

Straight Talk (5), September 2011:

The Mining Blackmail

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Just a few weeks ago, we witnessed one of the most blatant demonstrations of power politics. The mining companies operating in Namibia and organised locally through the chamber of mines resorted to outright blackmail to pressurise government into abandoning the envisaged tax increases. What was perhaps most stunning was the arrogance with which the mining companies defended what they seem to perceive as their god-given right to control and exploit Namibia's mineral resources.

Many organisations and individuals (including the SWAPO Party Youth League and the Basic Income Grant Coalition) had welcomed the Namibian government's announcement of increased mining taxes. This was seen as an important step to ensure more local benefits and as a long-overdue step towards sharing resources to benefit all Namibians. The Finance Minister had proposed to do away with the zero-rating of VAT on the export of raw minerals and to introduce a standard rate of 15% plus a levy of 5% on the export of unprocessed raw minerals. This was certainly not an unreasonable proposal and was supported by many Namibians for two main reasons: Firstly, such taxes would encourage local processing of minerals and thereby create the much-needed local jobs. Secondly, the additional tax revenue could be used to ensure far greater public benefits from the country's mineral wealth. As pointed out by the BIG Coalition, the new revenue could be used to introduce a country-wide basic income grant and thus benefit all Namibians.

The mining companies, however, were not even interested to debate this proposal seriously and instead chose to threaten the government with mine closures and with tarnishing Namibia's image amongst foreign investors. The mining companies thus essentially resorted to blackmail tactics and the Namibian government backtracked within just a few days. This event did not only undermine Namibia's economic interests but also the country's democracy as mining companies behave as if they are a law unto themselves. Their threat of mine closures seems far-fetched given the current global demand for uranium and the record level of gold prices.

One also has to keep in mind that Namibia's current taxes on mining companies are quite low and allowing this situation to continue would mean that Namibia will allow transnational corporations and a few well-connected individuals to continue plundering Namibia's resources without creating substantial benefits for the country and its people. The mining resources will only last a few years and any dollar lost in possible revenue will be lost forever! The current zero-rating on the export of raw minerals, unprocessed fish, game, crude oil and gas gives a free tax ride to those extracting minerals and other natural resources without local processing. This directly undermines local economic growth, job creation and redistribution of wealth in favour of the poor.

Namibia's classification as an upper middle-income country because is largely based on its relative abundance of resources. However, this abundance is not matched by a system of fair distribution and thus the benefits accrue to just a small local elite and the foreign mining companies. This explains why Namibia is amongst the most unequal societies in the world and the fundamental question is why should we allow the mining companies to be the main

beneficiaries of our mineral wealth while so many Namibians are living in poverty? Where do the profits of the mining companies go and what are they contributing to the development of the country and to the well-being of its people? Why should we continue to experience high levels of unemployment, poverty, hunger, crime, malnutrition, with people collecting rotten food from rubbish dumps in Namibia? How can the country's mineral wealth be used to reduce the huge and ever widening gap between the rich and the poor? These questions were posed by the BIG Coalition and are not a rhetorical exercise. They require serious answers from our political leadership who is entrusted to safeguard our collective public interests.

It is against this background that the proposed increases in mining taxes should be seen as a step in the right direction. However, the mining companies pursued their own narrow interests and resorted to the age-old strategy of bemoaning the proposed taxes as creating a restrictive investment climate. They clearly showed that they have no appreciation for Namibia's need to diversify the revenue base for the state and for the mineral wealth to create more public benefits for Namibians. Supporters of the new taxes have pointed out that the benefits from the exploitation of Namibia's natural resources must be shared amongst the citizens of the country.

The proposal for increased mining taxes should also be seen in the context of international practices. Several other countries have decided to generate additional state revenues from non-renewable resources. Australia, for example, has recently increased its royalty tax to 30 percent (compared to less than 10 percent in Namibia) and South Africa is currently debating measures to increase the country's benefits from mining. These are urgent and immediate matters as potential revenue is lost with every day that passes. Another interesting example of how revenue from natural resources can be shared is provided by the US state of Alaska which puts 25 percent of the profits of its oil revenue into a fund which is then equally distributed to all citizens.

These examples show that the proposed increase in mining taxes is neither unreasonable nor outrageous. On the contrary, it is long overdue and thus it is very sad indeed that the Namibian government has capitulated so quickly in the face of the mining blackmail. There is no doubt that Namibia urgently needs to socialise the benefits from its natural resources. The time has come to take decisive action and Namibians will need to make their voices heard as our own future is at stake. Once our mineral resources are gone, they are lost forever. The time to secure the benefits is now.