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STATE POWER VERSUS THE MULTINATIONALS:

MINERAL MARKETING POLICY IN ZIMBABWE

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The conflict between multinational corporations which played an integral role in the development of Rhodesia and the new socialist government of Zimbabwe led by Robert Mugabe is one of the cetral political dramas of Africa's youngest nation. One of the central tenants of the new government's political project at independence in 1980 was to capture the commanding heights of the economy from the multinational corporations (MNC's) that were seen as one of the pillers of white power in the old regime. No where is this conflict more evident than in the mining industry where a few large foreign companies control a strategic sector of the economy that accounts for 5.6% of the country's Gross Domestic Product and approximately 50% of its exports[1] Government has sought to gain control over Zimbabwe's mining sector, in the face of strong opposition from the mining companies, by creating a parastatal organization, the Minerals Marketing Corporation of Zimbabwe (MMCZ), to market Zimbabwe's mineral exports. The development of the MMCZ is an important example of how Zimbabwe's government has met the challenge posed by the continuing white dominance of the economy and how the process of reconciliation between whites and blacks has been carried out. Studying how a weak government has sought to regulate the powerful mining transnationals will also provide a better understanding of how foreign companies can try to influence government decision-makers and how a weak government is able to resist those pressure. In examining these questions the chapter will be studying one of the most important problems in political science: understanding how economic wealth is translated into political power.

1. Predicting the Power of the Mining Companies

Most studies of multinational companies, and virtually all in Zimbabwe, predict political power of foreign companies on the basis of their economic power. If a company is wealthy, large, and especially if it is transnational, , then it will politically powerful. Barnet and Muller noted in one of the first studies of multinationals,

> To those who question their power, corporate statemen like to point out that, like the Pope, they have no divisions at their command. The sources of their extraordinary power are to be found elsewhere-the power to transform the world political economy and in so doing transform the historic role of the nation-state. This power comes not from the barrel of a gun but from control of the means of creating wealth on a worldwide scale. (2)

Similarly, Mutungwazi in her paper on foreign investment in Zimbabwe noted,

> The power of the Corporation in Zimbabwe cannot be over-emphazied. It is estimated that some 300 foreign companies now operate in the main sectors of the economy. Dating back from the days of the British South African Corporation, foreign capital has over the years increased its hold on the economy ...(3)

Although how economic wealth is actually translated into political power is often unclear, many analysts see multinational companies as uniformly powerful due to their economic position no matter what country they are in. Thus Professor Seidman, in her inaugeral lecture, could argue that multinationals were powerful enough to evade Zimbabwe's exchange control regulations and estimated that the country was losing on the order of $150 million a year through under- and overinvoicing because studies done elsewhere suggested that "the typical Third World country" lost that much through illegal transactions by corporations[4]. The rest of this paper will be devoted to testing how clear the link between economic and political power is and how governments can counter the power of the multinational companies.

II. The Mining Sector and Government in Rhodesia

Many have misunderstood, somethimes deliberately, the relationship between government and the mining sector in Rhodesia from the founding of the colony until independence in 1980. While the successive white governments generally assisted foreign companies participating in the mining sector, it must be noted that, especially in the post-1965 period, there was considerable conflict between the state and the mining companies. In addition to this conflict of interests, the Rhodesian state, unlike most government s in Africa, was able to significantly alter the behavior of large MNC's through application of government regulations. Indeed, in a very real sense, the controls imposed on mining companies by the Smith government during the UDI years presaged the reforms in marketing policy made by the new black government since 1980. This is not to say that the mining companies were in any significant way a force for change in Rhodesia or even opposed to the white government. The conflicts between them and the settler state (like the conflicts between many of these same companies and the South African government today) were mainly over differing perceptions of how to ensure the continuation of capitalism and the largest possible profits for business. Still, the conflicts betweeen mining companies and the government between 1923 and 1980 should not be ignored.

The British South African Company (BSAC) came to Southern Rhodesia in the 1980's in search of a second Witswatersrand. The El Dorado was not found but the company continued to administer the colony until 1923 when British legal decisions and the failure to find great mineral wealth finally forced the company to give-up its unprofitable administration role. The white settlers were then given a choice in a referendum of becoming part of South Africa or gaining the status of self-governing colony. Although it is usually not understood this way, the settlers' vote to become a separate colony was the first concrete indication of a conflict between multinational capital and the white

Tabel 1: Contributions to National Income[1] 1924-1943. (Percentages)

Year	Agriculture	Mining	Manufacturing	Services
1924	16.1	29.5	9.4	45
1928	18.5	22.2	14.2	45
1932	14.0	27.8	10.2	48
1936	10.9	29.8	14.3	45
1940	14.5	24.7	14.8	46
1943	15.4	19.1	16.5	49

1. These statistics were developed before the UN-sponsored system of national accounts were developed so they are not directly comprable to the gross domestic product figures cited below

Source: Government of Southern Rhodesia, Report of the Committee of Enquiry into the Protection of Secondary Industries in southern Rhodesia, Salisbury, 1946, p. 14.

settlers' determination to persue their own interests[5] The BSAC had wanted the whites to become part of South Africa. As Gann and Gelfand explained,

> (Monied men) [and the Company] distrusted the backveld farmers and "bush lawyers" within the ranks of the Responsible Government Association, and dreaded the idea of a semi-bankrupt settlers government at Salisbury, which might tamper with mining and railway investments, or put up local taxes to finance lavish public expenditures and provide jobs for pals.[6]

(Of course, if "Responsible Government Association" is replaced by "ZANU (PF)" and "Settlers" by "blacks," the quote would apply equally well to foreign companies' fears about the next change in government fifty-seven years later). The BSAC favored amalgamation with South Africa because the Union under Smuts was seen as a strong guarantor of British interests. However, the mainly English settlers feared that they would come under Afrikaner domination if they joined their southern neighbors so they ignored the wishes of the BSAC and voted to become a self-governing entity.[7]

The shift away from a mining-based economy to a mixed economy was the chief cause of the Company's political weakness in failing to persuade the settlers to vote for amalgamation. This trend, as documented in table 1, continued as mining became less important to the economy between 1923 and 1945. As mining's share of the economy was being surpassed by other industries, the sector was also losing its electoral base. In 1936 there were 3000 smallworkers working claims and these miners had the potential to provide the same kind of electoral support to mining that the white farmers gave to commercial agriculture. However, by 1946 due to technical, economic, and legal changes there were only 756 smallworkers in the colony and the large mining companies would soon completely dominate mineral production.[8]

Without electoral pressure to force it to intervene consistently as in agriculture, government sought a different relationship with the mining industry. As Murray noted,

> Rather than an administrative system constructed on the basis of direct government action, or on a close partnership between government and individuals, the government sought to create the conditions in which private individuals, and, even more, compnanies, could operate with the incentive of securing a profit from exploiting the colony's mineral resources and selling them in the world market.[9]

The result was a different patter of politics than the one experienced in agriculture where the Rhodesian National Farmers Union (RNFU) would play a consistently strong and public role in lobbying government on agrarian issues. Murray once again noted,

> In the public service and agricultural sectors much depended on the representative associations... A comparable governmental system was nearly created for the mining sector but (this) attempt had failed, and the sector had been reorganized after the Second World War on the basis of a system of competitive free enterprise. The situation in the sector, however, had a significance for the general governmental system of the socity. The established administrative system did not provide for itself a support in the electoral political system: it relied on other forces to produce an acceptance in the electoral political system for a free enterprise administrative system in the mining sector.[10]

The absence of an electoral base meant that the mining companies exercised political influence in a way radically different from the farmers. Since there was no mining lobby in the electorate, mining interests could not push their interests through public lobbying the way the farmers did. Instead of developing lobbying techniques through participation in elections, the mining companies sought to exercise influence through less public means utilizing their long-time contacts in government, especially in the Ministry of Mines. Colin Leys noted, for instance, in the late 1950's that,"(Mining) influence through official and informal channels is more important than participation in politics."[11]

During the first decades of self-government the colonial state also began to take several steps to protect the domestic mining industry from possible

Table 2: Contribution to Gross Domestic Product 1945-1965 (Percentages)

Year[1]	Agriculture	Mining	Manufacturing	Building
1948	26.9	10.0	13.0	7.2
1950	23.4	9.9	14.7	8.8
1954	22.8	8.6	14.6	7.8
1957	19.8	7.4	15.0	9.7
1960	18.8	6.8	16.9	8.0
1963	20.9	5.1	17.4	4.7

1. Years reported are irregular due to gaps in the data for some years.

Source: Colin Stoneman, "Foreign Capital and the Prospects for Zimbabwe," World Development, vol. 4, no. 1 (1976), p.30.

Table 3: Range of Minerals Produced 1945-1984

	Significant[1] Minerals Produced		
1945	1956	1965	1984
Asbestos	Asbestos	Asbestos	Asbestos
Chrome	Chrome	Chrome	Chromite
Coal	Coal	Coal	Coal
Gold	Copper	Copper	
Mica	Gold	Gold	Copper
Tungsten	Lepidolite	Iron Ore	Gold
	Limestone	Limestone	Iron Ore
	Tin	Lithium	Limestone
	Titanium	Nickel	Lithium
		Tin	Nickel
			Phosphate
			Silver
			Tin

	Total Value[2] of Minerals Produced
1945	16,100,000
1956	46,520,000
1965	63,880,000
1984	546,470,000

1. Amounts to at least .5% of total mineral production.

2. Zimbabwe dollars

Sources: Reports of the Secretary of Mines, various years.

disruption by foreign capital or the international markets. For instance, Prime Minister Godfrey Huggins was afraid during World War II that the South African Iron and Steel Corporation (ISCOR), which owned the colony's only steel manufacturing plant in Bulawayo, would concentrate production in South Africa after the war and leave the colony without a steel works. Realizing the importance of the steel industry to the future economic growth of the colony, Huggins purchased the Bulawayo company from ISCOR.[12] This purchase set the stage for the important steel works operation at Redcliff which it today a major downstream consumer of mineral production. Governemnt during this period also established a roasting plant to process low grade ores at Que-Que (now Kwe-Kwe).[13] Both actions yielded valuable processing plants for Rhodesia's minerals and set the stage for other plants which would allow Rhodesia to further develop it's mining and manufacturing industry and export more valuable commodities. Arrighi is correct to note that these developments, which differ dramatically from the normal pattern in Africa where multinational companies control the export of one or two unprocessed minerals that comprise most countries entire mining industry, occurred because of the national character of the whites that had been encouraged by a significant settler population and decades of self-government. This separate identity encouraged the whites to increase their bargaining power vis-a-vis what Arrighi calls "international monopolistic interest."[14]

Between the end of World War II and UDI in 1965 mining continued to decline in importance in the total economy (see table 2). However, as table 3 indicates, there was a significant inflow of money to develop the mining of a broader range of minerals. The major political question of that era for the industry-whether mining was to be a territorial or Federal responsibility-was decided in favour of the mining companies who feared having to pay the high wages of the copperbelt in Northern Rhodesia (now Zambia).[15] As the Rhodesian economy boomed through the Federal years, there was little conflict between government and the mining houses which

Table 4: Disruption and Recovery of Mineral Exports[1]

Commodity	1965	1966	1975	1978
Crude Materials, inedible, except fuels (SITC section 2)	38,782	33.418	89.987	125.348
Crude Asbestos	21.522	14.772	48.827	57.344
Ferrochrome	3.380	2.774	38.900	31.600

1. Millions of Zimbabwe dollars.

Sources: Central Statistical Office, Annual Statement of External Trade 1965, Salisbury, 1966 and Central Statistical Office, Statement of External Trade by Commodities 1966, 1975, 1976, 1977, 1978, Harare, 1980?

were consolidating their hold on this sector of the economy. However, as the boom years of the Federation came to an end, the mining industry, and the rest of the Rhodesian economy, stambled into an era of grave and unprecedented problems.

The 1965 Unilateral Declation of Independence (UDI) and the resulting sanctions must be seen as a major setback for the mining industry. As the sector that was most export-oriented in the Rhodesian economy, mining had the most to lose from the economic snctions that followed UDI. The fact that the mining companies in newly independent Zambia were at the same time as UDI working out a modus vivende with the new black government there must also emphasized the costs of continuing white minority rule to the Rhodesian mining companies. Clearly, the moderate black option was the one mining companies would have preferred to the unknown, and highly dangerous, business environment enduced by sanctions. As table 4 demonstrates, mining exports were initially hit hard by sanctions although they soon recovered and began to grow. However, it should be remembered that the sanctions premium, the cost of sanctions busting operations and the necessity of sometimes selling goods bellow the world price in order to attract buyers, continued to reduce mining company profits throughout the UDI period. One key act or in the sanctions busting operations estimated that the sanctions discount amounted to a 15% decrease in total trade.[16]

The UDI period was a time of rapid development for the mining industry. It is difficult to trace the exact growth of the industry because many statistics of that era have apparently been destroyed in an effort to protect those who helped Rhodesia evade sanctions. The mining sector during this period was also unfortunately ignored by commentators who were drawn to the central drama of black-white relations and the guerrilla war.[17] However, it is clear that mining became more diversified during this period as nickel, cobalt and silver production, all of which was insignificant before 1965, grew to 58 million dollars in 1979.[18] In addition to extending production and exploration, it does appear that downstream processing of minerals accelerated. One of the very few surveys of the mining industry during the 1965-1979 period noted in 1972 that,

> ...it is apparent that the processing side of the industry received a hitherto unforeseen incentive following UDI, and that what might have taken fifteen years or longer to achieve had been implemented in the past five years. The development of smelting and refining facilities for base metals and the expansion of chrome alloying and asbestos treatment capabilities... are representative of a tendency that will be maintained, encouraged, and clearly enlarged upon when appropriate.[19]

Indeed, in spite of the difficulties of doing business during UDI, the value of output increased in nominal terms from 54 million to 315 million.[20]

The necessity of operating a sanction-busting campaign and, after 1973, a counterinsurgency war caused the Rhodesian government to impose severe controls on the mining industry. The most important of these was the exchange control regulations posted in 1965.[21] Exchange control was vital to the rebel regime because sanctions limited the amount of hard currency available and shortages of foreign exchange had a significant impact on Rhodisia's industrial sector which was heavily dependent on imported inputs. The regulations allowed government to impose almost any kind of restriction on imports, exports, or currency transactions that it deemed necessary. It also gave government broad powers to enforce the regulations including search and seizure rights and almost any other power of enforcement that government needed. Government used these powers to considerable detriment of foreign capital. Sylvester noted,

> (During UDI) vitually all firms in Rhodesia lost the freedom to remit profits or dividends to parent companies or to individual shareholders, to import essential materials and equipment, and to divest holdings or transer them to other companies without state agreement.[22]

It was estimated that the foreign exchange controls restricted official outflows of capital to a remarkably low 5% of gross operating profits.[23] The stringent exchange control regulations and other emergency provisions also had the effect of forcing compnaies to maintain business activity and re-invest profits although the political situation and business climate were extemely poor.[24]

A variety of other regulations, affecting nearly every facet of corporate activity, were also imposed on the mining industry. For instance, when Lonrho attempted to lay-off one-half of the workers of a (non-mining) subsidiary, the Rhodesian govenment enacted the Emergency Regulations (Control of Manpower) provisions which rpevented the dismissal of white workers without the permission of the Ministry of Labor.[25] Even more important, when the U.S. State Department requested that Union Carbide stop ferrochrome shipments to Mozambique, the Smith government used emergency regulations to force the company's Rhodesian subsidiary to sell all its production to a state controlled trading corporation, Universal Exports (UNIVEX), that played a significant role in the sanctions-busting exercise.[26]

In contrast to most weak African States, the renegade colony was not only able to enact these regulations, it also enforced them. One of the reasons for the Rhodesian success in affecting company behaviour was the competence of its civil service drawn from the settler population. As one former Ministry of Mines official noted,

> Most Rhodesian civil servants were career people, they were a highly efficient group who knew each other in a very small service and were able to get things done.

The mining sector, due to its strategic importance, came under special observation by this highly trained cadre of officials.

> We were very nationalistic. Rhodesia was basically independent since 1924 and very independent during UDI.... We didn't let the (mining) companies get away with anything. The companies were always closely monitored.

The official noted, for instance, that the Ministry of Mines, in addition to enforcing the regulations mentioned above, was very concerned that companies might try to illegally transfer profits from unstable Rhodesia by underinvoicing (selling a product to its parent company for a low price so profits can be realized outside the country). This official noted that the exchange controls prohibited transfer pricing and that the companies were constantly monitored to see if they were selling minierals at the right price.

The relationship between government and the mining houses discussed here is of a fundamentally different nature than the pattern seen in the rest of Africa. The settlers, even in the early years of the colony, were able to exhibit a certain degree of independence from the multinational company that virtually created the colony. As the colony's government grew stronger and mining receeded in importance in the national economy, the colony was able to modify its position in the international economy by processing some of its minerals so as to promote its industrial sector and suffer less from the vaguries of the international primary commodity markets. Finally, during UDI, government was able to significantly affect almost every aspect of the multinational mining companies' conduct of business in order to promote the white war effort.

III.The Political Conflict in the Mining Sector in Zimbabwe

In 1980 when the new government came to power it immediately made clear that business could not continue as usual in the mining sector. Part of government's general economic project was to localize ownership and increase state participation in economic activity so as to seize the commanding heights of the economy. In Transitional National Development Plan, for instance, government singled out the mining sector as an area where it desired, "increasing the degree of domestic, particularly State participation, ownership, planning and control."[27] Inevitably these goals would bring the new government into conflict with the large mining houses which dominated this strategic sector of the economy. The following sections examine the principal actors in the mining industry and the issues that brough them into conflict.

A. Actors

The mining companies and their representative federation, the Chamber of Mines, are one set of actors in the mining sector. The mining companies are almost entirely foreign-owned. Indeed, one estimate suggests that over 90% of the capital stock in this sector is owned by foreign multinationsl.[28] Of the 14 mines that accounted for 73% of total output in 1974 all but one or two were foreign-owned.[29] There is certainly no sector of the Zimbabwean economy where foreign dominance is greater or as well-entranched as in the mining sector.

The companies involved in mining in Zimbabwe represent a veritable Who's Who of powerful transnational enterprises. As the indirect successor of the BSAC, Anglo-American Corporation has pride of place among foreign-owned mining houses in Zimbabwe. The Corporation, which is undoubtedly the pre-emminent economic institution in Southern Africa,[30] has significant investments in coal, iron, copper, nickel and ferrochrome. Anglo-American alone probably accounts for between a fifth and a sixth of toal employment in the mining sector.[31] Rio Tinto Zinc, listed by some as the world's largest mining company,[32] is involved in the mining of gold, nickel, platinum and emeralds. Significant interests in gold and copper are also held by Lonrho, a British multinational that had its origins in Rhodesia several decades ago. Lonrho itself claims to be, "the largest and most widely established Company on the African continent."[33] Certainly there is no other company that has been so singularly successful in developing a multinational enterprise by concentrating on investment in Africa. Finally, a number of other large multinationals including Union Carbide (chrome) and the UK-based Turner and Newall (asbestos) also have significant mining operations in Zimbabwe. After a comprehensive survey of the mining sector Clarke summarized the economic position of the mining multinationals in Zimbabwe,

> TNC's (transnational corporations) have a major controlling interest in the mining sector. They command large-scale units and are major producers for the export market. Their organizational structures are complex and well-integrated with national and international business and finance... The TNC's also own large tracts of land and control vast areas held by them under Exclusive Prospecting Orders.[34]

The current pattern of ownership in the mining industry is basically the same as that found before independence except that the government bought the financially troubled Messina Transvaal Development Company (copper) and now runs those interests through its parastatal, the Zimbabwe Mining Development Corporation.

The multinationals and other mineral producers are represented by the Chamber of Mines. The current Chamber was formed when an Act of Parliament was passed in 1939 allowing for a merger of the Rhodesian Chamber of Mines and the Chamber of Mines, Salisbury. Voting power in the Chamber is determined by a complex formula that, "gives large-scale foreign companies and in-built advantage in the management and control of the Chamber and the industry."[35] The Presidency of the Chamber revolves between the chief executive officers of the major mining companies. Unlike the Presidency of the Commerical Farmers Union, the President of the Chamber of Mines has to undertake his Chamber duties while continuing to work full-time for his company.

The new government that came to power in 1980 is the other major actor in the political conflict in the mining sector. The new government faced the problem of wanting to increase its control and participation in the mining industry but did not have the expertise and skilled manpower to even contemplate replacing the mining houses. As with all other sector of the economy, whites had dominated the administrative positions in the mining industry. Government's 1981 Manpower Survey showed, for instance, that whites accounted for 74% of the administrative and managerial positions in the mining and quarrying industry.[36] The new government could not draw on the skills built-up during the years of self-rule because so many white civil servants left government for the private sector. In a telling example, Michael Harris, formerly Deputy Secretary of the Ministry of Mines, left government to become President of a mining company and, eventually, President of the Chamber of Mines. The skills problem is aggravated by the fact that Zimbabwe produces a broad range of minerals and, as discussed above, has significant downstream processing capability. If Zimbabwe was just a producer of one or two minerals and exported those products in their raw state, then the skills problem might not have been so serious.

The new government also had to be especially cautious in tampering with the mining industry since it is obvious that the shortage of foreign exchange is a major constraint on Zimbabwe's development and the mining industry is, as noted above, a major provider of hard currency. Finally, the fact that any weakness in the economy might tempt a hostile South Africa into more attempts to destabilize Zimbabwe is also a significant factor constraining the government from taking radical action that would be in accord with its stated goals of gaining control of this strategic, foreign dominated sector. The government was faced with the problem of having ambitious goals but suffering from weaknesses in staff and skills and had very little margin or error to make a mistake.

B. Issues

The political conflict in the mining sector that was eventually resolved with the creation of the Minerals Marketing Corporation of Zimbabwe centered on two related issues. First, it was unacceptable to the new socialist government that a sector that made a significant contribution to the national economy and provided over 50% of total foreign exchange was almost completely in private, foreign control. Although, as noted above, the sector was heavily regulated by the Rhodesians, the only area where government actually participated on a regular basis was in the marketing of gold (and later silver) which has traditionally been done by the Reserve Bank. The first Minister of Mines, Maurice Nyagumbo, expressed government's unhappiness with the situation in the mining sector,

> These (mining) companies determine the rate of growth of the mining sector. They determine how much to produce, when to produce how to sell and when to sell, the degree of local benefication and so on. The Government has little or no say in any of these decisions.[37]

Private enterprise, according to Minister Nyagumbo, could not continue to dominate this sector,

> In the main therefore, the production and disposal of minerals is not within Government's control. This situation is totally unacceptable in our new social order.[38]

In an interview one mining official made government's point even more vividly,

> Government did not like the idea of a large part of exports being controlled by six or seven firms. One person in the mining industry, an Anglo-American official, alone controls 10% of the country's exports.

In addition to the general complaint that government was not involved enough in the mining industry, there was the specific issue of transfer pricing which the new government claimed to be rampent in the mining industry. Minister Nyagumbo argued,

> (Under) the present system of marketing our minerals, producers can sell to their sister companies aboard, at low prices, or could similarly sell commodities with a low level of processing like metal concentrates.[39]

The opportunity to transfer profits out of the country through under-pricing led to the feeling, according to the Minister of Mines, that,

> Zimbabwe did not receive the true value of its minerals when these were sold outside the country.[40]

The new government argued that the exchange controls the Rhodesians had enacted were unlikely to stop transfer pricing in independent Zimbabwe because government lacked the expertise to supervise the companies and because the multinational companies could deceive government by changing their books. Indeed, the Minister of Mines argued in Parliament that no form of regulation in the existing free enterprise system could effectively regulate the mining industry.

> Despite the offer by the Chamber of Mines to examine books of its members, I can assure honorable members that no company is prepared to disclose to Government in what manner it is abusing this system. The present system of control depends on the good faith of too many private producers and metal brokers, and offers numerous loopholes for under-invoicing and transfer pricing.[41]

There was also the feeling, according to some, that because many branches of government, especially the Reserve BAnk, were still white-dominated after independence they could not be trusted to regulate the foreign companies. The Deputy Minister of Trade and Commerce, M.J. Mvenge, quoted a newspaper article during the debate on the MMCZ that said,

> It appears that the white civil servants in Zimbabwe and foreign companies that traded with Rhodesia during the sanctions years have kept a hold on government contracts... Companies which broke sanctions during the UDI are still monopolizing the economy, while those businesses which observed sanctions are in an unfavourable position following independence.[42]

IV. The Imposed Solution: The MMCZ

Government realized at independence that it would be impossible to nationalize the mining industry. Zimbabwe's mining sector was recognized as a dynamic and diversified industry which could greatly aid the nation by expanding exports and employment. There was, also, in light of the general African experience, some skepticism as to how well government could run the mining sector and this wariness was compounded by the fact that Zimbabwe's diversified and sophisticated industry would be much harder to administer than most African countries in mining industries. Minister Nyagumbo, a commited ZANU (PF) partisan who spent many years in jail during the liberation struggle, explained govenrment's thoughts on nationalization,

> We believe that free enterprise should be left undistrubed because this gives incentives for higher production which enables more profits and therefore more employment and better money and conditions of service for workers.[43]

While government purchased Messina Transvaal (mainly to prevent a shut-down which would cause a large increase in unemployment), it has reportedly turned down equity offers by Union Carbide and Anglo-American probably because it did not want to commit the necessary funds.[44]

Instead of nationalization, government seized on marketing of minerals as something that could be done by the present government and which would give the new order substantial control over the entire industry. A Minsitry of Mines official explained,

> The nature and structure of industry is such that it is a diversified industry. Government is extremely weak in terms of personnel and know how to enter into production with any reasonable chance of success. MMCZ allows government to group together people who have knowledge... and initiate participation through marketing rather than production. Unless you know how to sell it you are not controlling it. (We) see that other African countries are unable to market.

Similarly, a MMCZ official noted,

> The decision to set-up a (marketing) corporation is a political one borne out of the exposure to experiences in other states. Politicians see in other countries what bad things MNC's can do.

Control over marketing would also transfer pricing because it would be government, rather than the companies, that would set the price for exports.

A. The Minerals Marketing Corporations

In order to achieve its stated goals government created the Minerals Marketing Corporation of Zimbabwe in 1982.[45] The MMCZ is a parastatal under the control of the Minister of Mines. The Chairman of the Board is picked by the Minister and is currently the Permanent Secretary of the Ministry of Mines. The Minister also picks for other board members, two are choosen by the Chamber of Mines, one represents the mine workers and the general manager also site on the board. The MMCZ has broad pwoers powers to "act as the sole marketing and selling agent for all minerals" in Zimbabwe (section 20 of the MMCZ Bill) but in practice leaves the marketing of gold and silver to the Reserve Bank. In order to carry out its role as the sole marketing agent, the Corporation is given the power to require all mineral producers to sell their products to the Corporation. The MMCZ is also given the power to negotiate [illegible] sale of minerals on behalf of other producers or to authorize, once given all the details of the sale, the direct sale of minerals from the producer to a foreign buyer (section 37). The Corporation receives all moneys paid by buyers of contracts authorized or negotiated by the Corporation and, after taking a commission (currently fixed at.875% of sales), must within thirty days pay the remaining moneys to the producers (section 42) II.

In addition to its powers and obligations in the marketing area, the Corporation is given broad powers to control actual rates of production by any mining company in Zimbabwe. The Corporation can, for instance, under section 44 of the Act, set the maximum amount of mineral stockpile that a person or company can own and control. It can also order the stockpile reduced by any amount it considers necessary in any amount of time it considers appropriate. The Corporation can also demand information relating to the quantity, type, grade, and location of any mineral owned, processed, controlled, smelted, refined produced or sold before or after the commencement of the Act, (section 45). Finally, the Corporation can order that any existing contract ba modified, varied, or terminated according to its mandate (section 52).

These provisions give the MMCZ control not only over what the mining houses decide to market but over Zimbabwe's entire potential production. The MMCZ is therefore more than a simple marketing agency, it has the power to exert substantial control over the entire industry if government is not happy with mining company policies. However, by letting the mining companies proceed without government interference unless the MMCZ is unhappy with company performance, the Act saves government from the burdensome and possibly grossly inefficient task of taking up production itself.

The MMCZ goes directly against the interests of the multinational corporations. First, it removes them from a significant part of the market by separating them from their customers makes their business decisions potentially much more difficult. For instance, Zimbabwe can produce four different types of ferrochrome (high carbon, low carbon, ferro-manganese and ferro-silicon) in varying amounts depending on what the market demands. However, companies must obviously have the pulse of the market if they are to make these decisions. The companies feared that if they lost control of marketing they would be unable to make the production decisions. The companies also feared that the slowness of paperwork in a government bureaucracy would cause them to loose sales in a market where competence and quickness is demanded by consumers. Of course, the companies were also hurt by the commission the MMCZ charges although it is unclear how much this provision actually affects profits because the corporations would obviously have had to incur marketing expenses if the MMCZ were not present. Finally, the corporations feared and were bewildered by the stockpile provisions which could potentially affect their production rates and thus leave every aspect of their business in the control of a parastatal of a socialist government. One mining executive called the stockpile provisions "fire and brimstone" of the Act.

B. Political Conflict

The idea of establishing a parastatal corporation to control marketing was developed soon after independence and the corporation was a legal reality by 1982 and in operation by 1983. The period that the Bill was formulated and under construction was short; correspondingly, the mining companies had very little time to lobby against the Bill. According to mining company officials, there was considerable dismay in the industry when they had almost no indication of what was being planned before they saw the draft and were shocked to see that government planned to take over all mineral marketing. Initially, the companies tried to act independently to convince government that the Bill should either be scuttled or that the provisions of the Bill should be emended to make it more amenable to the mining industry. One of the mining house, according to an industry official, even got Lord Soames, the colonial governor who presided over the transition to independence in late 1979 and 1980, to lobby the Zimbabwe government because of the close ties that he had with the political leadership. This strategy was a disaster as the new black government saw it as proof of the collusion between international capital and the British to prevent the government from enacting its socialist project. Although the fact that it was Lord Soames who was lobbying was never made public, the Permanent Secretary of the Ministry of Mines, in an article titled, "Foreign Bid to Block Mineral Marketing Board" compained about countries whose companies mine in Zimbabwe, "They didn't just was us to modify the plans-they wanted us to drop them altogether... That wouldn't be right."[46] After the Soames fiasco Ian Smith volunteered to try to lobby the government on the marketing issue buy this offer was wisely turned down by the mining companies.

The companies then tried to act jointly through the Chamber of Mines to lobby the government. This was a somewhat unusual position for the Chamber since the companies usually acted on their own to lobby government. The Chamber adopted a low-profile approach of saying very little publicly while trying to impress its view on government through meetings and reports. Foreign companies that were potential new investors also weighed in with more public complaints. One news article in late 1981 reported,

> Million of dollars in new mining investment in Zimbabwe are likely to be lost if the draft Bill to establish a Minerals Marketing Corporation goes through Parliament in its present "draconian" form. ...Already two major Swedish mining organisations are preparing to withdraw from proposed mining development here if the clauses of the Bill recently published in a local newpaper remain unchanged. It is also believed

> that two other foreign mining groups, one from West Germany and the other from America, will similarly lose interest in mining in Zimbabwe if the Bill is approved as it stands.[47]

In fact, the mining companies' campaign was a failure. Government was not to listen to any of the suggestions put forward by the mining companies. The Chamber of Mines, for instance, argued that the mining industry should be allowed to appont at least four members to the MMCZ board and that the whole provision regulating stockpiles should be dropped.[48] Both of these suggestions were rejected. Indeed, Chamber of Mines officials report that the President of the Chamber met the Secretary of Mines and went through each clause of the Bill giving mining industry suggestions that, at the very least, would make the Bill more favourable to the mining companies. These sources report that every suggestion made by the mining industry was rejected and that the very few changes in the draft Bill made before it became law had the effect of tightening it up and making it even more unfavourable to the industry. Indeed, mining company officials expressed doubt that government was even interested in the mining industry's suggestions. The President of the Chamber of Mines, Roy Lander, said,

> "But we were not (with hindsight) being asked to suggest changes; that was the Government's perogative. The purpose of the consultation was to brief us and advise us.[49]

C. Explaining the Victory over the mining Companies.

What explains the dramatic victory of a weak government creating the MMCZ over a very powerful set of multinationals? First, it must be understood that while mining interests are economically powerful, they suffer from some real political disadvantages that stem directly from the industry's economic structure. First, unlike the Commercial Farmers Union, the mining industry never developed an electoral base and therefore never had the same kind of lobbying ability that the CFU possesses. This was demonstrated by the fact that the mining companies first worked by themselves to lobby government and only after their first failure did they try to work through the Chamber of Mines. As one Chamber of the Mines official said, "Each of the Chamber's dozen members has its own method of lobbying and public relations strategy

The approaches are tottaly dirrerent." Correspondingly, the Chamber is not really a dedicated lobbying organization especially compared to the CFU. As one former President of the Chamber of Mines said, "The President of the CFU sits in his office and says 'Who should I lobby next?' We can't do that, we have jobs to do." The failure to develop an effective lobbying organization was aggravated after independence because the contacts the industry had cultivated in the Ministry of Mines and other relevant ministries disappeared as white civil servants fled to the private sector or emigrated. In many cases these contacts were replaced by people who were quite hostile to foreign capital. Of course, the farmers faced the same problem but they did have an effective lobbying organization to fall back on.

Also contributing to the failure of the mining companies to successfully influence the government was the fact that the mining houses, precisely because they are foreign-owned, have little legitimacy in Zimbabwe. Even though the commercial farmers were the backbone of Ian Smith's Rhodesian Front, they are accorded more legitimacy by the government today because the farmers are now Zimbabweans and show their dedication to the country by staying on the land. The government therefore allows the commercial farmers an important role in policy issues such as the setting of producer prices. On the other hand, even though the mining companies were much less enthusiastic about Smith, they are today not seen as legitimate because it is not clear to the ZANU(PF) government what their stake in the country is. The difference in the two groups is demonstrated to the government by the fact that the mining houses remit their profits using up scarce foreign currency while the farmers invest their money in the land or, at the very least, keep the money in the country. Mining houses recognize that they are seen as illegitimate by government and this has a direct impact on their lobbying and public relations strategies. Unlike commercial farming, the Chamber of Mines never says how big the mining industry is or how many people it employs because big foreign enterprises are seen as threatening. The mining companies therefore have to keep a very low profile. For instance, one mining company official noted that his approach to lobbying government often begins by asking, "How do I convine people that I am a human being and head of a multinational company?" The mining industries great strength-the presence of a few large foreign-owned companies in a strategic sector of the economy-is also its greatest political weakness.

There was also little in terms of concrete action that the mining companies could threaten government with. The mining companies operations were sunk into the country through enormous investments in capital equipment and the mines themselves. If the companies threatened to actually leave, they would lose this massive investment. The existing companies could threaten to slow-down new investment but this did not seem to concern government a great deal since this type of action would have not immediate impact. A slow-down in new investment might also hurt the companies' own future viability and threaten the investment that they had already made so this was not an attractive course of actions.

The Government's consideration and implementation of the MMCZ also came at a time when mining companies were facing grim economic prospects and their poor immediate economic situation may have also weakened their position with government. The poor base metal prices of the early 1980's and the large wage increases passed in 1980 and 1981 by the new government drastically squeezed mining company finances. Mining profits dropped from 86 million in 1980 to 40 million in 1981 when the return on capital investment was a poor 4%.[50] Many said that the mining industry was suffering from the worst crisis in its history. Several companies including Zimbabwe Alloys (Anglo-America's ferrochrome producer) and Rio Tinto Zinc had to apply for government aid to keep their mines operating. Government, in order to forestall mine closures which would drastically increase unemployment in some areas, responded by making 50 million dollars available for economic support of the mining companies.[51] Obviously, there was only so much the companies could do in oppossing the new marketing agency when the companies at the same time were in the process of asking government to aid their ailing industries.

Of course, the MMCZ did, as noted above, probably deter some mining houses from coming into Zimbabwe with some potentially large investments. However, this loss of investment by new MNC's was not viewed as important by the new socialist government already suspicious of foreign investment and unsure if it wanted further economic development of the mining sector if it meant even greater dependence on international capital. Minister Nyagumbo, for instance, said in Parliament in response to write critics who complained that the MMCZ would stop new investment;

> If it is true ... that there is a big company contemplating withdrawal from Zimbabwe because of the establishment of the Mineral Marketing Corporation then, Mr Speaker, Government is on the correct course. The rip-off must end. The company concerned must be aware that Government is at last catching up with their unfair profitering in mineral sales at the expense of this country.[52]

Just as the mining companies general economic position could be translated into political power, the threats of new companies not to invest were politically irrelevant to a new socialistgovernment with other priorities than simply fostering economic growth.

However, the complete explanation as to why the new government managed to create the MMCZ does not reside only in the mining companies political weakness. The new government, although weak in manpower and expertise, did have the juridicial power that came with its victory in the liberation struggle. The blacks also inherited a state, as noted above, that had a long history of regulating the mining industry. While many key Ministry of Mines personnel had left, the new government inherited the procedures, controls, and perhaps most importantly, the accepted idea that it was quite normal for the state to regulate the mining industries. Although the MMCZ was definitely a state intervention of a distinctly greater magnitude than previous regulations, it was not altogether unlike previous state interventions, especially the requirement during UDI that certain minerals be sold to UNIVEX. As Minister Nyagumbo noted,

> For the second time therefore, mineral producers in partnership with the state will be able to fight international marketing problems together, in order to gain maximum advantage for Zimbabwe.[53]

The government was also able to compensate for its weaknesses by borrowing from the experiences of other countries. Ministry of Mines officials admited that they "drew quite a lot from the lessons of other countries." In particular, as noted above, the problems African countries faced with production convinced government that it should look to marketing first. In addition, Zimbabwe had the advantage that Zambia had set-up a similar organization in the mid-1970's to market all its minerals, the Metal Marketing Corporation of Zambia (MEMACO). Zimbabwe would have had extensive knowledge of this Zambian parastatal because the Permanent Secretary of the Ministry of Mines, Chris Ushewokunze, who was probably most responsible for the design of the MMCZ, had been a lecturer in the Department of Law at the University of Zambia and had studied the mining industry. Ushewokunze, in fact, thanked MEMACO for the assistance it provided him in setting up Zimbabwe's marketing corporation in the first annual report of the MMCZ.[54]

Paricularly as a result of this outside help, even mining industry officials noted that, "mining policy has been singularly straightforward." For instance, the MMCZ Bill was much better prepared than most govenrment legislation. A mining company official noted,

> ...the sheer legal quality of the Bill. It was comprehensive legal drafting at the time when government drafting was pretty poor. it was done in a way that was watertight.

Besides being surprised at the powers that were going to attributed to the

MMCZ when the industry first saw the draft Bill, company officials were surprised at how well it was drafted. Ministry of Mines officials noted that while they did not have the expertise to actually operate in the industry, the whole Bill was written in the Ministry of Mines. As one official said,

> ...the sheer legal quality of the Bill. It was comprehensive legal drafting at a time when government drafting was pretty poor. It was done in a way that was watertight.

Ministry of Mines officials noted that while they did not have the expertise to actually operate in the industry, the whole Bill was written in the Ministry of Mines. As one official said,

> When we (the Ministry) went to the legal draftmen we had the entire framework of the Bill. Everything was done in this Ministry. Some Ministries just send vague ideas to Justice (the Ministry of Justice, Legal and Parliamentary Affairs) but the Ministry of Mines knew what it wanted.

Clearly, this preparation and help from the outside also helped government overcome its weaknesses and institute the MMCZ.

V. Implementation of the MMCZ and Reconciliation

Of course, the enactment of the MMCZ did not automatically guarantee the state's effective participation in the mining industry. Once the MMCZ started operations a whole set of government decisions had to be made which would reconcile the industry to coopeating effectively with the MMCZ and establishing the marketing organization as a working and efficient organizations.

The most important initial problem that government faced in implementing the MMCZ was to regain the cooperation of the mining industry. This cooperation was important because the Ministry of Mines knew that it would have to borrow heavily from mining company expertise and personnel in order to effectively market the commodities. The government also knew that the effort to establish an effective marketing corporation would be much more difficult if the mining companies actively engaged in obstructing the corporation. Ministry of Mines officials report that to diffuse tensions between government and the embittered mining industry, the government appointed Mark Rule as General Manager of the MMCZ. Rule, a white, is an expert in mineral marketing and was well known to the mining industry because he was managing director of UNIVEX during the UDI years and was the Smith regime's chief ferrochrome sanctions-buster. Although some personal conflicts between Rule and the mining companies have been reported from the UDI years, his appointment was generally welcomed in the mining industry because it was expected that, given his expertise and experience, he would be able to run a competent marketing organization.

Rule has, in fact succeeded in gaining the trust and cooperation of the mining industry. Mining company officials report that Rule has acted "incredibly reposnibly" in getting the mining industry to work with the MMCZ. To gain this cooperation while preserving the MMCZ's basic mission, the company developed a sophisticated policy of trying to foster cooperation while only exerting its authority when the parastatal knew that it could enforce its wishes. As one MMCZ official explained,

> The Corporation tried to institute the business of cooperation by consent not authority.. We didn't want to give an order when our organization was young only to have have it resented and sabotage. We realize that we have to live with these people (the mining companies). Rather than confrontation we have to start bent but not be allowed to bend. We cannot be seen to lose authority. MMCZ has never gone back on authority. Until the corporation got up to speed it would not use authority that could not be enforced.

For instance, Rule and the Ministry of Mines knew that they would not have the capability to market all of Zimbabwe's mineral production at onace competently. Therefore, they started out by marketing only some products through the MMCZ itself and using the provision of the MMCZ Act (sec. 37(1)(a)(iii)) which allows the companies to sell minerals themselves as long as those sales are authorized by the MMCZ. This practice allowed the MMCZ to takeover marketing as it gained confidence rather than having to be responsible for marketing a large share of Zimbabwe's exports at once. Rule also staffed the MMCZ with marketing personnel from many of the major mining houses and this has also boosted cooperation with the industry. For instance, the Deputy General Manager of the MMCZ, T. Chizengeni, was formerly employed by Anglo-America and most of the staff of the major asbestos marketing company were moved en masse to the MMCZ. As the marketing corporation has built-up its marketing staff expertise and gained more experience, it has taken over direct selling of more and more products. Today, three years after the MMCZ began operations, Ministry of Mines officials report that almost no sales are done by the companies themselves as the MMCZ now acts as agent for the sale of most of Zimbabwe's mineral produce.

In lights of the responsible actions of the MMCZ and due to the quite evident fact that they did not have many other choices, the mining companies have cooperated with the MMCZ. MMCZ officials report, for instance, that they have only had to use the Act's legal enforcements provision twice, only one of them an important case, because mining companies have voluntarily decided to act in accordance with government and MMCZ officials. Mining officials still do not like the MMCZ, indeed they can become quite agitated discussing it, but they have found that they can live with it and view it only as, "another tax, another obstacle to business".

VI. Conclusion

MMCZ operations have gone relatively smoothly but there has been no boon to Zimbabwe with the government parastatal now conducting the nation's minerals marketing. Government and MMCZ officials now admit that they probably overestimated the amount of transfer pricing occurring as there has not been a noticeable increase in export revenue. The lack of transfer pricing was undoubtedly due to the strong regulations imposed by the

Rhodesian government under UDI and perhaps also to the fact that local residents, as opposed to expatriates, were managing the mining companies. The lack of windfall profits points to the dangers of assertions, such as those made by Seidman, that transfer pricing experiences can be extrapolated from one country to another without regard to a nation's history or differences in its administrative structure.

Government-mining company relations have come almost full circle in Zimbabwe. Ninety years ago the country was administered by a multinational mining company, the BSAC, which set the pattern for the oppression of the Africans that was perfected by successive colonial governments. After 1923 and up to independence in 1980 the mining interests suffered a series of subtle but significant political defeats: the vote for self-rule in 1923, the destruction of mining's electoral base before World War II, and the comprehensive regulations imposed during the UDI years by the Smith regime. Today a black government administers marketing policy for the multinational mining companies. While it is clear that the Mugabe government's intervention in the mining industry is of a fundamentally different nature from previous regulations, the imposition of the MMCZ is not inconsistent wtih a view that the mining industry has suffered an almost continual decline in political influence since the end of company rule.

The reason for this political decline lies at the heart of the economic structure fo the mining industry. The mining industry was, contrary to the assumptions of the analysts discussed in section 1, unable to convert its economic power to corresponding political power. Indeed, the very factors which caused the mining industry to be economically powerful-the dominance of a few, large foreign firms in a strategic sector of the economy-prevented it from developing an effective lobbying organization during white rule and once the black government took over every aspect of the mining industry's economic structure worked against it. Indeed, the mining industry's political weakness was clearly demonstrated by government's decisive passage and implementation of the MMCZ even though government itself suffered from many weaknesses. The case of the MMCZ clearly demonstrates that students of politics must analyze political conflicts much more carefully to understand the actual political outcomes instead of simply assuming that the economically strong will automatically become the politically powerful.

Footnotes

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