Recent North American Corporate Activity in Namibia

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In 1980 American direct investment in Namibia was larger than US direct investment in Angola, Mozambique, Swaziland, or Zimbabwe according to the US Department of Commerce. While South Africa accounts for by far the largest share of US direct investment, followed by Zambia, South African occupied Namibia appears by these figures to have become favorable home for North American corporations.

The Commerce Department figures, to be sure, are not completely accurate. Nonetheless, they do provide some indication of the countries in which US direct investment is concentrated, and in southern Africa Namibia is relatively high on the list.

American direct investment in Namibia is heavily concentrated in a few companies, with Newmont Mining Corporation and AMAX Inc. controlling by far the largest share. These two corporations have been involved in Namibia since 1947. What is less well known is that North American corporate involvement in Namibia increased dramatically in the 1970s.

US Department of Commerce figures indicate that American direct investment in Namibia rose from $5 million in 1972, to $21 million in 1977, and then up to $32 million in 1980.

These figures must be taken with a grain of salt, however, because direct investment is small and is concentrated in a relatively small number of companies. Investment has grown, but much of that growth is the result of one single corporation's expansion -- Tsumeb Corporation's 1975 decision to increase its smelter capacity. This investment alone was worth almost $12 million and with American corporation's controlling over 60 percent of Tsumeb's equity, American direct investment rose by $7 million.
Another deceptive factor is inaccuracies in the original Commerce Department figures. In 1980 the Commerce Department reported US direct investments in Namibia worth $32 million. This figure is almost certainly an underestimate as Newmont's and Amax's equity in Tsumeb Corporation's assets was worth more than $50 million in 1980.

Nevertheless, the Commerce Department figures do provide a gauge, however rough. And that gauge indicates that in the nine years since the International Court of Justice ruled South Africa's control over Namibia illegal, North American investment has increased dramatically.

Although the level of increase—especially as measured by direct investment—has slowed in the late 1970s and early 1980s, each year Transnational corporations from the Americas stake new mining claims and there are some recent indications that investment in Namibian mining ventures has become a new form of speculative investment for North Americans with venture capital.

The prime forms of corporate involvement, or expansion of involvement in Namibia in the past four years have been: (1) expansion of existing plant and equipment through acquisition; (2) exploration activities by corporations hoping to develop working mines; (3) speculative companies staking claims in the hopes that these claims may one day be sold at a profit and (4) equity investment by shareholders in existing Namibian corporations.

In examining how North American corporate involvement in Namibia is expanding it is important to note two points early on.

First, it is clear that the political situation in Namibia is having an effect on North American involvement. Some corporations are hesitant
to invest large sums of money in plant and equipment until some type of internationally recognized settlement in Namibia is gained. One executive of a large oil company recently told the author that although there was at least as good a chance of oil in the ground in northern Namibia as there was at some locations that company was already drilling, investment in Namibia was not possible because of political considerations. This is not to say, however, that corporate involvement in Namibia is stagnating -- corporations are carrying out exploration activities at a healthy pace and some corporations; albeit quietly, are making plans for investing in mining ventures in Namibia.

The second factor affecting corporate involvement is the Namibian economy. Since the first corporations became involved, control over the Namibian economy has never been vested in the hands of Namibians and thus control over these corporations has never been exercised with an eye towards development of Namibia for the vast majority of the Namibian people. The result is that today, almost one hundred years after the first corporations set up shop in the south western corner of Africa, Namibia has almost no developed economic infrastructure.

Primary sector activities--mining, commercial agriculture, and fishing--made up 40 percent of Namibia's economic output as measured by real Gross Domestic Product in 1981. In 1980 the figure was 45 percent. Namibia's manufacturing sector provided less than 5 percent of GDP in both years. South Africa's illegal administrators of Namibia have made little effort to develop an independent Namibian economic infrastructure; there is no developed transportation infrastructure, no significant processing facilities and little in the way of general industrialization. In fact, there is little incentive for foreign investors to invest in other than the primary sector of the economy and, in Namibia's case, in primary extractive industries.
The Namibian economy's health has also affected foreign investment. 1979 and 1980 were good years for the Namibian economy, and the world economy in general. The recession in major western economies in 1981 and 1982, however, has also affected Namibia. While Namibia's real Gross Domestic Product grew at a steady rate until 1979, reaching R 712 million that year (in 1975 prices), GDP dropped about 1% percent in 1980 to a real figure R 699 million, and rose in real terms in 1981 by only about one percent to R 706.8. In fact, mineral, agriculture, and fishing contributions to GDP all dropped substantially in 1981. Mining in particular has been hard hit by the world recession, with copper prices dropping from 99 cents per pound in 1980 to 81 cents per pound in 1981.

In neighboring South Africa, the recession has forced sharp cut-backs in capital spending, especially in the mining sector. In general it seems fairly safe to speculate that capital spending by corporations involved in Namibia is likely to be similarly cut-back. This has not been the case in at least one example of corporate involvement--Tsumeb Corporation's decision to acquire a 70 percent interest in the Otjihase Mining Company.

In areas other than direct corporate investment in Namibia, corporate involvement does appear to be expanding. For instance corporate prospecting has continued at a strong pace in the last four years.

By far the largest recent increase in North American corporate involvement in Namibia came in December 1980 when Tsumeb Corporation Limited agreed to purchase a 70 percent interest in the Otjihase Mining Company for the sum of $41 million in payment stretched out over the next few decades. Tsumeb invested $2 million to confirm ore reserves and, according to Tsumeb Corporation's General Manager Bob Meiring, Tsumeb had invested nearly R 50 million as of July 1982 in Otjihase. (This figure, quoted in the Windhoek Observer, appears remarkably high considering a number of other sources estimate Tsumeb's expenditure on Otjihase at around R 20 million.) Tsumeb's decision to invest in Otjihase probably came at a time when metal prices were high, but the fact that the company has not cut back on its capital spending plans at Otjihase is probably at least in part because the company's older ore bodies -- notably the main Tsumeb mine -- are coming to an end of their useful lifespan.

Tsumeb Corporation's mines have not cut back output substantially according to Meiring, although production in high cost per ton areas has been cut back, with comparable increase in low cost per ton areas. As a result of the Otjihase deal, Tsumeb's labor force has increased from 5,695 in 1979 to about 7,000 in 1982.

As asked why Tsumeb Corporation was expanding at a time when metal prices were falling, General Manager Meiring replied that the company felt good profits could be made. And since the original investment in 1947, Tsumeb's shareholders have indeed seen good profits. Tsumeb's profits, especially in the 1960s and early 1970s, were quite extraordinary for such a small mine. Newmont, having invested about one million in 1947, earned dividends in the period 1966-1975 that averaged over five times the original investment each year. And although investment in
Tsumeb up to 1977 totalled almost $100 million (mostly in the form of retained earnings), Tsumeb Corporation still had enough after tax income to repatriate over 90 percent of after tax income to shareholders in the years 1966-1981.

This good profit record is also borne out by Commerce Department figures that indicate return on US direct investment in Namibia in 1980 was over 25 percent, as compared with a worldwide figure of 18 percent. Return on investment in 1978 was also a healthy 20 percent, as compared with a worldwide total of 10 percent. Thus investment in Namibia is indeed profitable—more profitable in fact than most US direct investment abroad.

These figures are probably also the reason so many other companies have shown an interest in investing in Namibia. And while political considerations have probably helped to ensure that most other companies are not now setting up mining operations, corporate enthusiasm for prospecting continues to grow. Between January and October 1981, more than 250 mineral prospecting licenses were approved by the government in Namibia, a figure which is a substantial increase from the 62 prospecting licenses approved in 1978. And although they are moving quietly, a number of corporations are actually carrying out prospecting with an eye to opening up mines in the relatively near future.

Prospecting

Prospecting activity and the staking of new claims has been carried out on two levels in recent years. The first is exploration activity by corporations that actually plan, at some point, to bring mines into production in Namibia if commercial quantities of minerals are discovered. Most active among these has been the Consolidated Diamond Mining Company,
which is reported to have spent a total of R 18 million in 1981 on prospecting. 14

The second type of prospecting activity involves the staking of mining claims by companies that do not have the capital to bring mines into production. These companies are essentially speculative ventures that believe that after they have located good mineral deposits they will be able to either sell the mineral rights at a profit to a more capital rich company or enter into a joint venture with such a company. These companies traditionally run a high risk of failure and often go for years without turning a profit. For instance, Nord Resources has declared a profit in only one of its last ten years of operations in Namibia.

North American companies engaged in prospecting activities in Namibia include the following:

Newmont and Amax through Tsumeb Corporation and Tsumeb Exploration.

Falconbridge Exploration is continuing to explore for uranium and other base metals. 15

Rio Algom, through its 10 percent interest in Rosing Uranium is continuing uranium and other base metal exploration. 16

Cominco Ltd., continues exploration through Eland Exploration. 17

Brilund Ltd. holds mineral and petroleum concession in northern Namibia and is thus required under the terms of its concession to engage in prospecting. 18

Nord Resources holds mineral concessions and is thus required under terms of its concession to engage in prospecting. 19

General Electric through its subsidiary Southern Mining and Development Company is reported to have found a tantalite deposit that could yield an initial output of 40,000 lbs of tantalite a year. 20

* Although registered in Liechtenstein, Brilund is controlled by individuals living in the United States.
Metallurg is also conducting exploration for tantalite through one of its subsidiaries. 22

Union Carbide, in a consortium with Anglo American, Elf-Aquitaine, and CFP-Total, is reported to have located a large low-grade uranium deposit at Tubas. 23

Three additional companies registered with the government as external companies in 1981: Midwest Uranium, Southern Uranium and Tristate Nuclear. Checks with a number of trade bodies in the nuclear field revealed no additional information about these companies and it seems fairly safe to assume that these are front companies, set up with the exclusive purpose of doing business in Namibia.

Although very little is known about new corporate investment in Namibia, three examples of new North American involvement in Namibia are profiled below.

* BankAmerica Corporation's 34.43 percent owned associate Societe Financiere pour les Pays d'Outremer recently bought a 51 percent interest in Swabank Ltd. Swabank is a relatively small bank with four branches in Namibia. No information is available to indicate why Societe Financiere chose to invest in the Namibian bank. 24

* TONM Oil and Gas Exploration, a company based in Sacramento, California, paid a total of $11 million for a share of African Coast Diamond and Minerals (Pty.) Ltd.--a South African company that holds offshore diamond rights in Namibia. TONM is a small, speculative firm that appears to have bought the interest in African Coast Diamond and Minerals as a speculative venture. 25

* Aries Resources Corporation, of Denver, Colorado, established Silurian Prospecting (Pty.) Ltd., as a Namibian corporation through which it will acquire prospecting rights to 33,000 hectares in the Aranos area of Namibia. 26
The company is planning preliminary prospecting in conjunction with an unknown European company in order to determine the feasibility of establishing a coal mine in the Aranos area.

Aries Resources has paid a Namibian company, Von Francois Mining, a total of R 33,000 for exclusive right to carry out prospecting on a 33,000 hectares grant. In addition, the American company reported in November that it had already paid Von Francois R 100,000 as a partial payment towards exercising Aries' option to actually acquire the prospecting rights that Von Francois now holds.

Little more information is known other than a company spokesman's announcement in November 1982 that Aries plans to spend between R 750,000 and R 1,000,000 to complete geological work on the grant. A company spokesman told the Windhoek Observer that Aries hoped to complete all prospecting activities "in as short a time as possible . . . with a view to start mining operations in South West Africa for coal."

This operation gives a partial glimpse at the type of speculation in land claims that is being undertaken in Namibia. A Namibian company, in this case Von Francois, acquires prospecting rights that it has no intention of exercising. That Namibian company then goes to another company, in this case Aries, and offers to sell the prospecting rights for an additional amount determined by how much the minerals in the ground are expected to be worth. In this case Von Francois made a tidy profit on the deal.

The final type of corporate involvement is the most difficult to trace: Indirect investment through stockholdings in Namibian companies. There is no proof that North American individuals are buying shares of Namibian companies, but there are some indications that this will be a strategy for the future.
The most common known examples of foreign holdings of shares in Namibian companies are those companies that have South African shareholders. For example in March 1982, the Windhoek Observer reported that Sea Products, a Namibian company based in Luderitz with 4.2 million shares issued, was majority owned by a South African company Lamberts Bay Holdings. The Observer reported that of the 4.2 million shares, only 300,000 were held by identified Namibian concerns.

Encouraging Americans to invest in Namibian companies appears to have been the purpose of a March 1982 trip by ten wealthy Americans to Namibia. The Americans, mostly from investment management firms or trusts, were brought to Namibia aboard then Anglo American Corporation Chairman Harry Oppenheimer's mini-jetliner and were shown around the country by executives from Consolidated Diamond Mines. Their trip included visits to a number of cities and talks with local businessmen. Although it is not altogether clear, it appears Oppenheimer was bringing to the country in the hopes of prompting them to invest.

The trip also included meetings with local political leaders, including leaders of two internal settlement parties, Swapo-D and Svanu. No doubt another purpose of the tour was political education for the Americans.

As can be seen from this brief sketch, North American corporations are continuing to expand their involvement in Namibia. It also appears that expansion can take many forms, from direct investment to simply staking prospecting claims. The information provided here is sketch at best and is intended only as a small start.

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2. Figure for 1972 was provided by Sally Miller, of the US department of commerce in hearings before the Subcommittee on Africa of the Committee on Foreign Affairs of the House of Representatives. The hearings, titled "U.S. Interests in Africa" and dated October 16, 18, 19, 22, 24, 29, November 13 and 14, 1979. Figures for 1977 and 1980 were provided to author by US DoC in March 1982.


5. Ibid

6. Ibid


9. Ibid.

10. Authors calculations based on figures in Newmont Corporation Annual Reports and Form 10-Ks covering period 1966-1975.


22. ibid. page 9.


26. Windhoek Observer, November 6, 1982. This and all following information is based on this article.
