[2008-10-15] **Can resource-rich Zambia keep more of its wealth?**

LONDON , Oct 15 - Can "resource rich" but "infrastructure poor" countries such as Zambia ever obtain a fair share of their country's wealth?

The last few years, after copper prices rose from $0.62 per lb in the late 1990's to about $4 per lb July this year should have been good for a copper-rich country like Zambia.

But was it good enough?

This is the question that lies behind Zambia 's announcement in April 2008 of a 25 percent windfall tax on mining house profits and arguments today about its possible deferral.

For a country that has in the last 12 months exported about 600,000 tonnes of copper worth $4.5 billion and 4,000 tonnes of cobalt worth about $300 million, but may only have received net revenues of $650 million, it is a legitimate question.

This is a country which depends upon copper and cobalt for more than 65 percent of government revenues.

But what are the choices available?

State-owned mining following independence in 1964 was not a success. So, in the late 1990s concerted efforts by the World Bank and the International Monetary Fund thrust privatization onto the country as the only route out of poverty.

The President at that time, former Union leader, Mr Frederick Chiluba, made deals whose hand stretches out to today and beyond, with tax free concessions made to miners in return for massive investment.

While the state holds, 20.6 percent in Vedanta's Konkola, a 10 percent stake in First Quantum's Kansanshi open pit mine and similar stakes in Mopani and others, these are relatively small crumbs from the bounteous bread basket that has been copper income during the commodity boom.

Clearly, in one sense, Zambia might not have much of a mining industry today were it not for the investment from the foreign mining houses.

But can it be right that a sovereign government be inferior in strength to a global mining house or to the mining giants of resource-hungry powers such as China ?
There are other models to observe which show it need not always be this way -- KGHM in Poland is still more than 50 percent government-owned and Codelco in Chile , the state-owned copper miner, is still the main source of that country's wealth.

Perhaps now that the commodity boom is drawing to its natural close, there will be a chance to redress the balance in preparation for the next cycle (whenever that might be.)

My prediction is that next time around, as global miners retreat because of balance sheet problems in other areas, the state or Zambian entrepreneurs will have a chance to grow local shareholdings.

Zambia today is unlike it was under Frederick Chiluba. The late President, Dr Levy Mwanawasa, who was born in Zambia 's oldest copper town of Mufulira , led a government of reform and appealed to this largely Christian country to have the highest standards of public service and to resist corruption.

In Zambia, a trained middle class has grown up which should command greater credibility in the money markets and so reduce the old dependence on IMF and World Bank loans which led to debt-laden central governments across Africa in the second half of the 20th century.

In short, what is needed is home grown Zambian entrepreneurs; a Zambian Richard Branson for example, capable of proving that local interests can succeed in one of Africa's most democratic countries.

I mention these matters today, ahead of London Metals Week (Oct 13th - 17th) in which almost every copper and cobalt interest in the world will be represented in one way or another.

I hope they will listen and encourage.

For our part, The Minor Metals Trade Association will be raising funds at our dinner for exchange trips of students and teachers who have been travelling between Mufulira in the Copperbelt and Castle Cary in Somerset since 1991, work that is going towards building that all important educated middle class, so essential to raising the living standards in Africa.

Published REUTERS: 15th October 2008