Le Carré points to looting of Congo by mining corporations

John Farmer, Chris Talbot
27 January 2007

In December, the writer John Le Carré along with Jason Stearns, analyst with the International Crisis Group think tank, wrote about the current situation in the Democratic Republic of Congo. They noted that the recent swearing in of Joseph Kabila as president of the Democratic Republic ended a peace process that had followed seven years of war. Close to 4 million people have died and even now, on average, 1,200 people a day are dying from disease and malnutrition that are the result of the war and logistical collapse.*

"But," they write, "dubious mining deals between the Congolese government and international corporations may be threatening the nation's chances of rising from the ashes." They point out that 10 years ago the Congo ranked high among the world's producers of cobalt, copper, coltan and industrial diamonds. However, now three quarters of the population live on less than a dollar a day. One quarter—15 million people—must survive on a single meal a day.

As part of the peace process, the World Bank has organised the privatisation of the Congo's state-owned mining company, Gecamines. It paid out $45 million to retire 10,000 mining workers. While the bank was overseeing this transition, the Kabila-led government negotiated mining contracts in 2005 with three corporations: Phelps Dodge (recently bought by Freeport McMoran to form the world's largest publicly traded copper company), Global Enterprises Company and Kinross-Forrest. The deals are said to amount to 75 percent of Gecamines' mineral assets.

According to Le Carré and Stearns, two of these deals have been examined by the Canadian law firm, Fasken, Martineau and DuMoulin. They concluded that the share of the profits going to the Congolese government would be "minimal, if any." They found that no competitive bidding process took place and that the price of the mining property sold was "guesswork." Le Carré notes that for "a minimal return" the Congo regime has "signed away millions—if not billions—of dollars' worth of copper and cobalt for 35 years."

An internal memo dated September 2005, written by the World Bank's mining expert Craig Andrews and sent to Pedro Alba, the bank's director for the Congo, is quoted by both the *Financial Times* and *Africa Confidential*. It states that the deals had not been through a "thorough analysis, appraisal and evaluation" before being approved and that the assets transferred to the companies exceeded the "norms for rational and highest use of the mineral assets." Andrews wrote that the World Bank could be seen as risking "perceived complicity and/or tacit approval" of the deals.

One of the NGOs that have followed the deals is Rights and Accountability in Development. Its director told the *Financial Times* that "those now in control of the process are the very same people who nodded through some of the most controversial deals of the last three years."

Africa Confidential points out that a similar process to the sale of Gecamines has taken place with regard to the state diamond company, Société Minière de Bakwanga (MIBA). Several deals, they note, "have given politicians and managers kickbacks or stakes in private firms." They state that many of the natural resource projects of the Congo are financed through the London Alternative Investments Market, where "inexperienced" companies "have reaped huge rewards."

According to the *Financial Times*, the Congo government is set to review the contracts, but "in spite of the reviews, no substantial changes are expected." The deal was in fact part of the peace process as warring factions of the Congo elite helped themselves to handouts derived from the sales. The *Financial Times* explains that the government "was seen by western diplomats as deeply corrupt, but necessary to put an end to war in a country central to the region's stability."

Last year's presidential elections were closely supervised by the Western powers in order to prepare the way for the more extensive exploitation of this mineral rich country. The voting, with 50,000 ballot stations across an area two thirds the size of Europe, but with only 300 miles of paved road, was financed by the European Union and the United States to the tune of $500 million.

In order to prevent conflict between the rival factions of Congo's elite, the 17,000-strong UN military force was supplemented by a European rapid reaction force, EUFOR, for the duration of the elections.

The second round of voting was concluded on November 19 with the incumbent president, Joseph Kabila, winning 58 percent, and with Jean Pierre Bemba, his main opponent, winning 42 percent. Bemba has apparently accepted defeat despite all the previous indications that this would not happen and that war could easily resume.

Bemba had accused Kabila of rigging the ballot and in August, after the first round of voting, EUFOR had to intervene in Congo's capital Kinshasa to end a shootout between Kabila and Bemba's militias that left 23 dead.

Bemba has a personal militia of more than 1,000 men and Kabila heads a 15,000-strong presidential guard. These militias have so far not been disarmed by the UN force.

Some fighting continued during the election period in the eastern Kivu region, notorious for the presence of a number of militias, including the remnants of the Interahamwe that carried out the killings in Rwanda in 1994. A group led by Tutsi warlord Laurent Nkunda clashed with government army forces in December, killing 19 people. Although a Rwandan-backed peace deal is now being negotiated with Nkunda, there are reports of thousands of refugees fleeing into Rwanda.

There have also been reports of incidents in which the Congolese army has looted and attacked the local population after not being paid. The army is underfinanced and unstable, being made up of former militia members whose loyalty to the central government is often lacking.

Yet these outbreaks have been relatively low key and commentators have expressed surprise that the election process has gone relatively smoothly, despite complaints of ballot-rigging.

BBC reporter Mark Doyle commented that "a miracle appears to have taken place" when no further conflict took place after Kabila's victory. Doyle pointed to the UN troops backed by the German-led European force as a key factor in stopping further hostilities, together with "intense diplomatic pressure" from the US and other Western powers.

What seems to have been most influential is the "money and patronage" to which Doyle also refers. Both Bemba and Kabila have extensive business interests and even in opposition Bemba is likely to gain control of several provincial administrations.

Bemba was the government's top finance official, so will have benefited like Kabila from the mining deals. But according to *Africa Confidential* not only these sell-offs, but also several multimillion-dollar credits were made available to the government over the last four years.

The International Monetary Fund suspended its lending programme at the beginning of 2006 as the government "deliberately breached the reforms it promised to implement." Yet although the government agreed in March to accept the IMF demands, they were not carried out. "The period of pre-election interim government has been marked not only by non-implementation of reforms, but also by massive theft and fraud," comment *Africa Confidential*.

Government spending in July during the first election round was nearly 50 percent higher than in June, and then shot up again in September and October before the second round. *Africa Confidential* note that with the parliamentary elections, "In Kinshasa, there is now talk of the 'third election'—rewarding the parties and politicians that supported the winning coalition."

After this spending spree, bribing former warlords and politicians left over from the Cold War Mobutu era, the Kabila government could now default on the repayments of its $10 billion external debt. The IMF will undoubtedly demand a return to financial probity. *Africa Confidential* suggest that Kabila's "most enthusiastic backers—the US, France and Belgium—will try to find a formula to bail him out, arguing that he will begin to work on the necessary reforms as the economy is boosted by big new investments in mining."

However the details of the mining deals that have now been exposed mean that there will be little income to repay debts. Le Carré is asking the World Bank to insist on renegotiating the mining deals, as if it is an honest broker with the best interests of the Congolese at heart. But the sole concern of the World Bank is to ensure that the optimal conditions are created for the exploitation of the Congo's resources. Even if it did intervene in this instance, it would be because the deals undermine the ability of the Congo to pay off its debt to the West and run counter to the interests of other corporations. The bottom line of any demand by the IMF for financial stringency and economic "reforms" is that debt repayments will be made at the expense of state welfare spending, as is the case throughout sub-Saharan Africa.

The elections, writes Le Carré, were supposed to enable the vast mineral wealth to "put an end to this sort of crippling economic injustice," referring to the devastating conditions faced by the majority of the population. But given that his recent novel *The Mission Song* on the Kivu region brilliantly reveals Western politicians and businesses in a race to grab the Congo's resources, he is naïve to imagine that the US and Europe financed the elections for any other purpose than expediting capitalist exploitation and boosting their chosen stooge, Joseph Kabila.

* "Getting Congo's Wealth To Its People," John le Carre and Jason Stearns, *Boston Globe*, 22 December 2006