POLICY BRIEFING 35

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Indian Mining Companies in the Democratic Republic of Congo

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RECOMMENDATIONS

- The DRC's national and provincial authorities, and their development partners, should take measures to improve the capacity of the country's environmental and labour inspectorates, to help ensure that mining companies respect the law.
- The Katangan provincial authorities should resettle people living in Lubumbashi's industrial area to residential areas that are free from environmental pollution.
- The provincial and national authorities should facilitate the establishment of a tin smelter in Lubumbashi, so that more of the country's tin output can be processed domestically.

EXECUTIVE SUMMARY

The main mining companies in the Democratic Republic of Congo (DRC) are listed in Canada, Australia and the US. These companies are being joined steadily by Chinese state-owned operators. Although Indian mining companies have a growing presence in the copper, cobalt, tin and tantalum sectors, their operations remain relatively small scale, and none can yet be considered a mining major.

Indian mining companies have lacked access to capital from Western stock exchanges and Indian state-owned banks. Instead, they have grown their operations primarily by reinvesting their own profits. Future prospects for Indian mining companies appear broadly positive. This is particularly the case for Mining Mineral Resources, which is positioning itself to become the main producer and processor of 'conflict-free' tin and tantalum. The main risk to Indian mining companies is political. As with other mining companies operating in Katanga, they are vulnerable to a change in policy from Moïse Katumbi's successor as governor of the province.

COPPER AND COBALT

The DRC has the largest reserves of copper and cobalt in Africa. During the colonial era, Union Minière du Haut Katanga (UMHK) exclusively operated the country's copper and cobalt mines, situated mostly in Katanga Province. President Mobutu Sese Seko nationalised the UMHK in 1966, renaming it Société générale des carrières et des mines (Gécamines). As a result of chronic underinvestment and mismanagement, Gécamines started going bankrupt during the 1990s. Operations ceased in most of the company's mines, and a growing number of artisanal diggers arrived in their thousands to work the sites and sell their copper and cobalt ore to traders. Majority stakes in Gécamines' main assets were sold to international mining companies during the early 2000s. This left the company with a much-diminished portfolio, parts of which continue to be sold off in a piecemeal fashion today.

Several small Indian companies in Katanga purchase minerals from artisanal diggers and semi-process them. These include Golden African Resources in Lubumbashi, and Mehul Mining and Congo Minmet in Likasi. There are also three medium-sized Indian companies, Rubamin, Chemaf and the Société Minière du Katanga (Somika), which are engaged in larger-scale operations.

Rubamin, India's largest processor of zinc oxide and cobalt, has a Congolese subsidiary in Katanga, its only African venture. Rubamin recorded production in Katanga of 564 tonnes of copper concentrates in 2010, and 348 tonnes of black copper. Curiously, provincial mining statistics do not show any cobalt output.[2] The company came to the DRC in 2004, and in 2008 invested $25 million in building a plant to process copper and cobalt. The plant has the yearly capacity to produce 10 000 tonnes of black copper and 15 000 tonnes of cobalt concentrate (7–8% cobalt). Rubamin also mined actively until 2010, when Gécamines rescinded its permit to do so. The company has since relied on purchasing ores from Australia's Anvil Mining, and from artisanal diggers. Reliance on these sources has made access to copper and cobalt ores more difficult and less predictable, but Rubamin, nonetheless, intends to increase its yearly copper and cobalt ore production to 50 000 tonnes. The company exports its output almost exclusively to China.[3]

Chemaf is a subsidiary of Shalina Resources, which, although Indian-owned, is registered in the United Arab Emirates. In 2003, Chemaf acquired from Gécamines the Etoile open pit mine and Usoke mineral processing plant, near Lubumbashi. In 2008, Chemaf upgraded the Usoke plant to enable copper cathode production through solvent extraction and electrowinning (SX–EW), which increases output and quality while reducing costs. Shalina Resources has since indicated that it intends to list on the London Metals Exchange.[4] Chemaf's recorded output in 2010 was 504 tonnes of cobalt concentrate, 17 055 tonnes of cobalt carbonate (CoCO3), and 15 196.5 tonnes of copper cathode.[5]

The Usoke plant is notorious locally for alleged environmental pollution. According to one non-governmental organisation (NGO) in Lubumbashi, Chemaf's operations generate enormous amounts of dust, the plant pollutes the local water supply, pumps out sulphurous air, and poses a serious hazard to the nearby residential community. The NGO has further alleged that Chemaf has refused to engage with the community over its concerns. Instead, Chemaf has given token financial compensation to a small selection of those affected.[6] In 2010, the provincial mining environmental inspectorate instructed Chemaf to construct a water purification plant. As of mid-2011, the inspectorate had not verified whether this was yet in place. The inspectorate cited that power cuts, and not Chemaf, were to blame for Usoke's sulphur emissions.[7] Chemaf appears reluctant to meet NGOs or local community representatives. The company, however, has vigorously defended its record in the local press, insisting it is not polluting the water supply, is working on the dust issue, and is active in a range of social activities. A visit to Usoke in mid-2011 confirmed that the air was heavy with sulphur, as well as dust from heavy truck activity.[8] Clearly, the close proximity of residential settlements to Chemaf's operations is highly problematic, and if people are to remain there then the status quo needs to change urgently. Usoke is located in a mining and industrial zone of Lubumbashi, and permitting residential settlements there appears more a matter for the municipality than for Chemaf to resolve.

Somika has been active in Katanga since 2001, and operates a mine in Kolwezi as a joint venture with Gécamines, and a processing plant in Lubumbashi. Established in 2003, the processing plant is supplied mostly with material from its Kolwezi mine, with around 30% coming from material purchased from artisanal diggers and from other mines. The plant, which has been upgraded to use the SX–EW process, produces copper cathode and a cobalt concentrate containing 30% cobalt. According to Somika management, the plant produces 300 tonnes per month of copper cathode, and a further 300 tonnes per month of cobalt concentrate. Somika intends to increase capacity to 1 000 tonnes per month of each by the end of 2011. Somika sells its output to China. Katangan mines ministry statistics show that Chemaf produced 24 332 tonnes of cobalt concentrate in 2010, 12 412 tonnes of cobalt hydroxide, and 2 840 tonnes of copper cathode.[9]

TIN AND TANTALUM

In 2009, Somika established a tin and tantalum division, Mining Mineral Resources (MMR). Currently, MMR operates several comptoirs that purchase artisanally mined tin and coltan in north Katanga. In 2010, the provincial government granted MMR exclusive access to four mine sites in the same region, where MMR is in the process of developing semi-industrial mining. In return MMR has committed to, and has begun putting in place, a range of social projects in and around these sites. MMR is also implementing a minerals tagging and traceability project devised by ITRI, a UK-based non-profit tin association. MMR has applied to the mines ministry in Kinshasa for exploitation rights to its north Katangan assets. As of mid-2011, MMR had not yet received a response. In the six months prior to April 2011, MMR exported 1 000 tonnes of tin concentrate containing 65% tin, apparently to China.[10]

MMR has also begun construction of a tin smelter in Lubumbashi, on the site of the existing Somika copper and cobalt processing plant. This could have a significant impact on the DRC's tin and tantalum mining sector. MMR's smelter, scheduled to begin operations in late 2011, will bring the company's tin to a high level of purity and ensure that some of the metal's added value remains in the DRC. The smelter could also enable MMR to toll treat output from other tin mining companies in the country.

MMR's progress in northern Katanga has been complemented by the progressive exclusion of Kivu-based tin and coltan comptoirs, who have become tainted by their association with 'conflict minerals'. According to Provincial Governor Moïse Katumbi:[11]

> In other provinces [in the DRC] people have used minerals to kill people. I don't want those people coming in and doing business in my province. I don't want to hear that these people are coming to buy in Katanga. So we have insisted on traceability …. That is how we will be able to export.

Katumbi's stance has prompted accusations from affected Kivu-based comptoirs that he has an undisclosed business relationship with MMR, a claim that both he and MMR deny.

Until 2010, the provinces of North and South Kivu and Maniema produced and exported far more tin and coltan than Katanga. However, during that year, in a bid to comply both with new international guidelines and US legislation on conflict minerals, the main international tin and coltan smelters introduced the requirement that they would purchase only tagged material from the DRC. A tagging scheme has yet to be put in place in North and South Kivu or Maniema. This has made tin and coltan exports difficult, although Chinese-owned comptoirs and refineries continue to purchase non-tagged material, albeit at a much-reduced price. Afromet – the only Indian-owned comptoir in the two provinces, with offices in Goma and Bukavu – also appears to be buying non-tagged material from North and South Kivu. Between January and May 2010, Afromet purchased cassiterite valued at $1.8 million, making it the seventh-largest purchaser in Goma during the period. Afromet's output goes to the smelter of the company's Indian-based owner, Met Trade India Ltd.[12]

CONCLUSION

Vedanta Resources, an Indian company, has become one of the largest miners in Zambia, but as yet there has been no such equivalent in the DRC. Katanga's three-largest Indian mining companies are dwarfed by Western miners, but nonetheless, make an important contribution to the DRC's copper and cobalt output, and to Katangan and national taxes.

Indian mining companies have poor reputations in the province for employment conditions and environmental protection. However, on the former issue at least, the records of Chemaf, Rubamin and Somika are better than those of the many smaller companies purchasing and processing minerals from artisanal diggers. On environmental issues, however, it seems that Chemaf has a particularly problematic record, resulting in accusations that the company uses corruption to stave off significant regulatory intervention.

MMR is positioning itself strategically to become one of the country's top producers of tin and tantalum, by virtue of Katanga's minerals, unlike those from North and South Kivu, being tagged and apparently 'conflict free'. MMR's tin smelter will also enable the company to move up the value chain, processing its own minerals rather than relying on international operators to do so.

In sharp contrast to the Chinese state-owned companies – which are members of the Sicomines joint venture with Gécamines and are preparing to invest up to $3 billion in two large Katangan copper and cobalt mines – none of the Indian mining companies in the DRC has had significant assistance from their government. Nor have these companies had access to financing from state-owned banks. Instead, they have had to use their own resources to build and expand their operations. This relative lack of access to capital is undoubtedly a major reason why only small and medium-sized Indian mining companies are operating in the country. Nonetheless, continued high prices for copper, cobalt, tin and tantalum should enable the larger Indian mining companies at least to keep growing, with Somika and MMR's prospects looking particularly bright.

The main risk to the progress of the Indian companies is political. Katumbi has supported these companies during his tenure as governor but is stepping down at the end of 2011. His successor may take a different stance, which could have a major impact on their fortunes.

ENDNOTES

1 Gregory Mthembu-Salter is a researcher and author on Africa's political economy. He writes for the Economist Intelligence Unit, and has served on the United Nations Group of Experts on the DRC, specialising in due diligence.

2 Division Provinciale des Mines, *Statistiques des Notes De Debit Relatives A La Redevance Miniere de Janvier a Decembre 2010* (*Produits Miniers Par Tonnes*). Lubumbashi: Division Provinciale des Mines, 2011.

3 Personal interview, Navin Dalmia, managing director, Rubamin, Lubumbashi, May 2011.

4 Chemaf, 'Chemaf Production Update – Q4 2008', 20 January 2009, http://www.chemaf.com/images/News%202_Production%20Update%20Q4%20 2008.pdf.

5 Division Provinciale des Mines, 2011, *op. cit.*

6 Personal interview, Jean-Pierre Okenda, Carter Center, Lubumbashi, May 2011.

7 Personal interview, mines environmental inspector, Lubumbashi, May 2011.

8 Author's visit to the Usoke plant, Lubumbashi, May 2011.

9 Division Provinciale des Mines, 2011, *op. cit.*

10 Personal interview, MMR representatives, Lubumbashi, May 2011.

11 Telephonic interview, Moïse Katumbi, governor of Katanga Province, Lubumbashi, May 2011.

12 Personal interview, Afromet representatives, Goma, July 2010.

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