

revenue – which nearly doubled from 1995 to 1996 and now accounts for more than half of all non-metal export earnings – the government has sold or leased to private investors several hotels and tourist facilities. In fact, the eventual goal is to privatize or lease out all government tourist facilities as part of a sustainable development process to commercialize the industry.

But there is more to enhancing the tourism sector than just privatizing its main assets. Major road improvements, attention to training, an increasingly active tourism board abroad, and new incentives to promote private sector investment are a fundamental part of Zambia's five-year national tourism strategy.

A number of incentives are available to investors, including accelerated capital allowances, 0% duty on productive machinery for agriculture and mining, 5% duty on other productive machinery and raw materials, 15% tax on farming and income from non-mineral exports (rather than 35%), and a rural enterprise tax deduction of one-seventh off the normal rate.

Revitalizing Mining

Zambia's vast mineral potential extends beyond copper, though its copper and related cobalt resources receive most of the attention. Gemstones, for instance, are under-exploited. As the process of privatizing ZCCM goes on, international mining companies are detecting opportunity and a number of these companies are Canadian.

The impetus for this contemporary interest in Zambian mining is a result of a number of factors, including the new Mines and Minerals Act (1995),

ZAMBIA has always been known for its Copperbelt, but cobalt is becoming the metal of the 1990s and **Caledonia Mining Corporation** wants to become a major producer of both. The Oakville, Ontario, company operates gold mines in Spain and South Africa, with development and exploration underway for gold and diamonds in Scotland, South Africa, and Canada. However, Caledonia considers Zambia an important area of its world-wide exploration program, with cobalt, copper, and diamond deposits the focus of its efforts.

Caledonia originally became interested in Zambia about 2 years ago, encouraged by senior company officials who had some previous experience in the region. They knew about the huge potential offered by Zambia's mineral resources, and the passing of a new mining act in 1995 persuaded Caledonia to seriously investigate that potential: within a year a total of five licenses for mineral exploration were granted, covering approximately 5,500 sq. km. Zambia's mining ministry receives good reviews from Caledonia and other Canadian mining companies for its professionalism and its eagerness to attract international investment.

Although the infrastructure in the main mining areas is quite developed, during 1996 the company built a 40 km gravel road to access the Nama area (employing over 300 local people) and it regularly employs about 150 Zambians and 5 foreign staff. To show its support for the local police, Caledonia donated communications equipment to beef up security in the Copperbelt Province which shares a border with Zaire.

By early 1997, Caledonia's exploration operations over its vast license areas led to a number of promising discoveries. A vast cobalt deposit in oxide form at the 180 sq. km Nama license area – a nearly 1 billion tonne resource with a grade estimate of 0.029% cobalt equivalent – is of low grade but near the surface. Metallurgical test work and pre-feasibility studies for production are underway. Another license area, Kadola, looks promising in terms of copper and cobalt, and in May 1997 Caledonia signed a letter of intent with Cyprus Amax Zambia Corporation, a subsidiary of Denver-based mining giant Cyprus Amax Minerals, to finance further exploration in that license. (Cyprus is also the first foreign company to have its bid accepted as part of the ZCCM privatization program, acquiring a conditional 80% stake in the Kansanshi copper mine in the Copperbelt.) Also in the Kadola region is the Eureka copper-gold prospect.

Joint ventures are common in the mining business and Caledonia remains open to future partnerships to explore and develop its other Zambian properties. While African mining activities and potential are gradually becoming as accepted in North American investment circles as European circles, raising money for any overseas mining venture will likely be more difficult in Canada after the Bre-X fiasco. Joint ventures with experienced companies can be an important way to ensure exploration and development work can continue, and this can increase investor confidence along the way.

Down the road, Caledonia is optimistic that Zambia will become a major component of its production and profit base.