# SHAREHOLDER RIGHTS. THE PROPER PERSPECTIVE

**KEY:** Blue shades are for videos

Date: September 30th, 2010

Moscow, Russia

**Dear US Colleague,**

Thanks for your letter which I couldn't answer earlier due to a huge workload, but foremost, due to the fact that I wanted to formulate my answer is such a way as to give you a wider perspective of what you inquired, as well as show you its reference, rather, relevance to, and practical implication to Tanzania, part of which is among the topics we have been discussing with a number of people as you may have been reading in the emails you regularly get from me. Another reason for such a delay even though I finished the overall draft of this letter quite awhile ago, is due to the heat wave, violent fires and huge smog **(see also here**: Smog in Moscow) which engulfed Moscow and many regions of Russia in July and August (some of these fires still ravaging Russia to this day) as you may have read in the news I've been sending you, in the internet, as well as if you have been watching and listening to the TV which I hope you do. The heat and smog have been so severe in Moscow virtually paralyzing any work involving deep thought, more so such works as the one I have undertaken in this letter. It is only now that the situation has returned to normal enabling us to go back to intellectual and academic work.

I will start my elucidation by explaining the rationale of listing shares at the **Dar-Es-Salaam Stock Exchange (DSE)**.

## RATIONALE FOR LISTING AT THE DAR-ES-SALAAM STOCK EXCHANGE (DSE)

Before going deeper into this question, I would first like to explain the three following things:

1. The significance and practical benefits for any company listing in a Stock Exchange;
2. The benefits for the Stock Exchange itself in getting a larger and wider pool of companies listed in it.
3. Benefits to the country where the Stock Exchange is located, in this case, Tanzania.

1. **Benefits for companies**

i. By listing shares at a Stock Exchange companies are given an alternative option from where to seek capital, i.e. they are able to raise capital from an additional source other than banks with their prohibitive interest rates;

ii. In the course of this process, i.e. listing at a Stock Exchange, companies allow themselves (actually are obliged by law) to be open and transparent since this is one of the requirements for listing in any trading floor. The degree and requirements for transparency may differ, in some Exchanges they are tougher than others, but all in all people and investors around the world get to know more about the companies hence allowing a wider pool of investors to appear for the companies to tap capital from;

iii. Transparency and scrutiny call for more accountability hence better performance of these companies, meaning more profits and the need to employ effective management and more modern techniques, technology and deliver high-standard services to the public.

2. **Benefits for the Stock Exchanges**

The more companies list in it the more capitalization of the Stock Exchange, meaning not only large volumes of capital accumulating and passing through it, but appreciation of **CAPITALIZATION** of the Stock Exchange itself. This has the following benefits for the Stock Exchange as well as the country:

**BENEFITS:** The Stock Exchange, which is just like any other registered publicly-traded or simply a private company, is being financially and monetarily valued according to its market capitalization, which in turn depends on the value of the shares assets of those companies listed in it. In other words, the Stock Exchange is in itself an entity with a potentially huge financial value which can act alone as a legal entity to enter into partnership with or outright acquisition of other bourses (or other businesses) either within the country or abroad, thus acting:

i. As a possible investor on its own right;
ii. And also, simultaneously, as a source of tapping huge and wider capital base for the HOST COUNTRY (in our case, for Tanzania) hence act as one of the arsenals for the promotion of the country's foreign and economic policies. Read more about merger and acquisitions among Stock Exchanges here: Report: London, Frankfurt Bourses Discussing Merger .; Global Bourses? Hold Your Horses (int'l edition); Deutsche Boerse offers LSE chief top post in merged company; Concern grows in Germany over possible Deutsche Boerse move to London; European stock exchanges - Two into three.(Brief Article); *frankfurt and london and merger*.

3. **Benefits for the country**

As you could see from the above explanation, bourses act as huge sources of capital and financial resources which in turn create the following collateral benefits to the country:

i. They increase the material and financial wealth of the country;
ii. They arm the country with an effective arsenal to promote and advance its foreign and economic policies hence secure better diplomatic and economic dividends for the country (read here – Russia & CIS BONDS);
iii. Bourses, the better-performing ones, could be not only sources of capital and entrepreneurial activities and transactions, but serious sources as well, in addition to others, of bringing in the necessary modern technology and knowhow in not only operating the Stock Exchanges themselves, but tap into the scientific and technological knowledge-base of those high-tech and scientific companies listed in them. This may help bridge the wide technological divide existing between Tanzania, a developing country, on one side, and advanced countries by acquiring the necessary knowhow via those modern companies from these advanced industrialized countries which shall either be listed at the DSE or through merger/acquisition arrangements like the ones noted above in clause (a, ii), or through cross-listing, through DSE, enable Tanzania access the material, financial, technological and scientific wealth inherent in these countries and/or companies, on the other.

So, colleague, as you could see above, Stock Exchanges and trading of shares in them have much wider implications and benefits when looked from a vintage point of a well-thought-out, wider political and economic perspective with far-reaching positive consequences to the economic development of the country and it is in this perspective that the political leadership as well as all those who formulate, plan, strategize the country's economic policies and oversee their implementation, ought to bear in mind in Tanzania when looking at the viability of Stock Exchanges and the need to see to it that these Exchanges serve the above purposes.

Having done the above short introduction, allow me now to come to your specific questions:

## 1. WHY HAVE THE COMPANIES GOT TO LIST AT THE DSE?

The companies got to list at the DSE so as:

i. To use the DSE as a conduit and magnet of foreign exchange into the country since foreign investors, buyers and traders of the shares from abroad will have to go through this venue to access the traded equity and, this, together with local sources of finance, shall in turn increase the market capitalization of the DSE itself with subsequent far-reaching positive effects to the country's economy as explained above;

ii. To raise any cash they need for their development from within Tanzania since this shall lead to:

   a. Make use of our local currency hence sterilize any excess liquidity existing in the country, therefore tame inflation;
   b. Strengthening our local currency and bring it near to international convertibility;
   c. Offer access to ownership of our assets to mostly Tanzanian individuals and institutions;

iii. To enable better monitoring by Tanzanian state authorities so that:

   a. They pay taxes in time and according to their true and real income and not from that which is somehow doctored by putting claims of cooked-up losses supposedly incurred outside the country, say, when the companies go into dubious sweet credit/loan extension deals with lenders abroad and then record huge interest rates to be paid back overseas thus denying the country getting its true and actual payment in taxes and in time since the huge, usually falsified, in collusion with funding sources/banks/ lenders, interests rates, have to be factored into and deducted from taxes due for payment to the Tanzanian government;

   b. Transparency and accountability are ensured since so as to list in Tanzania, companies will be obliged to abide to strict regulations and requirements relating to ownership, shareholding, disclosure of information on major shareholders etc. As a matter of fact, one of the major reasons why most, if not all, of the mobile and mining companies, which are mostly considered foreign-owned, in fact, have in them so-called sleeping partners (the so-called silent millionaires) from among the crafty Tanzanian elite and corrupt government officials (mostly from the 3rd phase government of Benjamin Mkapa and 4th govt. of President Kikwete before Lowassa resigned ) who acquired/secured their ownership in these companies craftily, violating the country's laws, and any listing at the DSE will require that the mentioned companies expose these individuals. That is why you saw a lot of lobbying against the Mining and Electronic and Postal Communications Laws, with senior government officials advising the president not to pass the laws or delaying their tabling like what happened with the New Mining Law. This is why I sincerely rejoiced when I learned that the president has gone against the distracters and went ahead and signed the ***Electronic and Postal Communications (EPOC) Act, 2010*** without amending it as earlier advised by his close advisers, several MPs, the strong mobile phone companies lobby which contains those sleeping billionaires, as well as by the chairperson of the DSE governing council, **Mr. Peter Machunde,** who later on tendered his resignation (read that in my letter here as well as in this article here: **Dar bourse appoints new boss**). The president did what Americans would call – ***he threw the crafty few under the bus!*** My hypothesis why the president did so could probably be explained by the following three reasons (bear in mind, this is just my assumption!):

- May be the president indeed wanted to pass the law to the best interests of the country, so his action was a conscious and deliberate effort to do the right thing; OR
- The president felt it would look bad on the run-up to the October elections to be seen favouring the mobile companies, i.e. giving in to BIG MONEY, even going as far as amending an already-passed law by the parliament instead of safeguarding the nation's interests and aligning himself with the majority poor whose votes he shall need come elections in October; OR
- The president might have been looking for other ways apart from legal prosecution to ***fukua/chimbua*** (root-out, which I highly doubt) those who have swindled the country and are now lying low as sleeping partners (silent millionaires) in the mobile phone companies since as I wrote above, due to the passage of the ***Electronic and Postal Communications (EPOC) Act, 2010***, before any listing at the DSE as required by the law, the mobile companies will be now obliged to reveal ALL shareholders and relevant information about them to the DSE authorities, to the state, meaning that the whole country will know who stole their assets, and by this, probably (I'm just speculating), Kikwete wanted to open another front in the war against corruption which he has been accused of failing to properly wage due to the existing cumbersome and long procedures needed to be followed including in accumulating evidence before prosecuting the culprits - but this is just my hypothesis which as I wrote above, I highly doubt the president to be sincere in the fight against corruption and swindling of state funds and assets! And **BEWARE**: Those who are afraid of getting exposed among the silent millionaires, some close friends and colleagues of the president himself, might hurt him badly as we approach the elections in October if they will see the president going ahead and not making the necessary amendments to the enacted law to stop revealing their names and particulars. They might use the mobile phone companies as proxies in trying to change the law so that people see the pleas as if coming from the mobile companies while in fact they (the silent millionaires) are the ones behind the scenes actually waging the battle – Just wait and see! I think this is just one such attempt of this sort appearing, read **Full Story**.

So, colleague, it is not that the government will be forcing the companies to be diluting their shares, but by demanding that if the companies are intent of floating their shares to raise capital, and currently they do exactly that, but only abroad, instead they should do the listing at our trading floor at the DSE ***first***.

And one more thing. I find the question - ***Why force an investor to dilute his ownership?*** – to be inappropriate and misguided, if not totally missing the point in understanding the merits of investing in our country and seeing to it that the chance offered to the companies to operate and make profit in Tanzania, those huge profits they earn under peaceful and politically stable conditions in the country, came at a colossal price and sacrifice of the Tanzanian people for almost 50 yrs after independence. That price, implicit in nature, which could be hard to quantify, requires us, i.e. Tanzanians and the government, to demand certain terms be fulfilled first before allowing these companies freely operate in our country. If the mobile companies wanted, they could have well gone to, say, the moon, to the Arctic, or Antarctic, or Chad, Southern Sudan, Somalia, Afghanistan, Iraq – all those politically unstable and insecure countries or places with no people at all like the Poles (North and South) and the Moon - but they would never get the profits they earn in Tanzania and work peacefully and unhindered, moreover on a long-term basis (which allows these companies to strategically plan for long periods into the future) due to the deliberate and conscious efforts made by our gallant POOR people to establish those peaceful and politically stable conditions existing in our country hence enabling business to thrive. And all these efforts and the mentioned environment have their value in monetary terms which we decide to recover through the above 3 (I, II & II) points explained above. The country should never hesitate or shy away from putting the value of itself to anyone since Tanzania is NOT a no-man's land! It is a country with a people who make conscious, deliberate and untiring efforts to secure themselves political stability, personal and overall security not only for themselves, but for any foreigner who will want to come invest and work in our country and earn huge profits in return. But we should also say –

O.K. you are all welcome to invest, but please share with us that wealth in the manner explained in point I, II & III above since the favourable conditions mentioned above serve as our contribution to the success of your investments. ALL countries in the world have strict requirements for anyone wanting to invest in their territories and I see no reason why Tanzanian should not do the same since as I wrote above, the companies can as well go to the Poles or rogue states mentioned, but they will never make the profits, moreover on a long-term basis the way they do in Tanzania.

From the way you put your questions, I can sense that widely false perception existing in the Tanzanian establishment, a highly distorted reasoning of as if the country and its people never exist, as if the foreign investor came to a no-man's land, with his investments, hence his ownership, but you forget that it is, WE, Tanzanians, who in the first place are the owners of that land, the 40 million Tanzanians and generations before them who worked tirelessly to establish the conducive environment for the investors to come and put their money in Tanzania. I see quite many in Tanzania especially in the government and among the ruling elite to be confusing facts with their own value perceptions which are mostly erroneous. While struggling with conceptual problems, they usually argue from a false premise as if the only contribution which need to be counted is that financial input of the investor – NO, NOT AT ALL! And another important thing you have to bear in mind is that it is WE, TANZANIANS, who are the subscribers, PAYING that investor for his services, say, the mobile phone services – we don't use his services free-of-charge. We pay. So you have a situation where you have worked tirelessly for generations, almost 50 years to build a peaceful nation (we spent huge money and other resources, lots of sacrifices to achieve this) which has allowed the investor to come and invest and work in peace and on top of that, you give the investor huge tax breaks and benefits and also pay that investor for his services. He then takes all profits and tells you – NO, you shouldn't stop me from doing anything with "my money" and "ownership" – I will just be paying you the 35% corporate tax, tax on profit (after I fully enjoy the 5-yr or more of tax holidays and exemptions. Read **here** what I wrote about this problem way back in 2005), I'll be listing shares wherever I want even if that will mean taking capital out of your country. In exchange, I'll just be giving you some few desks and computers for your schools, matrasses for flood victims in **Kilosa**, bicycles and some few motorbikes for your Police Force, some few tins of cooking oil for your orphanages and all other such peanut handouts (mosquito nets and condoms) and useless detritus. But we tell him, well, we don't want to take away anything from you. We just tell you that if you want to float shares, do so initially in Tanzania, at our trading floor at the DSE (in any case, you currently do list, but you do so abroad, we want it to be done here in our country instead since it is in this way we will be recovering what we have invested for over 50 yrs to enable you make huge profits today and it is through this we will have a win-win situation where the wealth generated in Tanzania is shared with Tanzanians within Tanzania. Anything in excess of this, you are free to take away to any destination of the world you want).

On ***ownership***, we should state explicitly, say, in the mining industry, that we shall always reserve a minimum interest of 51% (minerals are material assets both depleting and finite (at least the easy-to-mine as per currently available sufficiently-affordable technology), so the approach towards their ownership has to be that of the state/locals **ALWAYS** having majority equity ownership (not less than 51%) where the returns from their exploitation, utilization and management can reach the wider masses of the population as the mineral exploitation is taking place. For other industries which mostly rely on intellectual and industrial assets like telecommunications, depending on how the country wants to develop this sector and see its collateral positive effect on the wider economy and solving social problems in, say, education and medical services, the country may allow a fluctuating equity ownership arrangement where private companies, local or foreign, could have majority equity ownership – but this is for such industries which do not base their workings on exploitation of natural resources like minerals, material assets ***eternally*** belonging to the country and its citizens. Be advised, it is not Tanzania alone which must or is doing this. Remember when the Chinese (China National Offshore Oil Corporation - CNOOC) wanted to purchase the middle-level US oil company UNOCAL, the Americans, the utmost free enterprise country in the world, under whatever dubious reasons and citing their Patriotic Act, blocked the sale of this company to the Chinese (read here: 2.1 Unocal buyout attempt; China's bid for **Unocal** heightens tension with the US; United States Response to CNOOC Bid for **Unocal**; The failed **Chinese** acquisition of **Unocal** revisited: Issues of WTO **...**)? Or when **Dubai Ports**, the Emirates' company which wanted to take control of US ports, what transpired after that? All stereotypes about Muslims and Arabs were brought forward to block the ports falling into the hands of the Emirates' company. The same Patriotic Act and accusations like – the *"ports may be used by terrorists against the United States"* were used to block the transaction – read here: **Dubai** Company Gives Up On **Ports** Deal - CBS News; The **Dubai Ports** Issue is Really Wal-Mart and Toyota All Over Again!; Foreign Policy In Focus |

The **Dubai Ports** World Controversy **...**; Articles about **Dubai Ports** World - Daily Press. Russia has passed legislation effectively banning majority ownership by foreigners of what it deems strategic assets, be it in the mineral sector, in oil and gas, in telecommunications, in the nuclear sphere, in Space, High-Tech industries et al, read here: **Investment** in **strategic sectors** of the **Russian** economy - **Invest** in **...**; New **Russian** Federal Law on Foreign **Investment** in **Strategic Sectors**; Russia's New Law on Foreign Investment in Strategic Sectors and ...; RUSSIAN PROTECTIONISM AND THE STRATEGIC SECTORS LAW; Russia To Clarify Law On Strategic-Sector Investment -Vedomosti ... and **here**. Norway, a European Union country, one of the most affluent free-market economies in the world also restricts majority ownership of its huge oil and gas assets to its local companies – **STATOIL** and **NORKS HYDRO**. The same is being done by Middle Eastern Countries {Saudi Arabia, Kuwait, UAE, Bahrain, Qatar, Oman, Iran, Iraq (read here & here)}. We see the same trend in Latin America (Venezuela, Bolivia, Ecuador, Brazil et al). We saw the same thing happening recently when the US government, covertly, implicitly, blocking it's car-manufacturing company, **General Motors (GM)**, from selling its European Subsidiary, **OPEL**, to a consortium of Canadian firm **Magna** and Russia's **GAZ** in joint bidding with the country's largest savings bank, **SBERBANK**, under claims, not openly spelled out by the US government, that GM can't sell US assets, OPEL, to foreigners especially if such foreigners being Russians at a time when GM received huge bailout funds from the US government, taxpayers' money, moreover the sale would entail transfer of vital technology to the Russians which the US government considered to be a bad idea as far as technology transfer and security are concerned. Read more about this matter here: BBC NEWS | Business | **General Motors cancels Opel** sale; GM facing walkouts, anger after canceling Opel sale to Magna ...; **General Motors** agrees to compensate **Sberbank** over failed **Opel** sale; **General Motors Cancels** Sale with **Magna** and Russian **Sberbank** and**...**. And this brings me to your second question.

2. **When companies are forced to be listed, where do you draw the line on percentage equity ownership to be floated - 10%, 20%, 40%?**

I somehow already touched on this question above but will avail myself the chance to expound on this issue further again here. As I wrote above, those industries exploiting natural resources assets like, say, minerals, in my view, and in the opinion of many resources-rich nations of the world (The Middle East, Russia, CIS – countries of the former Soviet Union, Venezuela, Bolivia, Ecuador, China, Norway etc), have to reserve majority equity ownership in their mineral assets for the host country, either for the State, or if there are qualified local private companies owned by citizens of these countries, and when these countries already have laws in place which ensure that the exploitation, utilization and management of the mineral assets as well as the taxation system all lead to the equitable distribution and spread of the proceeds to benefit the wider masses, the whole population, who are in fact the rightful and real owners of these assets by virtue of the citizenship and birth in that particular country, then these private companies could also be allowed to own majority equity shares of the mineral assets, if they have the financial and expertise wherewithal to manage and exploit the resources. But we in Tanzania do not have such well-established and sufficiently qualified private companies to meet this criterion, and it will take a considerable amount of time before such companies appear – not less than one generation, i.e. 20-25 years, since we will need to train enough specialists in geology, mining, management, finance, stock markets etc, that qualified pool of personnel which can successfully and effectively oversee the smooth running of this industry as well as have the financial wherewithal to meet the costs to be incurred. It is here then where the role of the State is imperative and paramount and it is this I've been advocating all along and in the letters to President Kikwete and Judge Bomani, respectively. So, my idea of putting the State as the majority shareholder in any major mineral exploitation project, or in the production of oil and gas, should in no way be equated with advocating nationalization or returning back to State Corporations/Parastatals a la Mwalimu Nyerere's era. No. Not, at all. What I do advise and recommend is for the government to form Joint Stock Companies which shall be either 100% State-Owned or just majority State-Owned, which shall then enter into partnership with foreign firms to exploit our mineral resources including oil and gas. But they should retain majority equity (not less than 51%) in any field/s which shall be deemed strategic (the country needs to define and stipulate explicitly which type of reserves are considered strategic – read my letters to President Kikwete and Judge Bomani mentioned above). This leaves the foreign partner or a local private company with 49% or less of the equity.

When it comes to listing at the DSE, our share in the JV, which is already majority, gives us enough majority equity to float at the DSE and we can decide, depending on the needs for funding, to float, say, 10, 20, 40 or even the whole 51% or more which we own. It is very important that our local companies, especially those owning natural resources list and trade their shares in Tanzania ***first*** before embarking on listing abroad to tap more and wider sources of financing as well as spread the risk and diversify our listing portfolio (never put all your eggs in one basket, so say the wise). The private company, partner to the State, be it/they local or foreign, altogether owning not more than 49%, should float a minimum of upto 30-35% of their shares (i.e. upto between 14,7-17,2% of the total 100% equity in the legal entity in question) ***first*** in Tanzania at the DSE or in any future trading floor to be opened in the country, before embarking on listing any additional shares on top of this figure. This approach has the following advantages to the country and the DSE and, of course, to the company which is listing:

1. It leads to the increase of ***portfolio*** investments into the country hence increase in the market capitalization of the DSE or Stock Exchanges in the country, i.e. more wealth and availability of financial resources for our local companies, the government and the people;
2. Since the companies are obliged by law to initially list in Tanzania and, only then, abroad, moreover after they pass the 30-35% threshold, then if they intend to carry out robust development plans which will require huge investments in excess of those they could tap with their 30-35%, they will then be tempted to speed up development, i.e. shorten the time to bring in top-of-the-art technology and management skills to the country so that they fulfill the mandatory listing of upto 30-35% of their shares to get permission allowing them to list abroad in order to bring in the rest of the huge financing required – this inevitably leads to rapid technological and industrial development of the country and further expansion of production and services. So, the issue as you could see is not only a purely legal matter about owning and listing how many shares locally, but a serious strategic approach to the rapid development of the country. The government needs to understand this matter in this perspective and context. This is why I strongly supported the decision of our president to sign the ***Electronic and Postal Communications (EPOC) Act, 2010*,** despite pressure from lobbyists groups (from the mobile companies and probably silent millionaires in them), several MPs, close advisers and some cabinet members, as well as the management of the DSE itself which ultimately led to the resignation of **Mr. Peter Machunde**. Just by the way, why should the country buy into lame arguments of the likes brought by Machunde, that mandatory listing of mobile (probably he even meant mining companies as well) would be impossible simply because of the sheer size of the DSE which is, as Machunde claimed, small and cannot handle, or rather, accumulate/accommodate all the finances which shall need to be tapped and pass through that trading floor, why? Then if they say the DSE is small, when will it ever grow if they block or undermine the very attempts to make it big by floating huge equity worth hundreds of millions, if not billions of US dollars, when? It is because of such mean and defeatist attitudes of ***small people*** (*small fish swimming in low waters*) like Machunde African countries fail to develop – these cowards are afraid of taking huge bets and serious, huge and principled stands and responsibilities of being the masters of themselves and their nations as they are used to be only ***watumwa***, of putting into practice only their bookish knowledge acquired at school which, by the way they apply it, has no relevance at all to the real needs and requirements of the country and its people. Africa is full of these uncreative and unimaginative Machundes, ill-advising our leaders as you may read here: Why are Africa`s professionals not delivering?; Edofolks - NOBODY OWES BLACKS ANYTHING By **Dr. Chika Onyeani**; THINKING CRITICALLY: Being in school but not learning; Serikali inachangia wanafunzi kutojua kusoma na kuhesabu. Also watch these videos, the first one of which I earlier sent you, **watch them here**: Educational Challenge in Blacks and **The Education Challenge**. The knowledge they acquire is so un-functional that it is in fact inimical to development itself (read this: Is Education for Self Reliance relevant for Tanzania today?). I have noticed this tendency in quite a lot of our people including those who come to Russia representing our country in different forums and I even noted this phenomenon in a letter to a colleague I wrote in November 2005, an excerpt of which talking about this particular problem you will find in this quoted passage **here**. They fail to understand that maendeleo ya kweli yataletwa na sisi wenyewe sio wageni. I think it would be nice in this regard to recall what the famous physicist, Dr. Albert Einstein, had to say about imagination and creativity (and I would add – ***ingenuity***). He succinctly put it this way, I *quote*: ***"I am enough of an artist to draw freely upon my imagination. Imagination is more important than knowledge. Knowledge is limited. Imagination encircles the world."*** *Unquote*. For more on Einstein's creativity and the importance of ingenuity and un-orthodox thinking which I find critically necessary to find solutions to our problems in Tanzania and tap into the abundant human and natural resources, please watch and listen to this **highly useful and teaching lecture here**: Einstein's Creativity. Also read these interesting articles by fellow Tanzanians on this topic here:

Salama yetu ni kuchagua wazalendo jasiri na wabunifu; Rioba kasema kweli, twahitaji jasiri na wenye kuthubutu!?

So winding up this discussion on how much percentage of equity to be listed, I would like to apply flexibility in this matter taking into account my above arguments and the need to ensure that resources of the country, be it natural (material), human or intellectual, first and foremost, and to the maximum ability, benefit the country and its people while at the same time in making this happen, the idea of free markets, free enterprise and respect for property rights are upheld and made understandable to all participating stakeholders in the whole process of wealth creation in the country. This concluding remark actually serves as a lead to what I would like to write next about and ***challenge the currently prevailing traditional perception of shareholders rights within the context of 19th and 20th Century capitalism***, which could be traced in the way you posed your question and, by the way, most in Tanzania including senior government officials (even the president himself) and policy-makers as well as experts and private businessmen, share the same erroneous conception hence undermining the very attempts of widening the scope of efforts to economically empower the wider masses of our population and really fight poverty and underdevelopment in our country.

## SHAREHOLDER RIGHTS IN XXI CENTURY CAPITALISM. THE SPECIAL CASE OF TANZANIA

In this part of my letter, I would like to challenge the currently prevailing perception of shareholders' right having in mind the ongoing global financial crisis, as well as within the context of the specific question on how to define these rights in the wider perspective of economically empowering the majority of our people in Tanzania with property rights as a way to speedy economic development of the country and poverty eradication in Tanzania. But before going any further, I would like to revisit the question I once posed – ***What type of society do we want to build?*** One where only the few have access and opportunities to access and enjoy the country's wealth, or a nation where the wealth and opportunities are available to many? As you may have learned above as well as from my previous writings, I have always been advocating inclusion of the wider masses of our population into active business and entrepreneurial activities as I see this approach would best serve the country in the following important aspects:

a. It allows for equitable distribution of wealth and opportunities across the wider spectrum of the Tanzanian population hence building a more equal society with materially and economically wealthy people;
b. This in turn leads to the formation of a large middle class which is a prerequisite for any viable politically and economically stable modern country (read here: Daily News | Tanzanians in diaspora: Partnership in diversity) with a thriving democracy and politically responsible citizens taking full part in the country's politics which consequently assures us of a prosperous and a politically stable and predictable nation. I dwelled at length on this topic in my letter to Dr. Mkenda last February.

ALTERNATIVELY, Tanzanians could be assured of the following:

i. A country with stark inequality, unequal distribution of wealth and opportunity and the emergence of a class of a few rich people while the majority remain poor and disenchanted – a situation which has emerged in Tanzania after abandoning socialism and a one which we observe in most countries of the former Soviet Union including Russia (read here: **Russia's crisis super for the super-rich**; **Russia's riches gap**; Millions more Russians shunted into poverty | World news | and Pigs & Dogs Rule Again) and Ukraine with the accompanied political and social inequalities rendering these countries' political systems and security highly unstable;

ii. The few who have amassed the country's wealth and hijacked all better opportunities start using this advantage to hijack as well the country's political system and agenda thus blocking any development of true democracy and participatory politics as seen in the mentioned two countries, Russia and Ukraine, respectively, where one sees how oligarchs in these countries meddle, muddle and confuse the political systems, making them highly unstable thus serving as a severe hindrance to predictable long-term economic growth since no investor, whether local or foreign, will want to put his money in an unstable and unpredictable country thus critically undermining the country's long-term economic, political, social, technological, industrial and scientific growth. This usually leads to either the country's stagnation (read the case of Russia **here**) or its outright demise, or what we now see in Tanzania where instead of discussing real problems, important and crucial issues affecting the well-being of the people, you see the bankrupt politicians, with those who became rich fraudulently behind them,  wasting too much time on mudslinging opponents, dwelling on petty issues including on their personal lives as we have recently read about **Dr. Slaa**'s marital problems in the ongoing onslaught to crush him as a viable opposition candidate for the Tanzanian presidency in our general elections this October, read **here** – instead of discussing really pressing agenda on issues truly affecting the wider masses and their problems in Tanzania as we are about to elect new leaders of our country for the next 5 years – read this: Clerics: Sell policies, not personality issues Full Story.

**This brings me to the following conclusion which fortunately many are now coming to share** – that the meaning of shareholders rights in XXI century capitalism ought to change since for countries like Tanzania, as you could see from my arguments above, shareholders' rights out to be extended to the wider masses as well using their natural resources and other  assets. **We need to shift the paradigm of our conception of shareholders' rights in the conventional XIX and XX capitalism to embrace the wider population as part of STAKEHOLDERS** – people whose assets are being used to create wealth, whose landmass is being used to deliver services, say, in telecommunications (mobile phones)and, by the way, people who pay cash for these services, but up till now never considered to be a crucial and critical component in the list of active stakeholders, never included in the club of active participants in wealth creation and delivery of services and by doing so, the system fails to spread and trickle-down the benefits of capitalism and material wealth creation. Listen to a similar view expressed by Peter Brabeck, Chairman of Nestle, the world's largest food company on why creating shareholder value isn't enough in the conventional, and I would even say, prevailing primitive and outdated meaning of the word. In the wake of the ongoing global financial crisis, Peter Brabeck argues that creating shareholder value is simply not enough to promote a better future and inclusive economy, **watch and listen to him talk here**: http://bigthink.com/series/30?selected=18933#player. But similar views are expressed by others as well in a phenomenon now called **Conscious Capitalism**, **watch these videos here**: http://www.youtube.com/watch?v=CYJl3DOMGM8&feature=related; http://www.youtube.com/watch?v=qOkSXPWqNi8&feature=related; http://www.youtube.com/watch?v=sYcFCyZC8Sc; Conscious Capitalism & the Stakeholder Theory of Business. For more on this subject, please visit the Conscious Capitalism Institute as well as **watch additional videos here**: Видео по запросу Conscious Capitalism and here: http://www.youtube.com/watch?v=3fyZcWMHCp4&feature=related.  Identical views (albeit with a lesser business and profit component, but more social inclination which is not the same as what I'm proposing, but quite important all the same to know about called Humanistic Capitalism) are also being expressed by the renowned Bangladeshi Nobel Laureate, **Prof. Mohammad Yunus**, of Grameen Bank. **Watch and listen him talk here:** http://www.youtube.com/watch?v=0C3XQ3BTd4o&feature=related and also here: **Social Entrepreneurship in America**: *A Commonwealth Club special series featuring leading innovators and pioneers utilizing entrepreneurial passion and rigor to solve societal problems.* **MORE >>**.

So, Ndugu US Blogger, it is in this perspective I thought I need to answer your questions, and by projection, the questions of many in Tanzania, many in the top-most political leadership of the country, the government, the expert community in Tanzania and abroad (the IMF, World Bank and others including so-called Donor Countries), regarding how to approach the issue of safeguarding shareholders' rights in not only Tanzania, but the world over, so that the world abundant resources benefit not a few, but the majority while leaving the idea and spirit of free markets and free enterprise intact since as you already know, despite having lived for over 31 years in the former communist part of the world, I am a staunch free-marketer, but not of that rapacious, zero-sum, winner-takes-all capitalism, but a socio-economic model which ensures free enterprise, inclusion and compassion to all including the down-trodden (even the UK Conservative Party with David Cameron as the Prime Minister wants to become compassionate, read here: British Coalition Offers Reform Plan), a conception which is missing in the current approach to development in Tanzania, at least in the way I've described it herein. Watch this video here and hear how Obama articulates this subject when he had to confront the Wall Street whose lobby groups have been very active in blocking and undermining his financial reform program which is intended to redress the current lopsided laws that benefit mostly banks and financial institutions instead of the wider masses of the American population and, as such, contributed tremendously to the current global financial crisis now engulfing the whole world, view and listen to Obama's speech as well as read and **watch a video** here. By the way, the US Senate & Congress have both succeeded passing the **Financial Overhaul Bill** after first stumbling due to Republican Party opposition and overcoming objection from some in the Democratic Party , read here: Senate Passes Financial Overhaul Bill; Editorial - **Congress Passes Financial Reform** - NYTimes.com; **Congress passes financial reform** bill, **Watch videos here**: US **Congress passes** sweeping **financial reforms**. Of course, the Bill is not a panacea for all the ills in the US financial system as it does not exclude future abuses in this sphere as you may learn here: Reform to mete out penalties, prizes, but all in all it offers a huge milestone in the struggle to stem future excessive and irresponsible behaviour in the financial sector which might result in serious systemic problems not only to the US financial system, but the global financial and economic stability as well. Also read this: **The Reckoning,** for more insight into the causes of the current global financial crisis, from Washington to Wall Street.

## 3. On Ownership, Starting Own Business & Competition

As for your remark, I *quote*: ***"I am not sure why you categorized this as the Govt denying itself a source of capital when nobody is stopping those who wish to invest to start their own companies, which makes the environment even better because of enhanced competition."*** *Unquote*, I have the following to say here. Indeed it is improper for the govt. or anybody else to expropriate any business or property which does not belong to them and, I, too, am of the opinion that if the government wants to start and own any business, it should go ahead and do so itself but not at the expense and to the detriment of the existing businesses or ownership. However, we are not talking about the government grabbing anyone's business here. We are talking about redressing the existing erroneous and unfair economic regime currently in place in Tanzania which does not lead the country and its people getting an equitable share of their wealth in both exploitation and utilization of their natural resources, as well as in the use of their country for delivery of services like mobile phone communication. The prevailing lopsided arrangement which benefits mostly private investors, both local as well as foreign, must be redressed in the manner explained above and then, henceforth, the government should see to it that that any new enterprises in the country are formed under the redressed, corrected laws, and this applies as well to when the government itself will form companies with itself as the sole owner (better **Joint Stock Companies** or **Publicly-Traded Corporations**) or in joint ventures with either local or foreign private firms. Of course, I agree with you that the more we have companies competing, the better for the business environment, the country gets better services and probably even more effective and rational use of its resources, both human as well as natural. And under such established competition, those **JSC** or **Publicly-Traded Companies/Corporations** with the State as the majority or just significant equity owner, should play by the same rules which apply to the others as well, which as I explained above, such rules should ensure a level-playing field for all under the following terms which I already elucidated earlier:

a. Initial floating of any shares (upto 30-35%) must be carried out in Tanzania ***first*** before embarking on foreign listings for any equity in excess of the prescribed 30-35% for reasons I've explained above;

b. The government should be given the right of ***"first buyer"*** of any shares of companies dealing in strategic spheres planned to be floated and, of course, the price has to be as per market value;

c. Property rights should be respected and upheld just as the principle of free markets allowed to ensue.

## 4. COMPLAINTS ON CAPITAL TRANSFERS & TAXATION

Lastly, regarding the question you finally posed, I *quote*: ***"Why should there be any complaints about capital transfers? If the 35% corporate tax and other taxes are paid to the Govt, why do we need to make (it) sound like we are being robbed?"*** *Unquote*. As I have been arguing all along, and one could also see such confused perception in the arguments of Dr. Massawe in his email of April 24th **here**, in which he says there are some who consider my views on majority State equity shareholding in the mining sector to be nothing less than ***extremist***; is that taxation alone will not lift the country out of poverty. Tanzania, just like many other Third World, former socialist and communist countries, as well as dictatorships and theocracies which do not have well-established free-market economies, mature and smoothly-working legal systems ensuring universal provision and security of property rights in the capitalist, free-market conception, in which these rights are upheld, safeguarded and universally provided allowing for their internal globalization and in a manner, say, when the country's mineral and land assets are TRULY and REALLY owned by the majority of our people, the actual and real owners of these assets through the fiduciary of the State, there is no other way to maximize financial and economic benefits from them if we shall rely solely on taxation as currently is the case in Tanzania. By taxing 35% on corporate income plus other taxes **while not accessing equity**, which as could be seen in almost ALL mining projects bar Mwadui where the State is owning 25%, and even there the State has failed to creatively utilize and manage its shares to build tremendous wealth for the country, there is no way Tanzania will ever in a big way become prosperous and get its due share in proceeds from exploitation and utilization of its mineral assets, **NO OTHER WAY WHATSOEVER!** It is at this juncture that I would like to bring the example of **Barrick Gold** and its mining operations in Tanzania and how we are told, rather, ***misled***, by the company {read **Deo Mwanyika**'s report **here**. Deo Mwanyika is/was the CEO of Barrick Gold Tanzania and now the Vice President (Corporate Affairs) of Africa Barrick Gold Plc} that they earn almost nothing from their operations in Tanzania when he cited the following percentage revenue distribution: 15% goes to Govt. Taxes and Royalties, 10% goes to Loans and Interest, 57% goes to Production Costs, only 10% goes to Shareholders, and 7% going to Capital Reinvestment - remember, Barrick is owning 100% equity in all its mines in Tanzania and it has sleeping crafty Tanzanian partners inside. But the report says nothing about Barrick owning 100% equity of the mine and having secured **PROVEN & RECOVERABLE GOLD RESERVES** valued at billions, if not tens of billions of US dollars as we came to learn when **Barrick** wanted to list its shares in London, read this article here: Barrick spin-off tough to evaluate and my arguments challenging the government that lack of equity ownership, rather, majority equity ownership in the major mining and hydrocarbon (oil & gas exploitation) operations in the country has condemned the country to poverty by denying ourselves the tools/assets with which we could use to tap huge capital and create wealth. **Deo Mwanyika** and his company, **Barrick Gold** (Deo Mwanyika, just like many in Tanzania, might not know this due to lack of wide and very specific specialized knowledge – read here what I wrote in Letter to President Kikwete about this problem, but Barrick Gold very much knows and utilizes our gold assets in a sophisticated way to earn huge money) never talk in their report about what they do with the proven reserves which as you could read in the above cited article, **it is this valuation made on the basis of proven and recoverable gold reserves which was used to value Barrick's gold assets in Tanzania for the subsequent valuation and listing in London. It is based on these reserve figures that Barrick was able to tap almost 1 billion US dollars and not that percentage revenue distribution quoted above and cited in the mentioned report by Deo Mwanyika.** And as I wrote in the letters to President Kikwete and Judge Bomani mentioned earlier, usually the yearly mined gold is just a fraction of the overall gold reserves the country is having and at the time when I wrote those letters in 2008 the average yearly production of gold was approximately 50 metric tons out of the 2200 metric tons of proven and recoverable reserves, i.e. yearly gold production (which Deo Mwanyika cites in his report) is only a **54th fraction** of the wealth in gold the Tanzanian government and the nation sees and from which it calculates its taxes. The rest, a factor 53 times the yearly production of gold, is out of the radar screen of the government and we do not know (actually **I know** what Barrick and other foreign companies are doing with it since the London valuation of Barrick before share-listing has opened our eyes to what the company has been hiding since it is there where people learned that the **value/market capitalization of the company was calculated not from yearly production, but from booked gold reserves,** a thing I knew long time ago and have been saying it loudly all this time but no one wants to listen, especially the govt). Even if the actual reserve figures shall be less than the factor of 54 quoted above (reserves have to guarantee uninterrupted mining operations of at least 10 years for any serious investor to commit his funds to large mining projects especially in places like Tanzania. But bear in mind our mining licenses could be extended, and usually, the licenses ensure investors reserves for upto 25 yrs – read this ***"Firm Says Ngaka Coal Mine-life Is 25 Years Or More," read Full Story*** (Look at Mwadui – it is delivering diamonds for over 70 years now!). This means mining companies will be operating with reserves equal to a minimum of 10 times the actual yearly production and because the exploration and appraisal process is perpetual throughout the whole mining period, the discovered and perennially appraised assets are always going to appreciate in quantity and monetary value and the investors will be utilizing all these reserves to make profit while recording only the single unit factor of factually mined minerals since the law in Tanzania requires them to do only so. In other words, the Tanzanian government has decided to short-change itself the money it is supposed to get from exploitation of its gold/minerals/oil & gas deposits by enacting laws which omit charging income from utilization of its huge proven and recoverable reserves which have been properly appraised and audited as per internationally recognized and acceptable standards and which could be used as collateral or media to attract and tap capital hence create enormous wealth for the country (read **here** a letter I wrote in June 2008 of one such Canadian company). It is due to such ignorance and lack of specialized knowledge people like Dr. Massawe in his email fail to see the abundant wealth in our mineral reserves, **and this wealth can only be accessed or tapped through equity, owning proper property rights** as I explained in the letters to Dr. Adolf Mkenda and Prof. Shivji, respectively. By just adding figures as Dr. Massawe did and assuming we could get the 51% equity share in proceeds the way I've been advocating, is not only wrong, but it exposes that lack of proper conception of wealth inherent in mineral assets I wrote in the letters to President President Kikwete and Judge Bomani and as explained in the dual-pronged value system/philosophy I mentioned in those letters. Never will figures add up to 51% value of equity when the computational figures we use are based on yearly production or profit calculated from that production and not the ones of proven recoverable reserves which are in the least case scenario (say, equal to 10 yrs' production, at an average of 50 metric tons (MT) per year, i.e. 500 MT or 1000%); OR in the best case scenario as quoted in the letter to Judge Bomani where we had 2200 MT of proven and recoverable reserves for the whole of Tanzania, i.e. 54 times the average yearly gold production of 50 MT giving you a factor of 54! i.e. a whopping 5400% appreciation in monetary value, for gold alone! The relationship is factorial and the end results are exponential and NOT ADDITIONAL/CUMMULATIVE (they cannot be simply added up the way Dr. Massawe argues. Instead, they must be multiplied several times, if not tens of times!). Unfortunately this is the erroneous conception most of our experts and government officials and organs have vis-a-vis the wealth inherent not only in our minerals, but land and other national resources as well thus devising laws which reflect this faulty perception which then denies the country its due wealth in its natural resources as we cede it wholly to the so-called foreign investors as shown in the Barrick report authored by **Deo Mwanyika** and similar documents presented to the government by major foreign mining companies and those involved in exploitation of our hydrocarbon reserves (oil & gas) - read **here** what I wrote on this problem in 2008 in the Letter to President Kikwete in which I gave the example of how Russia approached it. **It is this wrong perception which foreign companies and their governments feed our government and people thus blinding us from seeing where the real wealth is located in our natural resources. Unfortunately this wrong perception was carried on into the new mining law passed this last April thus rendering the whole exercise of changing the law which was supposedly to lead to mostly benefit the country and its people, to be a failure, if not a farce.** No wonder you hear the so-called foreign investors rejoicing as could be read here: Canadian investor offers surprise backing to Tanzania's mining law. Russia fundamentally changed its law on natural resources, restricted, and in some cases, even banned Production Sharing Agreements which used to be the model of contracts for its oil and gas reserves in the 1990s and similar approaches to its hard minerals (ferrous, non-ferrous and precious metals as well as precious stones, non-metal hard minerals like coal etc) making it impossible for foreign companies to ever again own majority equity in its natural resources and strategic assets as you may read here: **Russia Moves to Restrict Foreign Ownership of Energy Fields** . Even though Dr. Slaa promises to revoke the existing mining contracts if he wins this year's presidential election in October (read here: **I will revoke mining contracts if elected president, Slaa vows**), but the way he wants to rectify the faults in the contracts and the mining sector as a whole exposes that lack of a proper overall proper view as explained herein on how the mineral assets could maximally benefit the country. The same could be said of another presidential candidate, this time from CUF, Prof. Ibrahim Lipumba, read here: Lipumba plans higher taxes on minerals. Even though there is indeed a real need to increase taxes on minerals, but I think this is not enough and could even backfire if improperly carried out. I see in the arguments of the above two presidential aspirants the same erroneous conception of wealth inherent in minerals as understood by many including those who corrected the mining law in April, as well as the same faulty line of thinking expressed by Dr. Massawe and many in Tanzania I criticized above and earlier in my previous letters.

**NB**: Just figure out the following: Our mineral resources which have always been there in the country and considered to be the sovereign right of the people of Tanzania were overseen by the fiduciary of their government before investors came to Tanzania. Immediately when the investor signs agreements with the government, these assets cease to be our assets anymore and now we are told of ***ownership of them by the investors*** – don't you find this reasoning quite bizarre, amusing, if not totally faulty? That investor did not bring or put the minerals into the Tanzanian soil. In fact, he did not put anything! He spent some small money/ small change (***vijisenti*** as per former Attorney General **Andrew Chenge** - it could be some few hundred thousand US Dollars to several millions – **Ashanti Goldfields** spent about US$ 8 million to appraise gold reserves at Geita later-on valued at over several billions, if not tens of billions of US dollars. The appraisal involved about 3 years of specialized geological, geophysical, geochemical and mining works which included drilling of boreholes and other excavation works to assay/estimate/ appraise the quantity of gold and other minerals present in the mine field {*that is why I do not agree with **Reginald Mengi** (read here:* Mengi: Fund local miners to research reserves*),* ***first****, for asking Tanzanian local banks and financial institutions to give loans to Tanzanian private miners to allow them assay the mineral wealth of our mineral rich territories since they, i.e. Tanzanian private miners, do not have the required expert wherewithal to carry out this work, and* ***secondly****, I fail to understand why should our people spend bank loans to ascertain our mineral wealth so that we the go purchase this wealth, after appraisal, from foreign companies to whom we have forfeited our mineral wealth for free, and purchase them at international prices as per market capitalization established in, say, London, at the London Stock Exchange as recently done by Barrick? What is the economic rationale for doing so – giving your assets for free to then re-purchase them at international market price?* ***And now read about this just recent stupid case in which our people ceded coal assets worth millions, if not hundreds of millions of US dollars for a mere 75 thousand US dollars (70% shares to the British) with an option allowing the British firm to increase their equity state up to 95% by paying an additional paltry 150 thousand US dollars, read here****:* **British firm to mine coal in Rukwa Region**. Or this similar case with gold assets at **Handeni** where our local people, small alluvial gold miners, were bought out cheaply and the gold territory given to Canadian who now reap huge profits including from listing their shares abroad, read here: **Canadian company enters into contract for gold prospecting in Handeni District**; **Canadian gold company gains as it ponders stronger foothold in Tanzania**. A similar case is seenin **Lindi** gold assets here: Investors Pour Money Into Lindi For Gold. Or take the case of rooting out our small **Tanzanite** miners from Mererani in Arusha and giving the largest license blocks to **TanzaniteOne**, read here what they now say about ***"swimming in profits"***: **British Firm Reports Swimming In Tanzanite Profits** – all this is happening at the expense of our poor people, the true and real owners of these assets!}.

Going back to the Ashanti Goldfields Geita gold appraisal, the information received from the appraisal was necessary in order to prepare a bankable feasibility study which the company then presented to the financiers including banks or use it to carry out an IPO and get the required financial resources to kick-start the project - purchasing the necessary equipment, machinery, build infrastructure, pay for salaries etc. What I want you to understand here is that Ashanti **DID NOT** bring into Tanzania the more than US$ 150-160 million it declared as to have initially spent to invest in Geita to produce the gold. They spent only about US$ 8 million to acquire information on the more than billions of US dollars' worth of gold in that mine (read this: Chadema pledges to make Geita 'Europe') and the right (license) to own and exploit these assets. Once they spent the US$ 8 million, they were able to prepare a feasibility study report and secure financing using the appraised gold assets (i.e.

mortgaged them) as collateral. Who would not give a loanee about 1% value in cash , i.e. the US$ 150-160 million needed to kick-start the project against several billion US Dollars' worth of gold reserves as collateral? Take the example of Barrick gold which recently floated part of its shares based on gold assets ALL of which are in Tanzania. The valuation of the assets at the **London Stock Exchange** was given a conservative estimate of about 6-8 billion US$ but could be even more if discounting of other factors wasn't included as I argued in the letter challenging statements made by **Reginald Mengi** when he visited Bulyanhulu at the invitation of Barrick to drum-up support for the Canadian company – please read that letter once more **here**. By the way, even Barrick didn't use its own money to secure the required US$ 280 million to appraise and develop the over 10-12 million ounces of gold reserves at Bulyanhulu (read **here**). I cannot certify how Barrick organized financing to kick-start gold production at the Bulyanhulu mine, but I think it won't be far from truth if I speculate that they used the same scheme as Ashanti Goldfields used at Geita since it is the most economically logical and correct investor-approach to arrange financing for such projects, almost cost-free and one gets gold-wealth valued at several billions or tens of billions of US dollars just like that by simply spending some few change to the tune of 8-10 million US$!

**A logical question may arise, rather, should/MUST follow – wasn't, or isn't the government of Tanzania, through its specialized companies like STAMICO or NDC, or any other (better JSC or publicly-traded companies as I recommended above) capable of spending the 8-10 million US$ to appraise, say, the gold-rich territories as Ashanti Goldfields and Barrick did and then fully retain, i.e. own 100% equity of these mines? Why not appraise the gold-rich territories ourselves, prepare the bankable feasibility studies ourselves and present them to banks and financiers to get the necessary funding to kick-start production while the appraised assets act as collateral to the issued loans?** While Ashanti Goldfields and Barrick used the appraised/assayed gold assets, future projected income from these assets as well as the weight/capitalization of their companies as collateral to secure the needed funding while retaining 100% equity ownership of the mines, the government of Tanzania could do the same through its Joint Stock or Publicly-Traded Companies and where it shall need larger financing, it could use the **SOVEREIGN WEIGHT** of the State to secure such financing, the same way it now wants to issue **Sovereign Euro Bonds** to raise cash and offset the loss from donor budget support, read **here**. **All these are tools within our means and we could do all this and retain 100% ownership of our assets and, may be, later on, cede, part, minority shareholding, to specialized mining companies and financial institutions (strategic investors) in exchange for extending the needed financial resources and offer the required mining, managerial and financial services we need to effectively run the mines**. Is this possible? Of course, YES, it is more than possible. Some, and these are many in the government and top-most political leadership of the country, may say – but we don't have even the 8-10 US$ million in the first place to risk or spare in appraising the gold riches in our mines. **But this, too, is not true**. Remember, when the **Ministry of Finance and Economic Affairs** proposed to lend **US$ 300 million** through issuing a **Sovereign Bond** to purchase Barrick's floated shares at the London Stock Exchange? Read here: How locals missed $1 billion gold deal. Many prominent people including MP Zitto Kabwe, Judge Bomani, BoT Governor Ben Ndulu, the Ministry of Finance & Economic Affairs, NPPF etc supported this absurd idea, read here: **Buy Barrick shares in public trust, government advised**; **Government mulls buying shares from Barrick Gold**; **Barrick`s billion dollar deal a dream to locals**; Buy Barrick shares in public trust, government advised; Barrick: Too early to celebrat... (Comments 0) ); **NSSF ponders Barrick`s IPO**; **Zitto: Tuchangamkie hisa za Barrick**; Bomani ataka ufafanuzi uuzaji wa hisa za Barrick; Jaji Bomani kutopambana na Rais Kikwete 2010; **Jaji Bomani: Madini yatainufaisha Tanzania**; Mining exploitation has bright future; Tanzanians buy Barrick shares; How locals missed $1 billion gold deal - **all these persons and institutions were agitating for the purchase of OUR gold assets from Barrick at the London Stock Exchange – what madness!!!** This is after we forfeited the assets almost for free to then re-purchase them at international market prices – what level of stupidity is this? It is because of such a case that I once again want you re-watch the following 2 videos I earlier sent, one of Mwalimu (**watch it here**: http://www.twitvid.com/16F93 - hear Mwalimu talking about the **"Zuzu"** at the end of the video), and another by **Minister Louis Farrakhan** on why Africans, Blacks, always do things the wrong way, they never learn! **Watch the video here:** http://www.youtube.com/watch#!v=Sh15WqTSGvo&feature=related. Some will say that what I'm writing here is insulting and offending, but I can't really understand the logic of making ourselves poor by failing to do things right, always giving our assets for free and go out with hat in hand either begging for alms (budget support and other useless sundry), or dream of silly things like purchasing our own assets from these same foreigners we initially gave them for free. And this is taking place not only in the mining sphere or the telecommunication sector (mobile phone business) we are talking about, but everywhere in the Tanzanian economy. Can you tell me the rationale of inviting the Indian company to ***run-down*** (not ***run*** as the govt thought, but ***run-down***) **Tanzania Railway Limited** (TRL) and then pay it millions of US dollars as the crooks are demanding in this article here: Indian tycoons demand Sh177 bn as the`divorce` cost? How come a company which brought such loses and sufferings to the Tanzanian people could even have dared put up such demands before the Tanzanian govt.? Why was it even possible to allow such a thing to happen in the first place? Or it is because of what some have been claiming all along, that Tanzanian officials were duped into signing a lopsided, bogus contract under corruption by dubious figures of Indian descent? – read **here** & **here**. So, Ndugu Blogger, you ought to be careful when you challenge alternative views regarding shareholding since if we are to follow your line of thought and arguments, the Indian company is correct in demanding exorbitant parting-off fees for services it never properly delivered, and our govt, due to incompetence, criminal negligence, stupidity and corruption of its officials who endorsed the contract, will be obliged to pay the Indians. If you remember well in the Letter to President Kikwete, I specifically advised the govt., the president himself, to take up such cases with the governments from where such companies which act in bad-faith like **RITES** originate, moreover RITES is a State company, raise the issue at the political level and solve such problems on political, rather than legal lines alone since it is quite evident that a company like RITES, which is a govt. firm, ought to be dealt with through its government, complicating relations with India notwithstanding – read the excerpt from that letter pertaining to such cases vis a vis minerals including oil and gas **here**. Read also about India's incompetence in preparing this year's Commonwealth games and criticism waged against the Indian government, a similar case as we witness with RITES in the TRL contract in Tanzania, read **here**. It seems negligence, corruption and incompetence are hallmarks of the Indian government's performance everywhere (Remember, RITES is an Indian State Company). I do not believe the company (RITES) has any right to demand whatever compensation from the Tanzanian govt. Apart from this, the Tanzanian govt. must prosecute all government and private officials who colluded into signing a bogus contract in the first place with severe economic ramifications to the country, a contract which brought a lot of sufferings to our people who were either subjected to poor services or most of the time to no services at all while many people including the local management of TRL and its workers were always saying that they could manage it alone, i.e. by Tanzanians, as TDPF, the Ministry of Infrastructure Development and the Railway Holding Company (RAHCO) have proven when they themselves repaired bridges and railway lines destroyed by floods (read here: **Repair** of central **railway** almost complete: minister). After making such a serious criminal blunder, it is only now, against its own wishes, that the Tanzanian govt has decided to give management of TRL back to locals, read **here**. I believe, if the necessary professional expertise shall be required, TRL (the Govt.) can easily contract foreign specialists and specialized firms to render the required expertise, and for this to be done, **we do not need to cede any equity since as I wrote about, the abundant wealth in our assets are located in equity and not in taxes alone**.

Another issue I would like to address here in relation to possible abuse by companies of their shareholding rights especially when these rights are majority (more than 50%) is what might be happening with ZAIN (the mobile phone company), prompting several African countries to initiate investigations on the potential negative implications to these countries of the announced sale of **ZAIN AFRICA** to **BHARTI** of India. Kenya has smelled a rat in the whole affair is looking into the possibility of losing millions of US dollars in revenue due to this transaction which ZAIN didn't even see the need for courtesy to inform the Kenyan govt. about it as it is exercising what you would call its rightfully owned shareholder's rights – such are the contracts I don't like to see in Tanzania and as you will learn from the following article that the Tanzanian government has also initiated its own investigation on ZAIN, read it here: **Tanzania joins other nations to probe manner of Zain`s exit**.

All the cases explained above involving definition of shareholders' rights in mineral (natural) resources {by the way, read this article **here** (pay particular attention to the colour-shaded and underlined parts) which very much echoes my views regarding exploitation and utilization of our natural resources}, mobile phone companies as well as other strategic spheres in industrial , agricultural and high-tech sectors, lead me to conclude, contrary to many including the Tanzanian leadership, **that the paramount principle question to be looked at when we assess initially seemingly purely economic matters, lies in our political assessment of that specific issue and situation in point**. We should not stick to merely bookish definitions of these phenomena without looking deeper into their inner workings as well as the wider political implications of our actions lest we lose by adhering to useless abstract academic and intellectual denotations. This said, it should not be construed as if we want to give more weight to political definitions and actions even when these actions go contrary to economic logic like is usually the case in socialist and communist countries which then lead to economic collapse like what has now happened to, say, **Cuba**, leading **Fidel Castro** to admit failure of his economic policies in his country for over half a century – read articles and **watch video here**: Castro Criticizes Cuba's Communist System; Fidel **Castro** says Cuban model no longer works | Reuters; COMRADE SAYS THE MODEL DOESN'T WORK; **Cuba's leaders lay out details for layoffs**; **A Change of Course in Cuba and Venezuela?**. As I said earlier, I am a staunch free-marketer and an ardent apologist of the capitalist system, albeit the one which brings all on-board, that is compassionate and the one leading us to liberal democracy – not the rapacious capitalism as described and shown in **Oliver Stone**'s recent film *"Wall Street: Money Never Sleeps,"* , *a* sequel to his 1987 fable of institutionalized greed.

So any of our actions and political assessment have to safeguard the entrepreneurial spirit of the free markets, ensure equal opportunities for all and benefits for the wider masses as well as uphold and safeguard the respect to property and shareholder rights in the capitalist, free-market conception of this phenomenon. And the good thing is that a proper understanding and implementation of truly capitalist policies having the characteristics I've just described is capable of bringing the desired positive results in Tanzania without undermining the basic tenets of the free market economy as most in the leadership, intellectual and academic elite in Tanzania currently think, an issue I took to discuss at length in the letters to Prof. Shivji and Dr. Mkenda, respectively, last February. There are four examples I would like to bring to your attention to defend this thesis of mine:

i. The first is the economic crisis currently going on in the European Union (EU) and the declining value of the Euro. Many first thought that the problem is purely economic and financial in nature and once it is fixed with the help of an organized bailout plan and a stimulus package by the EU, European Central Bank (ECB) and the IMF, the problem will be solved and Greece will be saved, not knowing that the problem lies mainly in the political sphere and not purely on the economic front as many initially thought as could be read in these articles **here** and **here**. Also read here: **The mugging of Western democracy** and here: **The Future of the Euro**. By the way, I agree with **Mr. John Fedha** who commented on this article here: **Tanzania feels the pinch of Greek economic woes** (read the comment below the article). I agree with what he wrote since I see Tanzanian economic problems having their source not much from the Greece debacle as from poor policy and political decisions by the Tanzanian authorities and the govt.;

ii. The second example is somehow related to the first, albeit via a previously similar case but which happened in Asia, in Malaysia in 1997-98 during the Asian financial turmoil which brought down the economies of S. Korea and other Far East Asian tigers (Malaysia, Thailand, Singapore, Taiwan, Philippines and Indonesia) and a severe stagnation which started prior to it in Japan (the so-called ***Lost Decade***. Read about it here: **Lost Decade (Japan)** - Wikipedia, the free encyclopedia; **Japanese** asset price bubble - Wikipedia, the free encyclopedia; **Japan's lost decade** | Business | guardian.co.uk; AEI - **Japan's Lost Decade**; The 1990s in **Japan**: A **Lost Decade**; Putting **Japan's** '**Lost Decade**' In Perspective : NPR). I remember a case when the then illustrious Malaysian Prime Minister, **Dr. Mahathir Mohamed,** instituted currency controls and called on restricting highly speculative currency transactions carried out by prominent international currency speculators like **George Soros**. Dr. Mahathir went even farther as to call Soros a "Moron" which really offended the financier and many Western governments, private businessmen and Wall Street currency speculators who reserved no epithets calling Dr. Mahathir a dictator, a foe of the free markets, a socialist, communist and whatever came into their minds – read about that case at the following sites: Sticks and Stones: **Mahathir Mohamad** and **George Soros** | asia **...**; Malaysia's former leader **Mahathir** buries the hatchet with **...**; `Unscrupulous' **Soros** fires a broadside at **Mahathir** the `menace **...**; **George Soros** - S.P.I.N.; Laman Web Pengurusan & Analisis Maklumat BPAM, Kementerian **...**; MarGeeMar: The Sorrowful Mystery of **Mahathir Mohamed** - By **George Soros**. Read how George Soros speculated against the British Pound in 1992 (which is why Dr. Mahathir was furious due to Soros' track record) and brought it down earning **One Billion Dollars** as he bet against the British currency in a short-selling, an embarrassing situation for the British government since it was forced, just like now Greece, most East European, Africa, Asian, and Latin American countries, to rush to the IMF for a bailout – read about the case here: Forex Legend: George **Soros And The British Pound**; Black Wednesday - Wikipedia, the free encyclopedia. What Dr. Mahathir took was a **POLITICAL** decision with far-reaching economic consequences for his country and beyond since it managed to secure not only temporary financial, political and social stability for his country and its markets amidst the financial turmoil throughout the Asian tigers' economies, but stability even beyond (remember the crisis in Asia came after a similar devastating one in Mexico in 1994 which forced the country to run to the IMF for an emergency bailout of US$ 50 billion (read here: World Economic Crisis: 1994: Mexico Economic Crisis; THE ORIGIN OF MEXICO'S 1994 FINANCIAL CRISIS; GRIN - The Mexican Financial Crisis in 1994 and the Asian Crisis ...; The 1994 Mexican Economic Crisis: The Role of Government ...; How Mexico's financial crisis affected income distribution). The Asian crisis of 1997-98 (read about the crisis here: **1997 Asian Financial Crisis** - Wikipedia, the free encyclopedia;

The Asian **Financial Crisis** of **1997** - 1998; Asian **financial crisis** of **1997**: Causes and policy responses, The **...**: The Korean **Financial Crisis** of **1997**-98. by IRMA ADELMAN and SONG) was a prelude to the severe financial crisis in Russia in 1998 which saw the country defaulting on both its domestic and foreign debts. The country was declared bankrupt and had to be bailed out with a hastily organized IMF tranche of US$ 4,5 billion. On the eve of Russia's default, the country saw a sharp capital flight of over US$ 20 billion as investors jumped ship and took away their money to safer locations – read about the Russian crisis here: **1998 Russian financial crisis** - Wikipedia, the free encyclopedia; The **Russian Crisis** of **1998**; **Russian Financial Crisis**; BBC News | **Russia crisis** | Chronology of events; The **1998 Russian Financial Crisis**. Part 1: Course of Events; **The 1998 Russian Financial Crisis. Part 2**: The Effects; **The 1998 Russian Financial Crisis. Part 3**: Political Consequences **...**; The effect of the **Russian** economic **crisis**; A Case Study of a Currency **Crisis**: The **Russian** Default of **1998**; LOOKING BACK AT **RUSSIAN FINANCIAL CRISIS**.

Dr. Mahathir was able to save Malaysia from the fate similar to that one of Russia because he was bold enough to take audaciously **strong political decisions** of currency controls and banning short-selling despite knowing that he will be accused of impeding the free movement of capital and called an enemy of the free markets and capitalism which are the ones that brought economic prosperity to Malaysia in the first place. Western governments, their financial institutions and speculators were afraid that other Far-East Asian governments would follow Malaysia's suit and institute currency controls thus denying them making quick money. But almost 13 years down the road in 2010, Europe, with its financial crisis in the Eurozone which started in Greece, is now doing exactly what it was against in 1997-98 when criticizing Dr. Mahathir. Recently Germany temporarily banned short selling of its bonds at its stock exchanges, the European Central Bank (ECB) started purchasing back bonds of the Eurozone countries to beef up liquidity in the Eurozone currency and bond markets to stave-off possible undervaluation and falling prices of these bonds lest they destroy confidence in the Euro and stability of the Eurozone economies – read **here**. The EU has just recently introduced tough measures on short-selling and a crackdown on derivatives, read **here**. All these are **strong political decisions** which at times are necessary to take to prevent further deterioration of the financial markets and macroeconomic stability of nations which could lead to social upheavals which we already see in, say, EU countries like Greece, which in turn could lead to serious political negative consequences as we could now see when people even question the viability of the whole EU project itself – read **here**.

iii. The 3rd example I would like to bring to highlight the need at times to take serious and audacious political decisions to safeguard the interests of the country and see to it that the nation's assets are used for the benefit of the country and its people, with proceeds from exploitation and utilization of the assets going to solve social and economic problems of the people, is what Russia did to recover its natural resources assets (oil, gas, minerals etc) which were scooped by foreign companies in the 1990s. Brazen political decisions were taken despite criticism from these companies and their host countries. In the end Russia proved to be right since it was able to recoup and recover its mineral assets while retaining majority equity stakes for the State through its firms (GAZPROM, ROSNEFT, ALROSA, GAZPROMNEFT etc) as well as Russian-registered and Russian-owned private companies (RUSAL, INTERROS, POLYUS GOLD, NORILSK NICKEL, METALLOINVEST, NOVOLIPETSK STEEL, MAGNITOGORSK IRON & STEEL WORKS LUKOIL, NOVATEK, BASIC ELEMENT, URALKALI, SEVERSTAL, EVRAZ etc) which pay their huge taxes in Russia thus allowing the nation to earn huge income in foreign exchange which in turn enabled the government to re-distribute and spread wealth among its citizens through self-financing of its national budget, increasing pensions and other social benefits (cheap education, transport and medical services) as well as creating a sovereign wealth fund (which in February 2008 was divided into the Reserve Fund and the National Welfare Fund). Another important issue to cite here which showed strong political wisdom and leadership on the part of Russia is when it decided to go against the advice of the IMF and create such a fund. Now it comes out that it is because of such a fund that Russia was able to weather smoothly through the ongoing global economic and financial crunch which has severely devastated the economies of most countries in the world, even powerful Western free market ones like the US, EU, bringing countries like Greece to their knees. All these are serious, strong and far-sighted political decisions taken by the Russian leadership, decisions with far-reaching economic consequences which if not timely taken would have destroyed the Russian economy to the level of Greece or ever much worse. But now it is Russia, and those countries with sovereign wealth funds (China, Saudi Arabia and other oil-rich Gulf States, Norway, Kazakhstan (read here: [**Sovereign wealth funds** and the global economic crisis]; [The global economic crisis and its impact on **Sovereign Wealth ...**]; [Raising capital: The role of **sovereign wealth funds**] & [**here**]), and emerging markets of the group of BRIC countries (Brazil, Russia, India & China – read here: [**BRIC** economies withstand global **financial crisis** > Euromonitor archive]; [**BRIC countries** can first emerge from **financial crisis**: Russian **...**]; [BBC News - **Bric countries** try to shift global balance of power]; **Watch video here**: [**"BRIC countries** are part of world **financial crisis** solution **...**]) which are doing much better economically and financially than the presumed stable capitalist and liberal democratic countries of the West (US, EU, Japan, Australia, Canada etc) which upheld capitalist ideals including those sacred ones like safeguarding shareholders rights. This shows that at times political decisions which at first might be seen to trample on free market principles like respect for shareholder rights are indeed needed to secure economic stability and long-term growth especially in times of crises. Leaders need to be malleable and flexible in adhering to free market principles availing themselves the liberty to take necessary audacious steps which might initially seem to contradict market principles but are indeed needed to stabilize the situation or to raise their countries to new qualitatively higher economic grounds without undermining the foundations of free markets and wealth creation, instead of being dogmatic under false beliefs of non-interference in free market principles as many false free marketers would like to argue.

iv. The 4th and last example I would like to draw your attention to involves the recent **British Petroleum (BP)** oil spill in the **Gulf of Mexico** and president Obama's stance regarding payment of dividends to BP's shareholders ***first*** instead of paying relatives of the deceased, injured and those affected by the accident as initially BP wanted to do. Even though the British government and most of its citizens are angry with Obama for the rhetoric he unleashed against BP and its Chairman and CEO, Tony Hayward, going as far as saying that had he the power, he would have fired him, but in my view, Obama (and the House Speaker Nancy Pelosi) did the right thing by demanding that BP should ***first* pay those affected by the oil spill in the US including covering the costs of the clean-up operation and only after, think of its shareholders**, read here: [BP to Suspend Dividend and Set Up Claim Fund]**;** [**BP's Shareholders Take It on the Chin**]; [BP Begins to Ante Up]. Many in Britain including the UK government were not happy with this but in such times of crises, strong and responsible political leaders **MUST** take **strong political decisions** severely damaging bilateral or even multilateral relations even with allies notwithstanding like what happened between the US and UK, read here: [**Obama's Twist of BP's Arm Stirs Debate on Frequent Tactic**]. Having said this, I think it would be wise for the Tanzanian leadership to learn from this lesson, i.e. how to act when the country's environment is blatantly polluted and the lives of Tanzanians (the true and real owners of the gold assets, the **MAJOR STAKEHOLDERS**) are endangered and what political as well as legal steps need to be taken since we have similar cases in Tanzania, albeit involving gold mining and foreign firms (**Barrick** in **North Mara**, read [here], [here] and also a wealth of other articles on this subject [here], watch these devastating photos [here]; and the Chinese in Chunya, Mbeya, read here: [Sakata la Wachina wanaojizolea dhahabu Chunya 'lanoga']). I think it is important also to mention the protests, both local and international, against the planned [**Serengeti Road**] – read what I recently wrote about this case [**here**]. What we instead see is our government taking no strong actions against the culprits and no adequate and proper compensation for our people in the affected areas. All we hear is the government position of not wanting to frighten foreign investors lest they flee the country, a very weak and defeatist, if not cowardly position. Free market principles should not be followed like dogma even though, in my opinion, the political decisions being taken should ensure the proper workings of the free market economy and not tramp on them.

I have brought up the above 4 examples to reiterate and emphasize the point that we should not be blind followers of bookish knowledge especially when that knowledge adversely affects us and the country while we stick to our rigid, obsolete ideas which not only obstruct us from successfully solving our problems, but are inimical to the very idea of free thinking and successful workability of the free market economy we are wholeheartedly trying to uphold and defend. Unfortunately, this is currently the case in Tanzania and from the way you posed your questions, I see the same misguided approach. I think it is worthwhile recalling what **John**

Hope Franklin **(1915-2009)** had to say about the need to go beyond textbooks. He said: ***"We must get beyond textbooks, go out into the bypaths and untrodden depths of the wilderness and travel and explore and tell the world the glories of our journey."***

But such an approach or way of thinking as challenged above also brings me to the following serious and vitally important fundamental concluding remarks I would like to make here regarding the underlying principles and basic tenets of capitalism, which among others, include also safeguarding and respecting shareholder rights since some could view my ideas and suggestions as to be apologetic to **State Capitalism** due to the role I spare for the state and the idea I propagate of (majority) equity ownership for the state, an issue now opposed in some quarters as to be seen to infringe on or even threaten free-market principles and capitalism as such, that capitalism which exists to varying degrees in the United States, Europe, and other relatively wealthy and democratic countries. Even though I do support a larger State role in Tanzania's current level of development in spheres of strategic importance to the national economy like minerals (including oil and gas), but I think my position could be better and succinctly understood from reading this article here: David Brooks: The Larger Struggle.

The second fundamental issue I would like to conclude with involves a question I first addressed in a letters to **Dr. Massawe** which I wrote as the global financial crisis was just unfolding and Dr. Massawe wanted to know the root-causes of the crisis and how it will affect Tanzania – read those letters **here** & **here**. The steps taken by governments of the most affected countries including the US were directed primarily towards curbing excessive risk-taking by private companies and financial institutions by the way of introducing regulatory controls and legal frameworks to oversee and control, in cases of reckless decisions by managements of the named institutions which could cause severe systemic problems or even bring the collapse of the financial systems not only in individual countries but well beyond like what we are now seeing in Greece and similar conditions seemingly appearing in Southern European Countries (Spain & Portugal). Even though introduction of strict regulation is indeed necessary, but, in my view, I think the problem lies deeper than what we now assume to be the cause of the global contagion and **it cannot be contained by regulation alone**. And this brings me back to what I have argued above and I would like this letter to serve as a sequel to what I wrote in the Letter to **Dr. Adolf Mkenda** in February in which I stated that the problem which might have caused the current global financial and economic crisis lies in not having enough regulation to control and govern the free markets. But I now believe financial regulation alone is not enough to preclude other much severe crises in the future **if we will not change the conceptual paradigm of capitalism itself** in the manner explained above in which ***the concept of shareholders is widened to include a larger number of stakeholders who could be, among others, the wider majority of citizens in countries where the main economic activities of private companies are taking place***. As an example, we could take the case of Tanzania and its mineral resources where the majority of our citizens, the true and real owners of these resources, are excluded in equity ownership either as individuals or through representation by local companies, or even by their government which does not own any equity (let alone majority) in almost all major mining, oil and gas extraction projects with the exception of **Mwadui Diamond Mine** in which the State has a mere 25% share. From government officials we only hear about some royalty increase and compensation to the local communities for their land being taken to enrich the mining companies, mostly foreign ones, **but the government talks nothing about involvement of the local population in equity ownership either directly through their regions, districts or village governments or through the fiduciary of the central govt. itself**, read here: New gold mine in offing. The same could be said of the now thriving telecommunication sector especially the usage of mobile telephones in which coverage has reached almost 50% of the Tanzanian population (read here: **Mobile users reach 20m, thanks to low tariffs**), a huge chunk of stakeholders, but decisions in this sphere affecting the quality and price of the services being delivered, say, by ZAIN, where the Tanzanian government is owning 40% shares, are being made by ZAIN 's foreign owners and BHARTI of India, which has now resulted in the Tanzanian government intervening to see how Tanzania's interests are safeguarded as ZAIN's foreign partners are offloading their shares to **BHARTI** (read here: **'Bharti, Zain Tanzania deal yet to be concluded'**) – a commendable position taken by the Tanzanian government which I highly applaud since the government as a major shareholder and whose citizens are the beneficiaries as well as the customer-cum-financial backers of ZAIN operations in Tanzania was supposed to be consulted ***first*** before ZAIN decided to off-load its shares to **BHARTI** of India.

But going back to my argument above that regulation alone is not enough, more so over-regulation is even harmful to the very nature and success of private enterprise and creating a level playing field which regulation is intended to provide, **that we need to go further and change our conception of shareholder rights to include much wider stakeholders and create an inclusive environment where the majority of the population not only enjoy opportunities but the equitable distribution of wealth as well thus making the economic system much more resilient, stable and rewarding to a lot of people**. May I also use this chance to dwell on a very important issue arising out of the measures being currently worked out and taken to stem off and preclude future global financial crises, as so thought by mainly the US and EU. The issue involves curbing, even restricting, trading of the infamous CDO (CDS) or derivatives. Even though I do support a certain degree of regulation in this sphere but I disagree with those who want this market to be liquidated altogether as Germany and other countries of continental Europe are suggesting (even the respected Nobel Laureate **Dr. Mohammad Yunus** of Bangladesh seems to advocate this as heard in this **video here**: _MORE >>.). And all this is being done on the assumption and premise that it will help the real economy and not the phantom financial sector where huge amounts of virtual money are being traded which have no relations at all to the actual economy thus resulting in severe negative consequences for the real economy. ***There is some truth in this assertion when people go overboard by over-playing the financial sector*** (remember, I wrote about this in the Letter to Dr. Mkenda in which I agreed with one **Kevin Phillips** who wrote on the dangers of over-financialization of the United States economy in this article here: **'Freefall'**), **but I believe it will be wrong to fully succumb and limit ourselves to this idea as it will lead to scientific and technological stagnation hence economic stagnation, too**, as this may lead to the economies remaining *brick-and-mortar* and nothing revolutionary will take place because the R&D will definitely come to a standstill since it will be starved of money to carry out new scientific and innovative research. Excess liquidity leading to creation and accumulation of venture capital is needed to kick-start the innovation process and this capital can only come in advance and Big Time from the financial sector, from sources seemingly virtual at first glance, but having the potential to offset any expenses previously incurred to bring new products to the market and advancement of the existing economies (bear in mind that it is the abundance of venture capital which brought the **dot.com**, **IT** and **computer science** revolutions in the 1990s as well as the mushrooming of real-estate boom, first, in the US, and then the world over – which also, unfortunately, unintentionally, ultimately lead to the subprime lending crisis and the current global financial contagion. **But this latter subprime catastrophe should not be considered as the source of the global crisis nor should it be used to restrict or ban altogether trading of derivatives and CDS as many including Obama, Speaker Nancy Pelosi, German Chancellor Angela Merkel and others have been advocating or else the world will be starved of capital necessary to move the world economy to advancement and modernity**. There is always a time-lag between money received and spent on basic and fundamental research with far-reaching scientific and technological breakthroughs, and the time when results from these breakthroughs find their way into the real economy, **watch this**: WATCH ». And the only viable, hugely true source of high-magnitude and abundant capital is from the financial sector and virtual trading of financial instruments like derivatives or CDS. So, even though there is a real need to regulate the financial sector to curb excess risk-taking (and remember, healthy risk-taking is necessary for scientific and technological innovation as explained above), but such regulation shouldn't be done at the expense of scientific, technological and economic innovation and advancement (The usual, in my view, false assumption that we need to curb the services' sector including the financial one and put more emphasis on manufacturing, a misguided approach and policy preference which many countries including Obama's administration, the Democratic-controlled US Congress, UK, Germany, France and other countries in Europe are currently trying to do – read how Britain is curbing expenses on science and research, read **here**. Read this very interesting and, in my view, properly argued position on this issue here: **The Computer Chip vs. Potato Chip Debate**.

**But what has all this got to do with the questions you posed on shareholder rights and specifically on the economy of Tanzania and the well-being of its people?** Please find my answer to all these questions below.

I have brought all the above diversified discussion to point that the issue of shareholder rights especially in Tanzania should not be looked at from the narrow perspective of safeguarding these rights for investors only as is usually assumed by the leadership (here: Uwekezaji huu una tofauti gani na ule wa wakoloni?), more so if the rights were acquired in a fraudulent way like the Barrick Gold assets I wrote about **here** (Bulyanhulu and other gold mines), the purported swindling carried out by former president Mkapa and his minister Daniel Yona of the Kiwira coal mines etc. I have also written extensively earlier about our gold and nickel assets being used to benefit a Canadian company in the Lake Victoria area, read **here**. Also read this article, why, as I argued before, foreign investors find the new mining law passed this last April not being a hindrance to amassing huge wealth for themselves since it did not fundamentally redress the issue of equity ownership in favour of Tanzania and Tanzanians but left the status core intact, read here: **Canadian investor offers surprise backing to Tanzania's mining law**; Investor dispels fears about mining law. The company, **Tanzanian Royalty Exploration**, a Toronto-listed metals explorer, even managed to pull another fast one using the newly amended law and secure a 30-year 3 per cent net smelter royalty in its favour (with minimum financial input, if any) from the **Kabanga Nickel Mine** project now taken by the Chinese, read these articles **here**. All this is made possible due to the restricted scope of understanding the concept of equity ownership (shareholder rights) and its implications in capital generation and wealth creation in the way I argued above. As I wrote in the letter to Prof. Shivji in February, I cited several observations from the eminent Peruvian Economist Dr. Hernando De Soto Polar which are very much accurate in explaining what I've written above and their relevance to present-day Tanzania, as well as addressing your question on property rights (shareholding rights are a form of representing property rights), read that quotation **here**:

So, Nd. Blogger, it is through these rights that we shall be able to raise and access huge capital. It is through these rights we are able to collateralize against huge loans and credits and access huge financial funds. It is through these rights we will be able to enter in a big way into the derivatives and CDS deals which will not only bring in BIG money for us, but will enable us create that excess liquidity which we can then use as venture capital and direct to scientific and technological innovation (**watch this video**: **Funding the Big Idea: Lessons from an Investor**). Lack of such conception regarding the wider implications of property, shareholder and equity-ownership rights especially in the mineral sector as well as the oil and gas fields, a conception missed in the rectification of the new mining law passed this last April by our parliament, a law spearheaded by the current fourth-phase government of **Jakaya Kikwete** even though some of us including myself have warned and cautioned the government not to pass it if it will fail to incorporate the dual-pronged value/wealth-generation system inherent in our mineral resources , has denied the country and the people of Tanzania not only immediate wealth, but it has compromised Tanzania's mid and long-term technological and economic development hence condemned the majority of our people to poverty and the country to prolonged economic stagnation. I would even dare say endless backwardness. And this is not only a problem with Tanzania alone. The same approach is followed throughout Africa and most current and former socialist and communist countries leading to prevailing endless poverty in them and the political systems in these countries being undemocratic and non-participatory in nature.

Winding up this letter, I would like to repeat what I said above that we need to change our conception of capitalism and some of its underlying tenets including those relating to shareholders rights and how the mass of our people need to be incorporated not only in serving the so-called investors as cheap labour and paid personnel (read here: **Full Story**; JK: Facilitate private investments; **Reduce investment restrictions to foreign investors, EA states told**; Govt to set up bureau for complaints by investors; EA countries in a joint bid to attract foreign investors), but be made part of the major stakeholders owning property/shareholder rights to their assets through either the fiduciary of their local or central governments (better central/Union), meaning it must hold shares (better majority) in all major mining, oil and gas projects in the country, and this should apply to Zanzibar as well where we now learn that the oil and gas issue will be removed from Union oversight and it is now the Zanzibar government which shall decide on how to explore, exploit and own these deposits (read here: Zanzibar CCM leaders avoid endorsing July 31 referendum; **Oil and gas for deletion from list of Union affairs**; Zanzibar wants 'oil and natural gas' removed from Union matters). The government of Zanzibar, too, has to follow the same advice given herein regarding its oil and gas reserves. Our government needs to see beyond mere taxation and minority equity ownership as being enough for capital generation and wealth creation like what we usually read in such articles as this one here: Tanzania on verge of striking oil GOVERNMENT TO EARN JUST 12 PERCENT OF PROCEEDS AS OIL DRILLING IS SET TO BEGIN, or the erroneous reasoning expressed by the **Managing Director** of **TPDC**, **Mr. Yona Killagane,** (read here: Govt to retain up to 65% of oil revenues) that according to the current arrangement in **Production Sharing Agreements (PSA)** with foreign companies, Tanzania will over a twenty year period earn between 55-65% of net oil revenues, not knowing that limiting ourselves to only receiving taxes, royalty payments and minority shareholding in oil and gas exploration and production is in reality short-changing ourselves – read my arguments challenging **Dr. Massawe** above on a similar line of thought he expressed regarding gold and other minerals. Those my arguments apply as well for the oil and gas reserves hence I disagree with what

Mr. Killagane said in the mentioned article above. As I've been arguing all along, the existing arrangement of signing Production-Sharing Agreements is faulty and must be trashed and instead the country has to negotiate each and every oil and/or gas field and secure better terms (primarily, majority equity ownership) on a case- by- case basis lest we forfeit our assets for peanuts to foreigners and lose the primary sources of huge capital generation and wealth creation inherent in the equity of our properly appraised and assayed minerals as per international standards and requirements. This should be the main task of both the governments of Tanzania and that of Zanzibar.

Dear Nd. Blogger, I don't know whether I gave satisfactory answers to all your questions, but what I did try is to give you a wider and more informative perspective of the issues you inquired. And to finally home my message with a vivid example supporting my arguments above and why Tanzania needs strong political leadership seeing things in a wider perspective including in the question of shareholder rights and (majority) equity ownership as argued herein, I would like to revisit the Letter to President Kikwete I wrote in Feb. 2008, specifically the rhetorical question I posed and placed as the heading of that letter. The question went by this way - **WHAT WILL HAPPEN IN 2010?** I am compelled to revisit that question having in mind what has happened in Brazil last week when **Petrobras,** the biggest Brazilian State Oil and Gas Company, carried out the largest IPO in the world and earned US$ 70 Billion (**watch video here**: Brazil Stocks: **Petrobras**, Vale | Market News Video), and it managed to float its shares not in developed financial centres of New York (Wall Street), London, Frankfurt, Zurich, Paris or Tokyo, but in Brazil, in **Sao Paolo**, at its local trading floor, read more here: **Petrobras** raises $70 bln in world's **largest IPO**; World's **largest IPO**: **Petrobras** raises $70 billion | The Asian Age; **Petrobras** capitalization '**biggest** in history': Lul... - Silobreaker. Remember, the silly argument of **Mr. Machunde** that floating shares of mobile phone and mining companies at the **DSE** will scare off foreign investors, that the DSE is small to handle such transactions? Now compare that foolish argument with what Brazilians have done at their local trading floor with their natural resources – see the difference? I have brought this parallel because as I wrote in the Letter to Prof. Shivji in Feb. this year, Tanzania could learn a lot from countries like Brazil – read an excerpt from that letter dwelling on this particular issue here. It is worth pondering over this issue since as I wrote to President Kikwete then, I *quote* – *"In conclusion, I believe you might have been intrigued by the rhetorical question on the heading of this letter – WHAT WILL HAPPEN IN 2010? Indeed what I meant is what will Tanzania be at the end of your presidential term in 2010 if changes and recommendations to rectify the mining and petroleum laws shall not be carried out by your government in the manner described herein since as I have detailed in this letter, I see no other sector in the Tanzanian economy with the potential capacity to bring into our economy the huge financial income we need and create wealth for the nation other than the mineral sector. Tanzanians and history will judge you by how you tackle the most difficult tasks faced by our nation at this moment and one of them, and a very crucial one, for that matter, is how we go about to change our mining and petroleum laws to benefit the country and its people. The chief executive's power does not derive solely from the authority vested in him by the Constitution. To the contrary, it derives also, and in some ways, more so, from his ability to rally the people, to be able to frame, with concision and grace, to inspire them in some great challenge or crusade, and currently for us in Tanzania the crusade is to turn our mineral assets into wealth and apply the utmost patriotic fortitude to make things done, and done the right way. Mr. President, I have tried my best to explain the root-causes of our problems in the mining sector and offer possible solutions. It is now up to you to take the right and principled decisions to rectify the situation!"* – *Unquote*. All what the Brazilians have just now done could have been earlier successfully done by Tanzania had the government heeded to the advice given in 2008.

While we see President Kikwete's term ending in October this year and nothing tangibly serious happening in the mining and oil and gas sectors as far as significant economic empowerment of Tanzanians and local ownership of majority equity in our mineral resources are concerned *(ownership not only by small scale miners and the 100% ownership of gemstones as stipulated in the new mining law passed last April, but ownership in the sophisticated* *way as explained herein and in my letters to President Kikwete and Judge Bomani, where this ownership could be properly, legally, documented and the mineral value appraised to enable raise HUGE CAPITAL)*, we see the complete opposite in Brazil, with **President Lula Da Silva** ending his presidential term with tangible material results, among others, the successful carrying out of the largest IPO in the world using the country's natural resources. This example of Brazil, of mobilizing local natural resources and properly applying the concepts of free markets, globalization and liberalism in the economy, shareholder rights and equity ownership to benefit the locals (by the way, watch this very teaching and useful video of how Brazil has economically empowered its locals in owning and managing the country's vast and huge mineral resources the way I've been arguing all along for Tanzania, **watch it here**: **interview** with **Eike Batista**), totally discredits those silly and lame arguments and excuses given by the ruling party (CCM) and the current government in Tanzania that we cannot review the existing faulty contracts in the mining sector and in oil and gas exploration and exploitation, that we need foreign investors (we, of course, need them but not in the way understood and pursued by the govt. today) and let them own any amount of shares, especially majority, in our natural resources – all this is absolute nonsense and it only serves to make ourselves ever poor and backward. It is this concluding remark which I would like you to pay particular attention to when you argue from that line of thought as expressed in the way you posed your questions. Brazil has shown us the way and we in Tanzania, especially the leadership, ought to correct our conception of capitalism, globalization and upholding the basic tenets of capitalism including respect for property and shareholder rights. President Lula of Brazil managed to offer the necessary responsible and far-sighted leadership which Kikwete, and Mkapa prior to him, failed to offer Tanzania. A similar type of leadership is required of Obama, for example, when he is called upon to remake his economic team, read here: **Advisers Advise But The President Must Lead**. The demands put forward before Obama to **LEAD** in deciding and showing the direction of the US government's economic policy, the same is required of Kikwete or whoever will lead Tanzania after the coming October General Elections, in the mineral sector, the way President Lula did in Brazil, or how Vladimir Putin succeeded in regaining control over Russia's natural resources while being the president (I wrote extensively about this in the Letters to President Kikwete and Judge Bomani mentioned earlier. The 5 years of Kikwete's presidency have failed to offer this leadership and I wonder whether the next, if he wins the elections even though many doubt whether he will lose, will ever bring us to the promised land of economic prosperity the way, say, Brazil has achieved – read **President Lula Da Silva's achievements** **here** and here: **Africa urged to learn from Brazil on development**. Otherwise, instead of seeing really huge achievements corresponding to Tanzania's potential, we will be subject to hearing such gibberish as one could read in these CCM statements **here** by the **First Lady**, or be witness to irresponsible statements like the ones uttered by the disgraced **Edward Lowassa** **here** commenting on the controversial **Serengeti Road** project - pay particular attention to the yellow shaded and underlined parts of the attachment. Such statements and heights (vis-à-vis the country's mineral potential and what wealth they could create as Brazil has shown) set so low by the ruling party won't lead the country anywhere as far as huge capital generation, wealth creation and real economic empowerment of the majority of Tanzanians are concerned while if you go back to the Letter to President Kikwete, I wrote then of the need to own majority equity ownership in our mineral resources including in oil and gas, then combine them with all state equity from other sectors (communication, real estate, agriculture etc) and form a huge State Holding Company or Companies (even though the equity could also be floated separately) which will unite all state assets into one or several super-holding/s and float its/their shares at our local Stock Exchange at the **DSE** (the way **Petrobras** 2 years down the road has just done in **Sao Paolo** with its oil & gas reserves and raised a whopping US$ 70 Billion making the Stock Exchange the second largest in the world) and probably even abroad and earn **BIG MONEY** instead of talking only, or merely, about delivery of water services, school desks, building some few roads here and there and all things of the sort in magnitude and scope, the way the **First Lady** and **Edward Lowassa** in the mentioned attachments above are trying to call upon Tanzanians to be complacent with. With the probable and proven reserves of minerals, oil and gas deposits, the fast growing telecommunications sector, the huge agricultural, real estate, forestry and other assets the country is endowed with, and if the State owned significant shareholding and equity in these assets, we would have managed to do much earlier, may be even better, what Brazil has done in 2010, at least soon after I wrote those letters to President Kikwete and Judge Bomani in 2008 and if the govt. understood well what I explained then and what was/is in store for Tanzania if we corrected/correct our laws and conception of shareholder rights and equity ownership in the manner explained therein and in this letter, read this: **Zitto advocates prudent use of resources to fight poverty**. It is with this final remark I would like to end my letter and call upon you, too, to see the bigger picture when arguing about shareholder rights and their implication to making Tanzania and Tanzanians rich.

Would be glad to read your views.

Best regards,

**Shaaban**

Moscow, Russia