

Congo unrest threatens to push to curb conflict minerals trade

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JOHANNESBURG/ABIDJAN (Reuters) - Months of unrest in Congo's volatile but resource-rich east is hampering an international push to curb the traffic of gold, tin and other metals by rebel groups, efforts which campaigners say are key to ending violence and encouraging legitimate mining.

International organisations such as the OECD and the United Nations, and pressure groups including the Enough Project and Global Witness, want to cut the rebels' access to funds by insisting that companies do due diligence on metals they buy.

Part of this effort is a campaign to "bag and tag" products at the mine, to certify their origins. But that push, which is still in its early stages in the North Kivu province that has seen heavy fighting, has stalled since clashes between the M23 rebels and government soldiers intensified this month.

"It's always been complicated, but it's been made even more complicated by the security situation," said one source involved in donor-funded activities to clean up the mineral supply chain.

The source said the project was "stalled" in North Kivu.

Exports of tin and gold from North Kivu - mostly from artisanal miners or informal operations that are targeted by the tagging schemes - have dropped sharply as a result of campaigns and rules which require firms to control sourcing.

Without certification, campaigners and local groups say they cannot meet due diligence requirements and the North Kivu region cannot revive industrial-scale mining.

So far only one potential industrial-scale operation is underway, led by Canadian-listed Alphamin, drilling in the Bisie tin deposit, one of the biggest in the region and a project which has long been fought over by the army and rebels.

Alphamin is not affected by the current unrest, an official said - but it is also not yet producing.

"Nothing is going out. Our traditional buyers cannot buy untagged minerals," said John Kanyoni, head of the mineral exporters association in North Kivu, which used to sell to major buyers like Malaysia. "Everyone has to do their due diligence, and tagging is a key part of that due diligence."

Fighting in the region has long been linked to the plundering of its mineral wealth - illegally mined tin, gold, coltan, used in electronic products, and other metals.

United Nations investigators have said that rebel groups and rogue elements in the army have smuggled minerals abroad, circumventing government mining and export bans on metals.

"Renewed violence in eastern Congo underscores the urgent need to clean up the region's minerals trade," Sophia Pickles of campaign group Global Witness said. "It is highly likely that the current rebellion is at least partly bankrolled by cash generated from minerals."

Latest official numbers show a little over 1,000 tonnes of cassiterite, or tin ore - 600 to 650 tonnes of tin - were shipped from Goma, North Kivu's capital in January to April, well below levels before 2010.

Official figures were not available after April, but new rules have pushed Kinshasa to suspend two exporters from North Kivu - Huaying and TTT Mining - for failing to check sources.

A WORK IN PROGRESS

More than 200,000 civilians have had to leave their homes and several hundred fighters have been killed in the recent North Kivu clashes. Reports of support for rebel fighters from neighbouring Rwanda have stoked fears of a slide into broader central African conflict although countries in the region last week agreed a plan to eradicate armed groups in eastern Congo.

"This is not threatening (Congo) exports, but it is threatening the efforts made by the international community to trace conflict minerals in the (North Kivu) area," said Martin Bauwens, managing director of Johannesburg-based mine consultancy MJB Consulting.

"If you have a full-fledged war, how can you trace conflict minerals? You need stability to trace these minerals, and now we have more instability," said Bauwens.

Efforts to tag minerals from artisanal miners are most advanced for tin in Katanga, the heart of the copper belt in Congo's south, through an initiative led by UK group ITRI. Tantalum is also being tagged in Katanga, campaigners say.

Tagging for gold, tungsten and other minerals is currently a work in progress across Congo.

As a result of concerns over conflict minerals, Congo made up only 1.5 percent of the global tin market last year - down from 4 percent in 2008, while tin ore being exported through Goma, a transit point, has dropped as production has moved south in recent years to avoid getting tangled up in violence.

OBAMA'S LAW

Responding to pressure from campaigners, Washington took the unprecedented step of naming Congo in the 2010 Dodd-Frank Wall Street Reform Act - in a provision known locally as "Obama's law" after the U.S. president. The act says U.S.-listed firms that source gold, tungsten, tantalum and tin from Congo or its neighbours must assure regulators they are not funding conflict.

The regulator, the Securities and Exchange Commission, will on August 22 vote on the rules required by the Dodd-Frank Act.

That is when, among other things, it should decide whether certification is to be done on a regional or national level. This is crucial to deciding whether trouble-makers in one small part of the country could impact exports from all regions by tarring them all with the same brush.

Fred Robarts, former coordinator of the U.N. Group of Experts' which has advised the SEC on the issue, said the impact of the latest insurgency on Congo's exports also depends on whether the trouble stays confined to one area.

"The problem for the viability of the process depends on the extent to which the M23 rebellion spreads and whether or not they control mining areas or border crossing points," he said.

"If the rebellion remains confined to a limited geographical area then one can imagine legitimate business being conducted elsewhere in the country."

Indeed, Congo's vast territory means copper operations more than 1,600 km to the south of the fighting and gold developments to the north are unlikely to be affected, particularly given the decrepit roads which make it hard for rebels to travel.

Executives at Canadian-listed miner Banro, which operates the Twangiza mine in South Kivu, said the mine, the first new producing operation in Congo for more than half a century, was running normally.

London-listed Randgold Resources, which is developing the Kibali gold project 300 kms north of the current fighting, said everything remained on track there.

"We are absolutely unaffected. There is a lot of activity in Kivu province but it is sort of the last vestige of warlordism," Chief Executive Mark Bristow told Reuters.

Far to the south, Congolese copper mines are seen reaching output of 500,000 tonnes per year by 2014 from 300,000 tonnes in 2010 as a belt of the red metal that extends into neighbouring Zambia gets redeveloped.

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