage of classroom blocks. Tsvingwe Primary School is situated about a kilometre from DTZ-OZGEO's operations. Authorities at the School also expressed their disappointment with DTZ-OZGEO, adding that most of their pupils had their parents working for the company. The pupils are also exposed to new environmental hazards such as an increase in airborne dust, the disappearance of vegetation and roads rendered impassable roads due to DTZ-OZGEO's operations. The smash and grab operations of DTZ-OZGEO, coupled with the company's failure to even construct houses for its employees, reveal a company that has no long-term plans for or within the community.

SOUTH AFRICA

Due to its proximity to Zimbabwe and close political relations over the past century, many South African companies have invested in Zimbabwe's mining sector. The major players have been De Beers, Gold Fields, Implats, Aquarius Platinum and Anglo American plc. Anglo American and its subsidiary companies have been invested in Zimbabwe for 60 years.

While De Beers has been fingered in murky underhand dealings in Marange from 1965 to 2006, most South African investors have performed more reasonably in terms of safety, health and environment, and literacy levels of their employees. Indeed, many researchers remark that South African companies in the platinum sector in Zimbabwe offer higher employment standards than in their parent companies back home.

Nevertheless the dominance of South African companies in Zimbabwe's platinum sector, especially Implats' Zimplats, reflects South African economic hegemony in Zimbabwe. Until a recent ban on the export of raw platinum, Zimbabwe exported raw ore to South Africa, where it was refined. This means South Africa has always held the lion's share of Zimbabwe's platinum by value, and helps explain why SA companies dominate mining.

INDIA

India's investments in Zimbabwe's mining sector have enormous potential, but so far have been hindered by politics. Essar, an Indian multinational, emerged as the preferred bidder for the public Zimbabwe Iron and Steel Company (ZISCO) in 2011 after an international tender had been issued by the government. It set up New Zim Steel, to revive the steel-making capacity at the then-non-functioning ZISCO plant and New Zim Minerals, which would explore beneficiation of iron ore owned by ZISCO Steel and create value, so that the country becomes a world leader in beneficiated iron ore.

Two years on, operations have not started due to a myriad of challenges, chief of which is the proprietary right to an estimated \$60 billion worth of iron ore reserves in Chivhu. Essar's Resident Director for Africa, the Middle East and Turkey, Firdhose Coovadia admits, 'Yes there are challenges, in our particular case bear in mind we are dealing with a national asset, it's an emotive asset.'

Another company, India's State-owned National Mineral Development Corporation (NMDC) is reported to have signed a Memorandum of Understanding with a Zimbabwean company, Mosi-oa-Tunya Development Company (MtDC). The MoU paves the way for the formation of a 50/50 joint venture company that will undertake diamond, gold, chrome and iron-ore exploration and mining in Zimbabwe. NMDC, listed on the Bombay Stock Exchange (BSE), is India's largest iron-ore producer, with a yearly output of 30 million tonnes.

The Mosi-oa-Tunya Development Company is reported to be a special purpose vehicle under the administrative control of Walter Mzembi's Tourism ministry. It is perplexing why a parastatal under the Ministry of Tourism is signing MoUs for mining deals, when this is the prerogative of the Zimbabwe Mining Development Corporation. This is the sort of shady dealing which greatly undermines the long-term investment potential of relationships with BRICS corporations and countries. There is a wider necessity to clearly define the functions of all ministries and departments, to avoid confusion and corruption in the operations of government.

BRAZIL

Although not active in Zimbabwe in any major mining investments, just over the eastern border, the Brazilian mining company Vale has a large coal project whose operations have raised serious concern among the affected communities. The company displaced over 700 Mozambican families in Cateme, who are now being controlled by police after they were violently repressed at a community protest in 2012.

Angered by Vale's failure to keep the promises made before the relocation in 2009, and the lacklustre response of the national and provincial governments, over 700 families living in Cateme gave the company and authorities an ultimatum in December 2011 for them to address their demands by the following January 10th. Otherwise, they warned that they would mobilize.

On the eve of January 10th, over 600 people blocked the rail roads and roads of the area. Police responded by violently suppressing the demonstration, resulting in several injuries. In addition, 14 people were arrested, according to the Maputo environmental-justice NGO Justiça Ambiental, and several were tortured while in prison.

Today these Vale victims live without basic services, warned activist Jeremias Vunjanhe, of Justiça Ambiental - Friends of the Earth Mozambique, in an interview with Real World Radio. Human Rights Watch noted that 'in many cases the people lost the ability to grow food and ended up relying on the foreign coal companies for handouts.'

Vale is the world's largest producer of iron ore and pellets, a key raw material for the iron and steel industry, and the second largest producer of nickel. Since 2007, the company has owned a concession of a coal extraction project in Moatize, an area considered as one of the world's largest reservoirs of coal. The project has been severely criticized by some national groups, for, amongst other things its displacement of 1300 families. The Cateme relocation centre currently holds many of these families, whilst the September 25th Centre is home to another 500 families.

Vunjane testified to Real World Radio that Cateme inhabitants lack access to water, land for agriculture and transportation to get medical attention. The issue of transportation is extremely urgent as residents regularly need to be transported to the provincial hospital in Villa de Moatize, 40kms away. Cateme's Health Center can only meet some basic needs.

The population of this area understands that the relocation process was ill-managed and they complain about Vale's broken promises, including those promising the maintenance of their homes for the first five years of the project. They also demand the establishment of a water channel system that can ensure access to tapped water. In addition, the Brazilian company had promised each affected family two hectares of land for agriculture, but the promise has been broken.

CONCLUSION

In short, it is obvious that BRICS countries have intensified extractivism in Zimbabwe at a time when the Southern African nation's economy is at an all-time low, due in part to corporate malpractices. These include tax evasion, transfer mispricing and outright theft of minerals. BRICS elites – both country leaders and corporations – are not comrades, but are pursuing their own agendas. Without a clear strategy of maximizing gains and minimizing losses, Zimbabwe is likely to come out of the BRICS engagement worse off, having lost its valuable assets, and witnessing environmental destruction, debilitating political corrosion, and gaining a much poorer population.

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P.S.

* Pambazuka 2014-04-09, Issue 673: <http://www.pambazuka.org/en/category/features/91302>

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