Guinea corruption probe advances but wait for Simandou goes on

By Tom Burgis

Beny Steinmetz, the Israeli billionaire, was interviewed by Swiss prosecutors last week as part of an investigation into allegations of bribery in the acquisition of one of Africa's most coveted mining assets. Yet the Guinean officials who triggered the international probe into his family conglomerate's dealings face a conundrum: they might get their man but not their mine.

Even as the corruption probe expands from Conakry, Guinea’s capital, to New York and Geneva – raising the prospect of Guinea taking back the Steinmetz company’s rights to the Simandou concession – the likelihood of the bounteous iron ore deposit yielding up its treasure any time soon is receding.

BSG Resources, the mining arm of the tycoon’s family group, denies the corruption allegations. It won rights to the northern half of the Simandou mountain in 2008, shortly after they were stripped from Anglo-Australian miner Rio Tinto in the dying days of Lansana Conte’s 24-year dictatorship.

By the numbers: Simandou

Now the year-long dispute over claims that BSGR paid bribes to the dictator’s fourth wife to advance its cause has halted development, with Vale, BSGR’s Brazilian partner, putting the project on ice. At the same time, Rio Tinto, which retains Simandou’s southern half, has recently delayed its plans to start mining by at least three years.

The upshot is that a mine that would, at some $20bn, represent the continent’s biggest mining investment, remains on the drawing board 16 years after the first concession was granted. Guinea, meanwhile, remains eight places above the bottom of the UN’s living standards ranking, caught in the centre of a struggle that involves the mining industry's superpowers.

The stand-off with BSGR presents a thorny decision for Alpha Condé, a veteran opposition activist and former Sorbonne professor who became Guinea’s president in 2010 following elections that marked the end of decades of military rule.

As part of what the Condé government says are attempts to rebuild Guinea’s reputation with investors, a special committee is reviewing past mining deals. Last year, the committee warned BSGR that its Simandou rights could be cancelled if the company failed to answer the corruption allegations satisfactorily. If the committee decides against BSGR, Mr Condé could choose to act on its recommendation and reclaim BSGR’s rights straight away. Or he could await the outcome of the international investigations into the corruption allegations before making any move.

The first course risks allowing Mr Condé to be portrayed as BSGR has sought to paint him: as just another African asset-snatcher. US anti-corruption actions often take
years, however, and some observers say Guinea might launch a formal process of
cancelling BSGR’s licence over the coming months.

BSGR is considered highly unlikely to depart meekly. It says it “will consider all
available legal options against the government of Guinea, including international
arbitration, if that government pursues its illegal efforts to expropriate
BSGR’s interests in Guinea”.

In his clearest statement of intent to date, Mr Condé declared in a speech at the start of
October that his government had “started a battle to recover our mines which were
acquired fraudulently”.

The president named no names, but his estimate of the
amount the state stood to make by reselling repossessed licences – $2.5bn-$3bn – chimes with what
BSGR’s share of Simandou might be expected to fetch.

In 2010, while the army was still in charge, Brazil’s Vale agreed to pay BSGR $2.5bn for a 51 per cent stake
in BSGR’s Guinean assets, which also include a smaller iron ore prospect. It was a spectacular return for
Guernsey-registered BSGR, which had spent $160m on preliminary work. Vale paid $500m up front but
late last year it put the project on hold. In April, as the international corruption investigation gathered
pace, Vale said it had refused BSGR’s demands for further payments under the sale agreement, claiming
the contractual conditions had not been met. BSGR declined to comment.

Guinean officials have suggested they would be happy for the Brazilian group to remain if BSGR were ejected. Vale is thought to be keen
to maintain its presence. However, it told the Financial Times this month: “The project remains under review and Vale is awaiting the
Guinean government to conclude the review of the mining contracts to decide about the future of its investment in the country. It is also
awaiting the conclusion of the [...] investigation into BSGR.”

The US has already brought charges against Frederic Cils, a former agent of BSGR in Guinea, detained in Florida in April following an
FBI sting. Mr Cils has pleaded not guilty to accusations he sought to have documents, which purported to lay out BSGR’s alleged
bribery scheme, destroyed.

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The scramble for Guinea’s
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Guinea is rich in minerals
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