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Stability tempts mining companies back to Congo

By Rebecca Bream

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The world's leading mining companies are venturing back into the war-torn Democratic Republic of Congo in the wake of last year's presidential elections.

They are considering investing billions of dollars in the mineral-rich country, encouraged by the introduction of a World Bank-drafted mining code and the formation of a new government under Joseph Kabila, elected president in the first free vote in four decades.

At a mining conference in Cape Town this month, the world's three biggest mining companies all said they were increasing their activities in the country.

Congo's copper and cobalt production suffered decline during decades of dictatorship under Mobutu Sese Seko and during the bloody civil war of 1998-2003.

Its lucrative diamond and gold mines were controlled by warlords using natural resources to fund fighting. Today, much of Congo's mining sector is controlled by artisanal miners, operating outside the formal economy.

Anglo American says it plans to open two offices in DRC this year, in Kinshasa, the country's capital, and in Lubumbashi, capital of the copper-rich province of Katanga. The mining group will be looking for opportunities in copper, of which DRC has massive reserves, but Anglo American executives say they will consider projects in a range of commodities.

Rio Tinto says it has been "reacquainting" itself with the geology of DRC since 2005, following an absence of more than 50 years.

Ian Ledlie, the exploration director for Africa at Rio Tinto, said: "What really was the trigger for us was when the new mining code came into place and we saw that security of tenure and rule of law was being upheld. We have the impression that this will continue."

"We have been reviewing several opportunities since then, in copper and cobalt in Katanga, but we are also keeping an eye on diamonds or anything else," Mr Ledlie added.

Marius Kloppers, the head of non-ferrous metals at BHP Billiton, the world's largest mining company, says his group's copper exploration business already has "one of the biggest land-holdings in the DRC" and is considering building an aluminium smelter in the country, which could take advantage of the hydroelectricity generated by dams on the river Congo.

DRC has some of the world's biggest unexploited reserves of copper, as well as rich deposits of cobalt, iron ore, nickel, gold, diamonds and bauxite, a raw material for aluminium.

As established mines around the world come to the end of their lives, mining companies are looking to DRC as one of the few places where big new deposits can still be found.

But concerns about investing remain. **Alex Gorbansky**, the managing director at **Frontier Strategy Group**, a political risk consultancy, says: "Although the elections are a positive sign, politically there are still a lot of questions about the government's ability to maintain control."

Mr Ledlie at Rio Tinto said the health and safety of the group's workers in DRC remained a worry, because of diseases such as malaria as well as the risk of violence. He added that if Rio Tinto decided to develop a mine in DRC, it would need to take steps to avoid clashes with artisanal miners in the area. "We are very focused on making sure we are not exposed to potential human rights abuses."

An executive from another big mining company agreed that dealing with artisanal miners was "a big issue", as were problems caused by the lack of transport and energy infrastructure in the country. "It is a tough place to do business. But you are starting to see the major companies pay attention."

He said it was too soon to judge the new government on its levels of transparency and good governance, but that his group's dealings with civil servants had so far been "quite transparent".

Several smaller mining companies from Canada, Australia and the UK have been moving into DRC in the past few years, snapping up land and signing joint ventures with Gecamines and Miba, the near-bankrupt state-owned copper and diamond companies.

Gecamines is currently reviewing some of the joint ventures it has signed in recent years. The World Bank had raised concerns that deals involving Phelps Dodge, Nikanor and Forrest Group, which represent an estimated 70 per cent of Gecamines total mineral reserve base, were signed in less than transparent circumstances before elections.

But Paul Fortin, a Canadian mining lawyer brought in by the World Bank to manage Gecamines at the end of 2005, says existing agreements will not be torn up.

"The review will be done with the spirit of improvement, not taking back what was given. It should not be viewed as something that will disturb your operations."

Analysts say Congo's new government will need to show mining deals are delivering tangible benefits to Congo's people or risk inflaming political tensions.

Additional reporting by

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