The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Even in Zimbabwe, It's All About Having the Right Partner

By Alexander Bratersky

June 02, 2013



Ruschrome co-owner Alexander Chepik (left) and Robert Mugabe (right).

For some, Robert Mugabe is the authoritarian anathema who leads Zimbabwe, the mineral rich state in Africa, but for Russian businessman Alexander Chepik he is a man to be admired.

"I am fascinated by him. He is an articulate man with a great sense of style and a sharp memory. He never forgets anything," Chepik said about the African strongman who is not welcome in many Western capitals after his government began taking land from white farmers in 2000.

But Chepik, 47, said he felt very comfortable in Zimbabwe, where his company Ruschrome holds an exclusive license to develop the second biggest platinum field. This makes him one of the leading Russian investors in Zimbabwe, a terra-incognita for Russian companies.

Ruschrome, where Chepik is one of the major shareholders, was able to obtain a license

to develop the Darwendale platinum field in 2006 after working for ten years in the country on various other projects.

The license is held by Ruschrome Mining, jointly owned by the local government and Chepik's Center for Business Cooperation with Foreign Countries. Among the company's senior managers are former Soviet diplomats who have long specialized in African affairs. The head of the company board of directors is Martin Rushwaya, a permanent secretary in Zimbabwe's Defense Ministry.

The Center for Business Cooperation with Foreign Countries company also has gold mining operations in Mongolia and Ethiopia.

Chepik, who graduated from the History and Archive Institute in Moscow with a degree in history, occupied senior positions in various defense-related companies in Russia in the mid 1990s.

A businessman who spends half of his time in Zimbabwe, Cherpik said his attention was drawn to the country by reports from Soviet-era geologists about the country's mineral wealth. "The whole of Mendeleyev's table is there; the country is also rich in uranium and diamonds," he said, referring to periodic table of elements invented by Russian scientist Dmitry Mendeleyev.

Many Western companies exited Zimbabwe after the European Union imposed sanctions on the country in 2002 due to the local government policy of driving white farmers from their land without compensation.

The sanctions include travel restrictions and a freeze on assets abroad for President Mugabe, more than 200 senior officials from his ruling ZANU-PF party and companies close to them.

Although the European Union suspended sanctions against 81 officials and eight local companies in March, they remain in effect against Mugabe and senior party members, BBC reported. Analysts said Western countries were moving toward normalization of relations with Zimbabwe, following a referendum on Constitutional amendments conducted in March.

The government, however, announced during the referendum that the seizure of farms could not be legally contested. Authorities said a commission would be appointed to audit the situation.

Chepik said his company's plan was to prepare the Darwendale field for platinum extraction and then invite a strategic investor from Russia — a goal shared by the local authorities who are also his partners. He said the field, which is estimated to have 755 tons of platinum, needs $350 million of investment.

Ruschrome said it had already spent $10 million on studying the field, but its relationship with potential Russian investor Renova — controlled by billionaire Viktor Vekselberg — turned sour when Renova accused Ruschrome of reneging on an agreement to sell a 50 percent stake in the project.

Renova has appealed to the Trade and Industry Chamber mediation court, claiming that a German lawyer who received a $5 million fee has failed to prepare the share sale contract

between Renova's AfroAsia Consulting and Ruschrome. The lawyer was recommended by Chepik's side. The chamber court dismissed Renova's claims. That ruling was supported by the The Higher Arbitration Court in October 2011.

Chepik said Renova's plan in Zimbabwe was to prepare the field for development and then sell it to other investors. While he called this plan "business-like," he said it was not favored by Zimbabwean authorities.

Chepik does not deny that his company maintains strong ties with the African country's senior leadership. Novaya Gazeta newspaper, in an article about the Renova conflict with Chepik's company published in 2011, said the Center for Business Cooperation was staffed with former senior military and intelligence officers.

The article stated that then-company vice-president Yuri Khozyanov was a former senior official from GRU military intelligence and had worked as the deputy head of state arms exporter Rosvooruzheniye, the precursor to the Rosoboronexport arms exporter.

Khozyanov has left the business. Now the Ruschrome joint-venture's Russian chief is Andrei Shutov, a former senior executive at Renova.

Despite the court battle, Chepik said his company was still open to doing business with Renova. But he added that he was more hopeful about a possible agreement with Norilsk Nickel, Russia's leading platinum producer. "They are a priority for us," Chepik said.

A Norilsk Nickel spokeswomen said that although the company was looking to invest in Zimbabwe's projects, including Darwendale, "no positive decisions have been made at this point in time."

The Darwendale platinum field is also being eyed by the powerful Rostec holding, headed by Sergei Chemizov — who is reported to be a friend of President Vladimir Putin.

Kommersant reported last June that the company was offering to supply helicopters to the Zimbabwean government in exchange for access to the field. No deal was reached so far.

Chepik said he was confident that all Russian investors interested to work in Darwendale will go through his company, since in his role as middleman he has already won the trust of ruling.

"Some Russian investors were trying to get around us, but it was not well-received within the government. Laws in Zimbabwe work better than in Russia," Chepik said.

Although he has placed his hopes on securing Russian investors, Chepik has a Plan B. If his company can not find partners, it will sell shares on the open market.

He and his subordinates also said Russia is missing out on opportunities to invest in Zimbabwe, whereas China has already invested over $600 million into the local economy. Neither Putin nor his predecessor, Dmitry Medvedev, has ever been to Zimbabwe.

Industry and Trade Minister Denis Manturov was the only government official who paid a visit to the country in 2012, accompanied by executives from leading Russian companies.

But Russian firms are more keen to invest in South Africa, avoiding Zimbabwe because of political uncertainty, experts said. Russian investment in South Africa currently stands at more than $1 billion, with Norilsk Nickel, Renova, Evraz Group and Basic Element among the biggest players.

Manturov's visit to Zimbabwe was, however, marked by signing a bilateral agreement on the protection of investor rights, which Chepik calls a very positive step.

Meanwhile, Mugabe, surrounded by sanctions, is very interested in dealing with Russia, although Chepik said that the strongman still has hard feelings toward Soviet President Mikhail Gorbachev.

"He is still angry because when Mugabe came to Russia, Gorbachev didn't even meet him. But he sees Russia positively," Chepik said.

Still the ball is in the Russian court. "By the time sanctions are be lifted, there will be no room for Russia anymore," he said.

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Original url:
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