

Canada at the forefront of a controversial mining boom in Africa

by [Travis Lupick](#) on Apr 18, 2013 at 3:21 am



Tamara Herman was filming from the edge of an open-pit mine in northwest Tanzania when gunshots rang out overhead. The shots were fired in the direction of a group of artisanal miners who were panning the mine's waste rock, but they looked more like a warning than an attempt to kill.

Security guards positioned atop a mountain of the mine's tailings fired a few more bullets, Herman recounted to the *Georgia Straight* during an interview in a park on Commercial Drive. But the miners mostly walked away casually. The cat-and-mouse exchange between authorities and impoverished scavengers had become routine.

"Even though that was happening, there was this young girl who was casually strolling down the street with a bucket of water on her head," Herman recalled. "It's what they see all the time."

The North Mara gold mine is owned by African Barrick Gold, a subsidiary of the Toronto-based mining giant Barrick Gold Corp. Although the skirmish that Herman witnessed was relatively minor, there have been more serious incidents at North Mara. According to Herman, villagers claim that almost two dozen people have died in ongoing violence related to the mine. (In a September 2011 article in the *Globe and Mail*, African Barrick disputed that number. Andy Lloyd, a representative for Barrick Gold, stressed that its subsidiary operates as a separate company.)

Herman collected that story and others like it over the course of a seven-month-long trip made in 2012. With another Vancouver filmmaker, Susi Porter-Bopp, Herman travelled through eight countries conducting research for a documentary about Canadian mining projects in Africa. The film, called *Plenty's Paradox*, is scheduled for release later this year or early in 2014.

“People in Africa are sitting at the foot of these mines that are generating billions in revenue,” Herman said. “And as our film shows, they are living in the most poverty-stricken conditions that you can imagine. Why is it that there is so much poverty alongside these huge mines?”



Artisanal miners scatter after security guards fire warning shots at a Canada-backed gold mine in Tanzania.

Tamara Herman

Controversies around mining projects in Africa—or anywhere in the world—are nothing new. But as a mining boom spreads across the continent, they could become more common. If Canadian firms do not proceed with caution, they risk finding themselves at the centre of a growing number of disputes.

That's because hundreds of companies headquartered in Toronto and Vancouver are at the forefront of mining in Africa. Over the course of the past few decades, Canada has quietly grown to become one of the largest players—possibly the largest, depending on how you quantify it—in Africa's mining sector.

This has happened with significant support from government. A host of fiscal measures, such as tax exemptions and trade agreements, make Canada a very good home for an international mining company. At the same time, Prime Minister Stephen Harper's Conservatives have

defeated numerous attempts to regulate the activities of Canadian companies operating abroad.

Canada's private sector is also especially conducive to the extractive industry. According to a December 2012 report drafted by the Toronto Stock Exchange, in the first nine months of 2012, 89 percent of all global mining equity financings happened on the TSX and TSX Venture.

This makes mining one of the most powerful engines driving the Canadian economy. But advocacy groups such as MiningWatch Canada caution that especially in developing regions like much of Africa, so many mining companies operating with so little oversight are a risk to human rights and the environment.

According to documents provided by Natural Resources Canada, 155 Canadian companies with "cumulative mining assets" totalling \$31.6 billion were operating in 39 countries in Africa in 2011. That was up from \$26.9 billion in 2010.

Canada is most active in the continent's eastern region, where companies have \$13 billion in assets, followed by the west with \$10 billion. The top five countries where Canada has money on the ground are Zambia (\$6.3 billion), Mauritania (\$4.7 billion), South Africa (\$4.3 billion), Madagascar (\$3.2 billion), and the Democratic Republic of Congo (\$3 billion).

Some of the major Canadian players in Africa today are Allana Potash Corp., Barrick Gold Corp. (through its majority holding of African Barrick Gold), Endeavour Mining Corp., First Quantum Minerals Ltd., Nevsun Resources Ltd., Platinum Group Metals, Sherritt International Corp., and Volta Resources Inc.

Those are the big names, most of which are headquartered in Toronto. But there are also hundreds of Canadian "junior" companies prospecting for future mines in Africa. Many of those firms have their head offices here in Vancouver.

"It is a fairly unknown fact amongst the average person that we are the largest cluster of junior and midtier exploration and development companies in the world," said Gavin Dirom, president and CEO of the Association for Mineral Exploration British Columbia. In a telephone interview, he listed five points that explain how a midsized city like Vancouver in a country with only 35 million people rose to a position of such prominence.

The first reason is history, Dirom said. British Columbia has a domestic mining industry going back more than 150 years, to when it was swept up in the gold rush of the 1800s. "Out of that, this business cluster has been created," he said.

That industrial component of actual miners and prospectors grew alongside complementary areas of expertise in academia and law (points two and three). Vancouver has not only drillers but also quality schools training tomorrow's miners and investing in research and development. And it has law firms and lawyers versed in the specifics of the sector who know how to negotiate contracts and liaise with government.

The fourth explanation is public policy and government itself, which has a long track record of supporting the mining industry.

Finally, there is a conducive financial atmosphere, Dirom noted, with venture capital available and an appetite for calculated high-risk investments.

“Those five pieces come together in a very unique way here in British Columbia and Vancouver,” he concluded. “It’s hard to replicate or see those five pieces anywhere else in the world.”



African Barrick, backed by Canadians, has a warning near its Tanzanian mine.

MININGWATCH CANADA has served as the country’s independent monitor of mining activities, both domestic and abroad, since its founding in 1999. Jamie Kneen, a coordinator for the group’s Africa program, described mining as a “mixed blessing”.

“Over the last century, massive amounts of wealth have left Africa, and not much of it has stayed there,” he said in a telephone interview from Toronto. “And the benefits of employment and contracting and so on have actually been diminishing in recent years.”

Kneen called attention to a “gold rush” in Africa, where companies are “going into some pretty sketchy areas”. He said there is a lack of oversight and accountability.

“There are hardly any Canadian laws of international application,” Kneen explained. “If something goes wrong [outside the country], people may be able to sue in Canada, but that’s not entirely clear.”

That leaves only the domestic laws of nations where mining companies operate and faith in self-regulation, he continued. “The risk is that they [companies] end up deliberately or inadvertently taking advantage of weak governance in other countries, weak laws, weak enforcement, and general impunity.”

Stephen Brown, an associate professor of political science at the University of Ottawa, described parallel government policies that support international mining with one hand while using the other to ensure companies can operate unencumbered by meaningful regulation.

“Some countries, like the U.S., have legislated that under domestic law it is illegal for their companies to conduct certain activities, abuse human rights, or destroy the environment,” he said in a telephone interview. “But it’s not illegal for Canadian companies to do so, at least not under Canadian law. Canada abdicates any responsibility and says it’s up to the host government to regulate or for companies to regulate themselves.”

Meanwhile, Brown continued, the Harper government is going to unprecedented lengths to support the expansion of corporations’ activities overseas. Brown called attention to one notable example: a series of programs initiated by the Canadian International Development Agency (CIDA) in September 2011 that sees funds marked as international aid used for skills training in partnerships with mining companies abroad.

“I’ve been following Canadian aid policy for a very long time,” Brown said. “And for the past two years or so, it seems much more closely intertwined with Canadian mining interests.”

Brown recently edited a book about aid. In *Struggling for Effectiveness: CIDA and Canadian Foreign Aid*, a chapter dedicated to the mining sector states: “Nine of the twenty CIDA countries of focus have among the top twelve largest reserves of the six most important metals in the world.” CIDA is also heavily invested in countries that possess deposits of minerals grouped in lesser categories, but still vital to industry (coltan, for example, which is essential for the production of mobile phones). “If one considers just these minerals, another seven countries of focus are added to the above list...bringing the total to sixteen of the twenty countries of focus.”

The Ministry of International Trade refused to grant an interview for this story.

Peter Julian, NDP MP for Burnaby–New Westminster and opposition critic for energy and natural resources, told the *Straight* that there have been attempts to advance accountability abroad.

He discussed a bill brought forward by Liberal MP John McKay in February 2009 that concerned corporate accountability in developing countries, and a private member's bill he himself raised in April 2009 that would have amended the Federal Courts Act to include provisions on the protection of international human rights. Neither bill went further than a first reading in the House.

“There are more investments happening,” Julian said. “And so I think it’s fair to say we need a legal framework, given the growth of those investments.”

Julian launched a second attempt, Bill C-323, to amend the Federal Courts Act in October 2011. He said he is more optimistic that this motion will overcome industry resistance but noted that the bill is unlikely to come up for a second reading until 2015.

Representatives of Canada’s mining industry concede that some operations overseas have run into controversies. But they argue that their companies are taking risks investing in regions where few others are willing to venture.

Pierre Gratton, president and CEO of the Mining Association of Canada, emphasized that it’s “not a black-and-white issue”.

He said that although critics of mining argue that corporations are taking advantage of weak state institutions abroad, those conditions actually create environments in which it is very challenging to operate.

“In the case of Barrick [in Tanzania], for example, you have these huge artisanal mining camps in and around their mine site, and that has led to a lot of conflict,” Gratton said. “So how do you manage the artisanal mining industry that develops in and around your mine? These can be very difficult issues.”

He maintained that general criticisms of mining companies are unfair. “I think our sector is, in many ways, one of the most important solutions there is to poverty in some of the developing world in Africa,” he said. “The mining sector can’t do it alone. But I think [that] without us, it won’t happen at all.”

Bruce Shapiro, president of MineAfrica Inc., a business-development and marketing firm, said that although Canadian companies have room to improve in areas of corporate social responsibility, Canada is “way ahead” of Asian and Eastern European countries.

Looking to the future, Shapiro predicted that with commodity markets sluggish, Canadian companies will focus on safe bets in countries with stable governments or notable exceptions such as the Democratic Republic of Congo, where high risks can yield very high rewards.

“Africa has got a lot of resources, and people will continue going there,” he concluded.

You can follow Travis Lupick on Twitter at twitter.com/tlupick.

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