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A reality check on Canadian mining in Africa

BY LUCIEN BRADET

It seems that every time you read or hear about Canadian mining in Africa, it's negative toward the industry. But Canadian mining operations in Africa are providing jobs to local people and taxes, dividends and royalties to local governments.

It seems that every time you read or hear about Canadian mining in Africa, it prompts negative feelings in you, or you develop a negative opinion toward the industry. Why? Simply because everything you read is quite negative, you are dealing half-truths, an incomplete picture of the situation, misleading opinion and, most of all, the results of shabby research.

A recent column published on *Embassy's* website, "[The roots of inequality: Mining profits soar, but Africans are still poor](#)," by Yao Graham (Nov. 14 daily update), fits this description somewhat.

There are over 54 countries in Africa, more than half of which have significant mineral potential. However, Africa's development has lagged behind that of other mining regions in the world. Inadequate mining policy and legislation, an unstable political climate, deficient infrastructure, lack of governance and difficulties in adjusting to decolonization, have contributed to relegate the African continent to the level of a secondary supplier of raw materials.

Canada's mining companies have played a central role in the revival of mining activities in Africa, particularly in mineral exploration. Since 2000, Canadian mining companies have spent about \$15 billion in mineral extraction and exploration in Africa. Today, the value of fixed mining assets owned by the Canadian mining industry in Africa stands at \$32 billion, a ten-fold increase over the last decade. Canadian companies have made many discoveries in recent years; most of them will become mining operations in the future, which will contribute to boost this number further. You have to remember that the mining cycle is long, as it takes five to 10 years from an initial discovery to the opening of a mine.

Many commentators advance the thesis that mining does not bring enough benefit to Africa's economy; it should be more. I agree, 'enough' in the resource extraction business is never enough, wherever you go in the world.

Industrial mining in Africa really started in the last 10 to 15 years, with the exception of South Africa and some surrounding countries. Many mining companies that existed before were often state companies that were saddled with big problems, not being able to introduce new technology and manage operations in an inefficient manner.

Today, Canadian mining companies provide more than 30,000 direct jobs at their mining and processing operations. In almost all African countries, mining jobs offer the highest-paid salaries, often equal to the salary of senior government officials. They work with the latest mining technology. Each worker is equipped with secure girds totally comparable with what is being used in Canada. This standard is not necessarily what you can observe in other mining operations.

We often hear that the mining industry just wants to extract resources and ship them without any value-added treatment. As mentioned above, modern industrial mining is new to Africa and the beginning of an emerging industry is expected, but this is changing very rapidly.

A number of copper smelters are now being built or expanded in Zambia, Namibia and in the Democratic Republic of Congo; there are gold refinery projects in Mali and elsewhere in Africa; Madagascar, with a state-of-the-art new nickel refinery, will export metal instead of material that is not fully refined. These processing operations need billions of dollars in investments and the training of thousands of workers. This trend will accelerate over the next few years as the African economy grows and becomes a consumer of finished mining products.

Source countries do reap rewards

We are also told in Mr. Graham's column cited above that mining companies make a lot of profit "but very little of this additional income and profits went to the mineral exporting African countries."

Again the reality is quite different, as demonstrated by the huge increase in assets owned by Canadian companies in Africa. The acquisition, development and building of these assets have been financed with internal capital but also with profits generated in Africa or elsewhere in the world. Africa is by far a net gainer in terms of capital flow going into its mining sector. In the recent past: \$7.3 billion has gone into Mali, \$7.1 billion into Zambia and \$4 billion into Madagascar.

The column also said that the mining industry is paying insufficient royalties and taxes to African governments. To prove this point the author pointed to Zambia that received a total of \$8 million US in tax revenue in 2004 from copper mining in the country.

But Zambia in 2010-2011 received more than \$420 million in taxes, royalties and dividends, close to 15 per cent of the country's domestic revenues. By comparison, international assistance for the same year totalled about \$200 million. Tax revenues in Zambia will continue to grow rapidly as a number of mining projects are being completed and will start paying taxes.

We are also told that there are tensions and conflict between mining companies and communities. This is true and we don't foresee that it will disappear soon.

This situation is, in many circumstances, due to artisanal small-scale mining. This means people going to a mine and using their hands and artisanal tools to collect raw material, extract the metal and sell it through informal channels. This is a large problem, not only for the mining companies that have received formal licences from the government, but also for governments that don't receive any benefit, royalties or taxes from these operations. We are talking about millions of persons in these totally unregulated environments.

It also brings with it a number of serious problems: it has fuelled many conflicts including those in Sierra Leone, the Democratic Republic of Congo and Angola; poor working conditions with high fatality and injury rates; and child labour. It creates a violent working environment. And mercury pollution from artisanal gold mining is the world's top source of toxic pollution, [according to Green Cross Switzerland and the Blacksmith](#)

Institute. Finding solutions to these challenges is very much the responsibility of each government working closely with local communities and companies involved.

Canada's main engine of development in the last 100 years has been the extraction of natural resources. The Canadian mining industry has the know-how, the technology, the experience and the ethics. These qualities contributed a great deal to make Canada a country of choice for the world. Why would Canada not be able to help Africa to develop its full potential and achieve similar results for all Africans.

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