

Zimbabwe will not expropriate mines – Mugabe

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The country's president also said it was refining a controversial local ownership law to enable miners to expand their operations

Zimbabwe's government will not expropriate mines and was refining a controversial local ownership law to enable miners to expand their operations, President Robert Mugabe said on Friday.

This could ease concerns among foreign-owned mining firms operating in the country, who have been reluctant to expand their operations, fearing their businesses could be seized.

"Government has no intention of expropriating the mining industry. No mine has been nationalised since independence," Mugabe told an annual mining conference.

The government earlier this year published regulations forcing foreign-owned firms, including mines and banks, to transfer a 51 percent stake to Zimbabweans, a move which divided the power-sharing government and spooked investors.

"The implementation of the empowerment initiative will take cognisance of the need to promote growth of the mining industry. Such growth requires new investment, particularly foreign direct investment," Mugabe said.

"Accordingly, mechanisms are being refined to ensure that investors find it attractive to expand current operations and bring in new investment into the country."

The regulations took effect on March 1 and require foreign-owned companies to submit plans to show how they will sell 51 percent of their shares to black Zimbabweans within five years.

But the unity government formed by Mugabe and Prime Minister Morgan Tsvangirai last year is deeply divided over the regulations, which Tsvangirai has said frightens investors. Western donors have continued to withhold critical funding needed to rebuild Zimbabwe's shattered economy saying the government should first implement political and economic reforms and respect the rule of law.

Some of the foreign-owned mines that will be affected by the law include the world's number one and two platinum producers Anglo Platinum (AMSJ.J: Quote) and Impala Platinum Holdings (IMPJ.J: Quote) and Rio Tinto (RIO.L: Quote) <RIO.AX, which operates a diamond mine.

Implats said last week it would go ahead with plans to spend \$500 million to expand operations at its Zimbabwean unit Zimplats despite uncertainty brought about by the government empowerment drive.

The Zimbabwe Chamber of Mines has been pressing for the government to convert spending in social infrastructure like roads and housing into empowerment credits.

Mugabe said on Friday the government had now accepted the principle of empowerment credits as an integral component of the local ownership law.

In 2006 Zimplats agreed to release a third of all its mining claims in exchange for empowerment credits, which are awarded when a firm spends money in developing infrastructure around a mining area. The credits are considered as local shareholdings.

(Writing by MacDonald Dzirutwe; Editing by Keiron Henderson)

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