Guinea, mining paradise that makes the world’s mouth water

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Guinea’s subsoil is home to a staggering wealth of resources. And the means employed by industrial giants from all continents to seize them are just as astounding. Uranium, diamonds, gold, iron ore, bauxite — according to estimates, this small country in West Africa has between a quarter and a half of the world’s known reserves ... The biggest mining groups are scrambling to get their hands on these treasures, and are fervently courting the politicians in charge of issuing valuable operating permits. This is opening the door to large-scale corruption and opaque political and economic deals, where each major group is trying to curry favour with whoever happens to be in power at that particular time, or with their potential replacements.

[[see also]]

The value of the vast resources in this Guinean mining paradise amounts to hundreds of billions of dollars. A blessing that should propel the country and its eleven million inhabitants into the ranks of leading global economies that rely on the continent. At least that’s the theory. In reality, Guinea remains an economic dwarf, one of the poorest countries in Africa, its resources still largely untapped. A particularly corrupt State, ranked 154th out of 174 on Transparency International’s latest ranking of world corruption.

Alpha Condé, the president elected in 2010 (in controversial circumstances that we examined in the first part of our investigation), announced six months ago that he will triple the production of bauxite in his country by 2020, in order to help Guinea get out of this quagmire. This ore, the main component of aluminium, is a leading driver of economic growth for China, a country which is consuming it in ever-greater quantities. It is no wonder that, after a visit to Berlin by Condé, China Power Investment Corporation (CPI), a Chinese consortium, has just got the go-ahead to operate an enormous bauxite mine and set up an aluminium plant. A total investment estimated at more than $6 billion!

But the Chinese are not the only foreign investors in the country. Far from it. In all, eight projects are on the starting line — just for bauxite. An Abu Dhabi conglomerate has recently received the green light. As has Rusal, the world’s leading aluminium producer, which will launch a new plant. The Russian group, however, will have dug deep into its pockets, by signing an $832 million cheque to the Guinean Treasury to settle a legal dispute. Already operating in the country for over a decade, it came under attack from the government, which accused it of causing serious environmental damage and threatened to revoke its authorization to operate in the area. Employees at one of its plants also went on strike for a year to protest about their
working conditions. In February, the Russian Minister of Foreign Affairs, Sergei Lavrov, visited the site to discuss the bilateral cooperation.

A very good deal for the Franco-Israeli Beny Steinmetz

Rather than cede its spot in this paradise of raw materials, Rusal elected to compromise. For in Guinea, the overnight loss of a concession worth millions of dollars is entirely possible. Rio Tinto has already suffered that painful experience. In the late 1990s, the Anglo-Australian giant had obtained the rights to mine in what is the real national jewel: Imandou. A lost mountain in the south of Guinea, and in the rainforest, and hiding what is considered to be the largest untapped reserve of iron ore. A treasure trove worth tens of billions of dollars, which is as yet untouched. And for good reason.

Rio Tinto had been awarded the rights to extract from Simandou by Lansana Conte, the dictator who ruled the country from 1984 until his death in December 2008. This is the same autocrat who later stripped Rio of half the rights to the site, a few weeks before his death in Geneva, on the grounds that the company was slow to dig the mountain. Half of the area was actually offered to Beny Steinmetz Group Resources (BSGR), a subsidiary of Beny Steinmetz, a Franco-Israeli based in Geneva and Israel’s wealthiest man. Steinmetz started out in the family diamond business, firmly established himself in Angola and Sierra Leone, and has since diversified into real estate, oil, gas and mining, in more than twenty countries.

There is nothing more beautiful than the jewel that is Simandou for he who seeks to boost prospects in the iron ore sector. The Steinmetz coup is amazing. Especially since he paid next to nothing for it: barely 160 million in investments in drilling, as well as in the country’s infrastructure — schools, clinics, and cultural centres ... A trifle given the actual value of his new possession. In April 2010, BSGR partnered up with Brazil’s Vale, the world’s biggest iron ore miner, by selling that company a 51% stake in its Guinean interests. Vale paid ... $2.5 billion, $500 million of which were payable immediately! What a formidable feat for the Franco-Israeli tycoon.

**Extensive international anticorruption investigation**

This handsome financial transaction was a reward for Steinmetz’s patience and his ability to generate trust with successive governments. An astounding relationship now being scrutinized by the FBI and the US Department of Justice, who are investigating charges of widespread corruption. The transaction involved at least two US residents and one French national, now imprisoned in the United States, and was intended to ensure that control over Simandou, despite local political instability, stayed with the Israeli group.

There has been a change of regime in Guinea. Following Lansana Conte’s death, a military coup installed Moussa Dadis Camara as the head of state. At the end of 2009, his reign ended after being shot by an aide-de-camp, and he was replaced by an interim government that organized the democratic transition with the November 2010 elections. And up until Alpha Condé gained power, Steinmetz retained his rights to Simandou. How? Through major lobbying, and at the expense of millions of dollars, according to the US Justice Department. The various elements of this widespread corruption have been widely documented by the *Financial Times*, *Le Monde* (in a lengthy article) and the *New Yorker*.
By aggressively opening companies in tax havens, the BSGR group has increased its handouts, although it officially denies this. A gold watch encrusted with diamonds for Lansana Conte or a miniature Formula 1 car, also adorned with a diamond, for the Minister for mining in the interim government, Mahmoud Thiam. He is the man who explains what is going on behind the scenes in Guinean political and mining agreements, and who is plotting to bring down Condé, according to a conversation revealed by Mediapart (and available in full in the full-length section).

In a statement of 30 October 2012, the Guinean government asserted that various military leaders were “receiving regular payments” from Thiam on behalf of Steinmetz. The former minister denies this and is aggressively defending himself, for example, in his long interview with the Guinean press in July 2012, or in an open letter published in December 2012, where he harshly attacks Alpha Condé.

This is exactly what was described in the recorded conversation with Thiam on 2 December 2012, by Samuel Mebiame, the son of a former Prime Minister of Gabon and an influential adviser to leading South African industrialists. Let’s listen:

On 14 April, in Florida, Frédéric Cilins meets with Mamadie Touré and offers her a million dollars to make the incriminating documents disappear. Too late. The young woman has been caught by the FBI and has agreed to cooperate. She recorded the conversation, during which the name of a company — not specified by the FBI, but not difficult to guess at — was brought up several times. That same day, Cilins is arrested at the airport. In late August, the Swiss police conduct a search of Beny Steinmetz’ residence, at the request of the Guinean government.

Suddenly, storm clouds gather above BSGR. It is hard not to see this as the result of the company’s difficult relationship with the new regime. Indeed, on coming to power, Alpha Condé started to overhaul Guinea’s relations with mining companies, wanting more transparency. He was supported by American business magnate George Soros, 30th richest man in the world according to Forbes, and a generous financial supporter of many NGOs in favour of democratization. Former British Prime Minister Tony Blair, who is both a consultant and advocate of transparency in Africa, is also part of the inner party. The elected government established a technical committee to review all mining agreements, tripling the fees it charges, and unilaterally granting a 15% stake in private mines to a public company, SOGUIPAMI (Guinean Mining Heritage Society).

**Bolloré in ambush**

There are two ways of viewing this attempt by the government’s to get the mining situation in hand. There is the government’s position, which speaks of a democratic and popular rejection of corruption. And there is BSGR’s view, which is that it is all just a way of removing companies the government does not like and giving a windfall to government-friendly businesses. The Steinmetz Group is certainly in trouble since it refused to put its hand in its pocket to preserve its rights in Simandou. Rio Tinto, which still owns half (but originally owned it in its entirety), has agreed to pay an additional 700 million dollars.
It was when BSGR refused, that investigations into its dealings began. And it is not the US Justice Department or the FBI that launched investigations, but the battalions of lawyers and private investigators funded by George Soros, Alpha Condé’s chief supporter. The US Attorney General subsequently woke up, perhaps even relying on their results.

Attacking a political opponent by accusing him of corruption is effective. So much so that it is now being used the other way around, by the camp seeking to defeat Alpha Condé. This is a serious threat to the elected president. In June 2012, the British newspaper *The Times* reported that the World Bank had opened an investigation into an irregular contract between the Guinean State and South African manufacturers. It was the culmination of the “Palladino case”.

The Guinean opposition accuses Alpha Condé of having entered a credit agreement linking SOGUIPAMI, a public company with interests in the country’s mines, to a company based in the Virgin Islands (again), Palladino. This intermediary is run by a South African businessman, Walter Hennig, and Samuel Mebiame, a discreet adviser to the country’s industrialists. The signed agreement foresees that South Africa will lend Guinea $25 million. As security, the State brought a 30% stake in SOGUIPAMI. The guarantee seems massively disproportionate. And to add to the controversy, the loan has never appeared in national accounts.

Now that the scandal has emerged, the loan has been repaid and the agreement is now void. The fact remains that the purpose of the transaction remains suspicious. Was it not designed to support Alpha Condé, in exchange for a market share in South African mines? This is what has been suggested by the highly respected South African newspaper *Mail & Guardian*, by giving the floor to … Mahmoud Thiam.

It is true that Thiam has first-hand information. At their recorded meeting, he described the mechanism put in place to finance Alpha Condé during his presidential campaign and, later, during parliamentary elections to be held in 2011 (but which have only just taken place). The operation involved the South African Secret Service and a gentleman named Tokyo Sexwale, whom Mebiame calls “father”. Sexwale is a prominent South African who was in prison with Nelson Mandela, as well as being, a former senior official in the ANC, his political party. He has been a minister several times and is a shrewd industrialist who would like to get his hands on the Guinean mines …

Listen to the conversation between Thiam and Mebiame, who asserts that the Palladino scandal is hiding sums much larger than the oft-cited $25 million:

Concessions are thrown about wildly in Guinea. They are the official reflection of merciless political and industrial conflicts. The most recent example? The Bollore group has just been awarded the concession for the Conakry port, and the completion of the railway line connecting the capital to Kankan. More than 600 strategic kilometres, which allow the French group to solidify its hold on the continent, always using the same method: keeping control, in one country, of the entry, exit and transit of goods that are vital to the national economy.

Yet BSGR and the Brazilian company, Vale, were to build this railway. Brazilian President Lula even came to inaugurate works in 2011. But Condé has good relations with the French government. And an even better relationship with Vincent Bolloré, who had previously supported him in holding talks with Nicolas Sarkozy in 2010. Arguments that apparently apply to contracts entered into with disgraced partners.