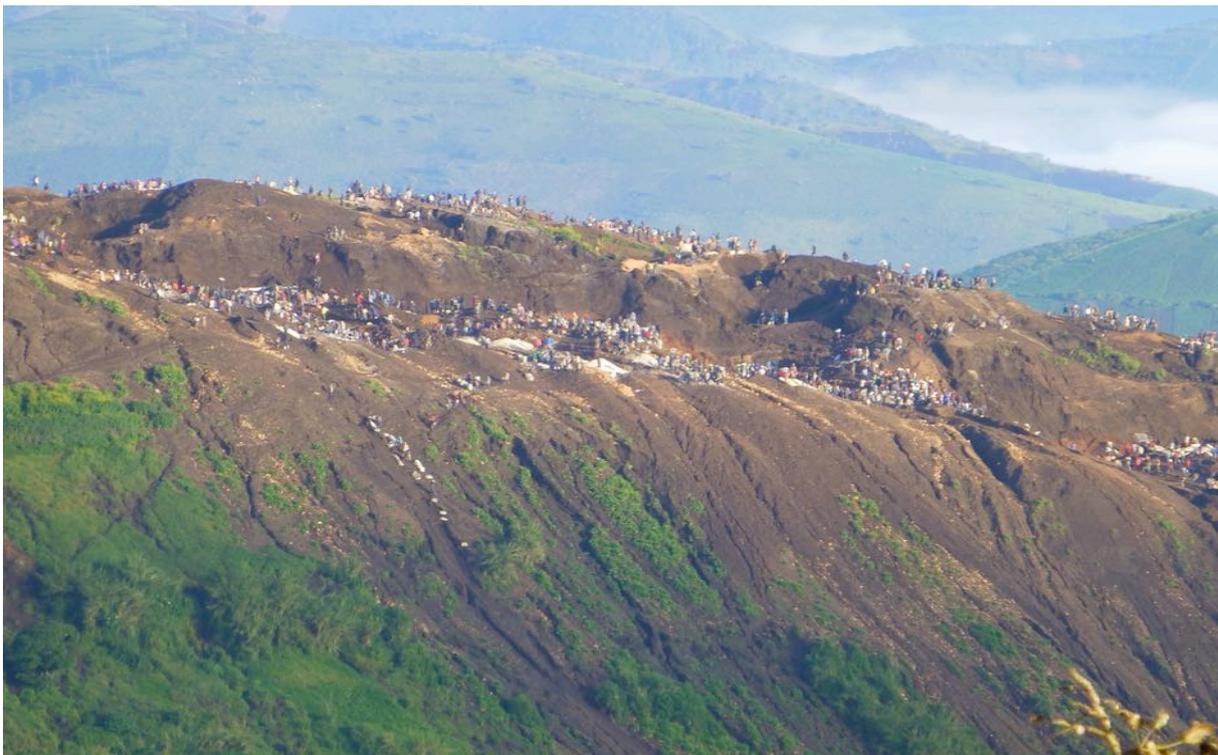




**A RESPONSE TO ‘TERR(IT)OR(IES) OF PEACE? THE CONGOLESE MINING FRONTIER AND THE FIGHT AGAINST “CONFLICT MINERALS”**

**PLUS ÇA CHANGE...**

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This paper is a response to Christoph Vogel and Timothy Raeymaekers’ recent article, “Terr(it)or(ies) of Peace? The Congolese Mining Frontier and the Fight against “Conflict Minerals””, published in 2016 in the journal *Antipode*. In it, we attempt to draw attention to how the critique of the existing policy framework for reducing conflict funding in the Great Lakes Region is made possible by the privilege of an academic viewpoint. In this instance, that viewpoint appears to obscure how messy the nature of the compromises in policy formulation and implementation inevitably are. In the absence of a clear articulation of an alternative policy framework for reducing conflict funding, they risk weakening the already shaky resolve to progress from reducing conflict funding associated with tin, tantalum and tungsten supply chains in the Great Lakes Region to implement a program for the more problematic case of gold.

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## Introduction

Vogel and Raeymaekers' recent essay makes a strong case against the efficacy of the regulatory regimes that have been developed to reduce conflict funding from the mineral trade in gold, tin, tantalum and tungsten, the so called 3TG, in the Great Lakes Region of Central Africa.<sup>1</sup> Their principal focus is on 3T. The main regulatory regimes aimed at reducing conflict funding from minerals are:

- The legal demand imposed in the USA by the Dodd-Frank Act (DFA) on publicly listed companies to exercise and report on due diligence in their mineral sourcing practices;
- The Due Diligence Guidance (DDG) written by the OECD guides companies in fulfilling that obligation;<sup>2</sup> and
- An initiative of the member states of the International Conference of the Great Lakes Region (ICGLR) that provides the national basis for mine site and export certification, the Regional Certification Mechanism (RCM).

For 3T, the practical implementation of these initiatives has been driven on the ground by ITRI's Tin Supply Chain Initiative (iTSCi). Established by the private sector organization International Tin Research Institute (ITRI), iTSCi aims to service the needs of the tin and tantalum industries for traceability and due diligence, and to meet the auditing standards of the Conflict Free Smelter Program (CFSP). Gold remains a 'challenge'.

It is useful to pose questions, as Vogel and Raeymakers' essay does, about the workings and impacts of such governance interventions. There appears, however, to be a basic confusion, or misrepresentation, at the heart of articles focusing on the impact of conflict mineral policy.<sup>3</sup> That misrepresentation takes the form of a straw man, namely that the DDG and related policies designed to reduce 'conflict funding' from the 3TG mineral trade, and particularly in the DRC, are all based on the premise that the mineral trade is the root cause of conflict in the DRC, and that stopping this source of funding to militia or FARDC will 'end the conflict'. Yet that is rarely (outside the loopier side of NGOdom), if ever claimed. It is certainly not the justification and rationale for the DDG and nowhere in the DDG do the authors reference such a claim.

Rather, the basic premise of the DDG is that companies sourcing minerals in the Great Lakes

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<sup>1</sup> Vogel, C. and T. Raeymaekers (2016) 'Terr(it)or(ies) of Peace? The Congolese Mining Frontier and the Fight Against "Conflict Minerals"', *Antipode*, Vol 48, No. 4, pp. 1102-1121.

<sup>2</sup> The auditing standards associated with the Conflict Free Smelter Program (CFSP) and the International Tin Supply Chain Initiative (iTSCi) have been derived from Dodd-Frank and the Due Diligence Guidance. The CFSP and iTSCi are the two main implementation mechanisms that have been developed by the private sector for 3T in the Great Lakes Region.

<sup>3</sup> See for instance: Autesserre, S. (2012) 'Dangerous Tales: Dominant Narratives on the Congo and their Unintended Consequences', *African Affairs* 443 202-222; Cuvelier, J. (2013) 'Conflict Minerals in Eastern Democratic Republic of Congo: Planned Interventions and Unexpected Outcomes', in D. Hillhorst (ed.) *Disaster, Conflict and Society in Crisis: Everyday politics of Crisis Response*, pp. 132-148. New York: Routledge; Cuvelier, J., Diemel, J. and K. Vlassenroot (2013) 'Digging Deeper: the Politics of 'Conflict Minerals' in the Eastern Democratic Republic of the Congo', *Global Policy* 4 449-451; Radley, B. and C. Vogel (2015) 'Fighting Windmills in Eastern Congo? The Ambiguous Impact of the 'Conflict Minerals' Movement', *The Extractive Industries and Society* 2 406-410; Seay, L. (2012) 'What's Wrong with Dodd-Frank 1502? Conflict Minerals, Civilian Livelihoods, and the Unintended Consequences of Western Advocacy', Working Paper No. 284. Washington, DC: Center for Global Development. See also the 'Open Letter' of 2014, available at [thuin.files.wordpress.com/2014/10/09092014-open-letter-final-and-list-doc.pdf](http://thuin.files.wordpress.com/2014/10/09092014-open-letter-final-and-list-doc.pdf).



Region have a responsibility to conduct due diligence to check that their purchases do not fund armed groups, criminal networks in the Armed Forces of the DRC (FARDC), or involve the worst forms of child labour. That is a very long way from claiming that exercising such diligence will change 100 years of regional history, or resolve group conflicts over land tenure, resource distribution and identity or even bring about Security Sector Reform (SSR) and transparent resource governance. That, as we know, must and can only primarily be the work of the citizens of the region, not the ‘international community’ or international mining companies and mineral traders. Company due diligence can at best aspire to play a modestly helpful supporting role in the larger drama of the region’s history, a history in which other more important actors will determine the outcome.

### **An Alternative Reading of ‘The Fight against Conflict Minerals’**

What Vogel and Raeymaekers’ essay, sadly, fails to explore is the more intellectually demanding and pressing issue, namely how in/security and livelihoods interact to produce policy paradoxes that make any governance intervention, or non-intervention, problematic and morally dubious. Put at its simplest, there is a dilemma: one horn is to leave the 3TG trade unregulated and companies left free to trade. This option means buyers do not pass on the costs of due diligence and traceability to artisanal miners who can ill-afford to pay them, but also leaves militia and rogue FARDC units free to keep extracting rents from mineral supply chains, with the result that international mineral buyers and consumers end up contributing to conflict funding. The other horn is to impose due diligence and traceability requirements on companies, which will mean these costs will fall on artisanal miners. Finding a middle path between these two negative outcomes is far harder, but more constructive, than simply pointing an accusatory finger at the negative livelihoods or human rights consequences of either path.

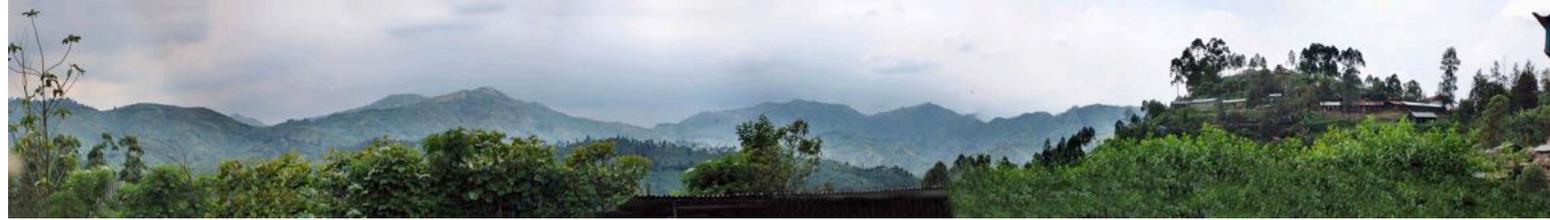
Vogel and Raeymaekers at times fail to follow their own logic. They use the history of the coltan price and a steep price spike in the late 2000s to explain why artisanal miners moved into coltan mining during that period. Yet when it comes to a later shift of many artisanal miners out of coltan, the authors have asserted, without much evidence, that the reason was iTSCI’s ‘capture’ of mine sites (see Vogel & Raeymaekers 2016: 1112). Yet it was also true that during this period the coltan price had declined while that of gold remained much steadier. Their explanation also struggles to account for a rise in recorded DRC tin and coltan exports between 2011 and 2014.<sup>4</sup>

All four minerals have fallen in price since 2010 but there has been a steeper decline in the international price of coltan, tin and wolfram than there has been for gold. There was a 40 to 50 percent drop in the price for tin from \$14 per pound in 2011 to an average of \$9 in 2012.<sup>5</sup> Coltan dropped from \$250 per kilogram in 2011/12 to \$150 at the end of 2013, wolfram from \$50 per kilogram in 2011 to \$25 per kilogram in 2015, and gold dropped around from \$55 per gram in

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<sup>4</sup> See [www.itri.co.uk/itsci/itsci-project-overview/itsci-project-overview](http://www.itri.co.uk/itsci/itsci-project-overview/itsci-project-overview).

<sup>5</sup> The use of the dollar sign throughout represents US dollars.



2011 to \$37 per gram in 2015.<sup>6</sup> Significantly, despite the price falls, artisanal mining in eastern DRC has remained profitable enough to continue to attract a huge labour force.

In this context, it is strange that Vogel and Raeymaekers refer mainly (35 times) to iTSCi and not once to the neutral and extensive research of the International Peace Information Service (IPIS). Research published by IPIS in 2015 indicated that on the 1,088 sites surveyed there were around 180,000 artisanal gold miners, or *four times more* than the 40,000 miners in 3Ts in the Kivus, Maniema and Ituri.<sup>7</sup> This contrasts markedly with the 80,000 and 100,000 artisanal miners identified by IPIS in gold and 3Ts respectively in their more limited Kivus-focused study in 2009.<sup>8</sup> The IPIS study found that in 2014:

- a) There was a far higher level of armed group presence on gold mines (61 percent), where no traceability/ due diligence initiatives had been implemented, than in the 3Ts (27 percent);
- b) That illegal taxing of the gold trade was significant in funding armed groups and FARDC criminal networks; and
- c) That ASM livelihoods were entwined with these illegal payments.

Using the IPIS figures, which admittedly represent an unknown percentage of the actual total, we calculate for livelihoods that, on the sites surveyed by IPIS, there are approximately 216,000 miners earning approximately \$100 per capita per month in eastern DRC in 3TG.<sup>9</sup> That would equate to \$21.6 million each month into the pockets of poor rural workers and their families, giving an annual total of \$260 million from 3TG.

For conflict funding, it is clearly very difficult to generate exact figures, so a reasonable approach is to use upper and lower estimates. IPIS found that the level of taxation imposed by armed groups at the level of the mine site is similar to that imposed by the Ministry of Mines' Service for the Assistance and Supervision of Small-Scale Mining (SAESSCAM). Thus, if we assume that FARDC and militia rent extraction from this trade ranges between 2 percent and 10 percent of the total, and taking the figure of \$259 million per year as an approximation of the total value of the gold supply chain in which IPIS identified armed group and FARDC presence,<sup>10</sup> then the possible range for 'conflict funding' extracted at the mine site is \$5 to \$26 million annually for gold, but only \$200,000 to \$2 million for 3Ts, for the 1,088 sites surveyed in the Kivus, Maniema

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<sup>6</sup> For all figures see [www.infomine.com](http://www.infomine.com).

<sup>7</sup> IPIS (2015) 'Mineral Supply Chains and Conflict Links in Eastern Democratic Republic of Congo'. Antwerp: IPIS. Available at [ipisresearch.be/publication/mineral-supply-chains-and-conflict-links-in-eastern-democratic-republic-of-congo/](http://ipisresearch.be/publication/mineral-supply-chains-and-conflict-links-in-eastern-democratic-republic-of-congo/).

<sup>8</sup> IPIS (2009) 'Interactive Map of Militarised Mining Areas in the Kivus'. Antwerp: IPIS. For the research methods in 2009 see [http://ipisresearch.be/wp-content/uploads/2009/08/20090810\\_miningKivus.pdf](http://ipisresearch.be/wp-content/uploads/2009/08/20090810_miningKivus.pdf).

<sup>9</sup> The income estimate is drawn from Geenen (2016) *African Artisanal Mining from the Inside Out: Access, Norms and Power in Congo's Gold Sector*, p. 94. New York: Routledge. This may be an over or under estimate, but in any case, both Geenen and IPIS stress the variability of artisanal earnings both in the course of a dig and between seasons. The \$100 figure is a rough average used to generate the figures that follow. In her research sites, Geenen estimates the average return for a pit chief in a gold mine is over \$1,000 per month.

<sup>10</sup> Using the estimate of 180,000 artisanal gold miners earning \$100 per month gives a total of \$216 million of earnings per year. Following Geenen (2016), we can estimate these earnings to represent half of the total value of the gold trade, which we can therefore estimate at \$432 million. The figure of \$259 million used above represents 60 percent of that \$432 million of gold trade that FARDC and armed groups are estimated to tax. These figures are of course approximate, but are used to highlight the large disparity between gold and 3Ts.



and Ituri by IPIS in 2013 to 2014.

Another means to estimate these figures is the (conservative) estimated value of annually smuggled gold exports at 10 tons (10 million grams), with an export value at \$40 per gram of \$400 million. If 60 percent of that trade (\$240 million) is taxed at between 2 percent and 10 percent that gives us a similar figure for conflict funding and livelihoods respectively. The actual amounts would be somewhat higher if the sites not visited by IPIS could be included, but the IPIS survey does cover the largest mining sites, as well as a significant proportion of smaller ones, from all over Eastern Congo, not just the Kivus. The report notes:

The apparent shift of artisanal miners from 3T to gold and the current scale of artisanal gold mining have important consequences for the financing of armed groups and criminal networks. The wide availability of gold throughout the DRC, including in very remote areas, means that armed groups wishing to mine, trade or tax gold to finance their activities have many opportunities, not least because the export of the country's artisanal gold production is almost entirely unrecorded.<sup>11</sup>

When viewed globally, data on 3TG workers over the periods 2009/10 and 2013/14 indicates a reduction in the amount of 3T production involved in directly or indirectly financing both non-state armed groups and public security forces. Here, the number of 3T workers whose production was affected by the presence of these actors notably declined from 57 percent at sites visited in 2009/10 to 26 percent at sites visited in 2013/14.<sup>12</sup> IPIS's 2013/14 research also shows the strong significance of gold to conflict financing in eastern DRC, with the presence of public security forces and/or non-state armed groups at 524 of around 850 gold mines (61 percent), compared to 59 of 200 3T sites (26 percent).<sup>13</sup> The report continues:

Non-state armed group presence was virtually equivalent to that of Congolese public security forces at mine sites surveyed in 2013/14. With a presence at 304 sites, these groups continue to benefit from mining activities whilst also being responsible for serious human rights abuses, including in the course of perpetrating incursions on mining areas. One in four artisanal workers is engaged at a mine subject to armed group interference.<sup>14</sup>

Problematically, in discussing the supposedly limited and detrimental role of iTSCi in the Kivus, especially in the complicated and particular circumstances of the mines around Rubaya and of the company SMB in that area, it is strange that Vogel and Raeymaekers make no mention of the DRC's main area of iTSCi activity, namely Northern Katanga (now Tanganyika Province).<sup>15</sup>

Obviously, there will be differences in the effect of iTSCi, or indeed any such system, in relatively peaceful areas of the Great Lakes Region, such as Rwanda and Northern Katanga, that can more easily be opened to international markets that are demanding 'conflict free' and traceable 3Ts, precisely because they are relatively unaffected by conflict. Those more affected by conflict, like the Kivus, meanwhile, will experience restrictions on trade due to the higher risks there of mining funding armed groups and criminal networks in the FARDC.

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<sup>11</sup> IPIS., op. cit., p. 19.

<sup>12</sup> Ibid., p. 9.

<sup>13</sup> Ibid., p. 26.

<sup>14</sup> Ibid., p. 33.

<sup>15</sup> SMB, formerly MHI, has been subject to an unparalleled level of international attention, and has had to facilitate no less than thirteen examinations for audits, due diligence, certified trading chains, an RCM audit and the like since 2011 (interviews).



It is not a huge revelation that when international buyers seek to avoid the risks of conflict funding, by refusing to buy minerals from mines taxed by militia and/or rogue FARDC, this has a negative impact on the livelihoods of the associated miners, any more than it is that continuing to trade with mines taxed by armed groups contributes to funding conflict. Wherever there is conflict funding from the 3TG trade, there are also livelihoods. The costs of a system like iTSCi do not ‘delink’ local prices from international prices. What they do is burden upstream producers with the additional costs of the system, reducing their profit margin. The size of this profit margin, however, still fluctuates with the international price, whereas (so far) traceability and due diligence system costs have been relatively static.

iTSCi is the only significant such system functioning in the Great Lakes Region, and so can be seen as a monopoly. Yet this does not change the fact that if any new and possibly cheaper alternatives to iTSCi, such as the Better Sourcing Program, are to provide similar assurances to international buyers, they will also have system costs that will be born upstream.

Vogel and Raeymaekers’ critique of iTSCi, without any suggestion regarding an alternative system, begs the question, what are you suggesting? Should we infer that if the DRC’s 3TG ASM were left unregulated, free from interference by the supposedly predatory iTSCi/GDRC/RCM/OECD, it would somehow generate ‘good’ development? The implication from such an inference is that any associated conflict funding should be accepted as better than the predatory ‘neo-liberal’ nature of the regulatory alternative. The authors’ position appears to be that since armed group and FARDC predation on ASM is not a cause of conflict but a symptom, the predation should be left intact.

Nowhere, however, does the essay offer analysis indicating sufficient domestic political will or capacity to address the causes of conflict. In this respect the article chimes with other academic work in which the Congolese state appears to be presented both as the source of the deeper problems, and, paradoxically, as the solution.<sup>16</sup> On the one hand, this work may speak of the Kabila clan’s capture of the state, systemic corruption and neo-patrimonial politics. On the other, this same captured state is often presented as the source of solutions, to include, ambitiously, SSR, a properly independent judiciary, the development of a functioning democracy that could ensure government accountability, the development of institutional transparency over concession sales, and so on.

But what is to happen during the presumably lengthy period when the captured state attempts these governance reforms? Should state and non-state armed groups be left to tax the mineral trade, alongside other parts of the economy, as best they can until the day when the underlying, oh so complex causes of conflict are resolved by...what? Is the conclusion we should draw that international mineral traders should simply go back to buying ASM 3TG from Eastern Congo without the costs of traceability, auditing and due diligence because the associated costs get

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<sup>16</sup> See for instance prominent Congo-focused academic Jason Stearns in Foreign Affairs, [www.foreignaffairs.com/articles/democratic-republic-congo/2013-08-12/helping-congo-help-itself](http://www.foreignaffairs.com/articles/democratic-republic-congo/2013-08-12/helping-congo-help-itself). In relation to the land access issue and conflict, see Ansoms, A. and T. Hilhorst (2014) *Losing your Land: Dispossession in the Great Lakes*. Oxford: James Currey.



passed on to artisanal miners, and many miners in conflict zones are excluded?

It is true, as the essay explains, that many artisanal tin and coltan mines, particularly in the Kivus, have been excluded from iTSCI. The essay argues that conflict is generated by the limiting of mining opportunities to mines certified 'green', giving them eligibility for inclusion in the iTSCI system, while others are either left uncertified or are flagged 'red'. Certainly, static certification systems fail to capture the constantly changing facts on the ground relating to militia presence. However, the alternative - swifter, more extensive, stricter and more accurate due diligence and traceability - will have an even worse impact on livelihoods because any more robust and reliable system will cost more, such as more frequent audits. So we come to questions that loom over but are not posed in the essay.

- What would a credible policy intervention aimed at reducing conflict funding from the 3TG trade that had no negative impact on livelihoods look like?
- How would getting rid of the relevant Dodd-Frank Act clauses, the OECD's DDG and the ICGLR's RCM reduce conflict funding?
- If retained, how would or should the DDG, the Dodd-Frank Act and the RCM be re-written so as not to impact livelihoods negatively while also stopping the trade contributing to funding armed groups and criminal networks?

### **Artisanal Production and Industrialisation**

At a more general level, and not just in relation to this essay, there is another problematic question that hangs over the implicit or explicit espousal of the customary rights of artisanal miners over the legal rights of companies with industrial mining concessions. Where in the world have taxes levied on ASM ever been capable of funding state reforms, or the levels of well-being and environmental protection associated with tax funded public sanitation, schools, roads, hospitals, independence of the judiciary, a public service ethic and a civilian-controlled military?

That is not to say that achieving the wealth and welfare levels generated by industrialisation (and the associated legal 'formalisation' of land tenure) and democratic government would not benefit from thinking how best to mitigate the worst impacts of such 'development' on the transitional generation who lose access to land. However, unless some alternative model of how to establish the tax base to fund public services is presented, it is not clear what the basis is for questioning policies aimed at building that tax base, in part through the industrialisation of mining.

The characterization in the essay of industrial development funded by international capital as (wickedly) 'neo-liberal' seems to hint at the existence in the authors' minds of another, more radical alternative.<sup>17</sup> In fact, industrialisation has always been a core premise of Marxist thinking about human freedom, security and well-being. And lest then the private sector-driven nature of

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<sup>17</sup> In the passage that follows, industrial development is restricted in its definition to the legal formalisation of land tenure, which historically has generally been a critical precursor to and component of the process.



industrial development, and the associated ‘formalisation’ implying state sanctioned legal *private* ownership be considered key, it should be remembered that state-driven industrialisation of mining is no different from its private sector alternative as far as the lower status of ASM community land rights compared to those of the state. In the DRC, ironically, the state has a very strong track record in contributing to unplanned de-industrialisation since independence, of both mining and transport. Although there is hardly an impressive track record for Marxist-influenced worker-based models of ownership and management in generating the capital concentrations necessary for an industrialisation process, this remains a third option, even in the DRC!

There are interesting similarities between the Luddites and the Swing rioters in early 19<sup>th</sup> century England, and the artisanal miners that are in conflict with industrial mining concessions over land tenure in the DRC today. They are united by their marginality to capitalist-driven industrialisation, which places them at risk of being excluded from access to vital resources, especially land. It would be interesting to know whether those academics and activists now focused on the rights and livelihoods of artisanal miners at risk of being displaced from industrial mining concessions in the DRC, as elsewhere in Africa, would have supported the Luddites and Swing rioters in their resistance.

These rural labourers rose up in revolt at the loss of access to common land through enclosure and the destruction of their livelihoods by the mechanisation of weaving and the adoption of the threshing machine between 1790 and 1820 at the dawn of the industrial revolution. Andrew Milke invented the threshing machine in 1786. Threshing accounted for about a quarter of agricultural labour all over the world at the time.

Like the artisanal miners in the DRC cleared from the land by global mining companies that have used their capacity to raise capital to purchase concessions from the Congolese government and invest in industrial mining methods, the first casualties of the enclosures of common land in England in the 17<sup>th</sup> and 18<sup>th</sup> centuries were the rural labourers and smallholders. Thousands of rural manual livelihoods, as mechanisation would imply for artisanal mining in the DRC, disappeared in 18<sup>th</sup> and 19<sup>th</sup> century England with the adoption of mechanical production methods by wealthier farmers and landowners.

A functioning (British) state ‘managed’ the violent resistance of the tens of thousands who lost their livelihoods. The British state had an army and police force capable of monopolising violence. That force was used to defend the formal property rights and machinery of relatively wealthy farmers and early industrialists. This was at the expense of labourers’ livelihoods who had no such state-defended rights to common land. Nor did these labourers have the collective organisation or capital for investment in property and mechanization possessed by the large landowners and farmers. The capacity to monopolise violence in the protection of one form of property rights is what the government of Britain had. This is what the Government of the DRC (GoDRC) lacks in Eastern Congo, where artisanal miners have invaded industrial concessions and looted industrial machinery, often claiming customary rights to land in the process.



The Luddite riots occurred in Northern England from 1811 to 1816 against mechanical weaving, and the Swing Riots all over England 14 years later in 1830. The mechanisation of threshing provided a final impetus for revolt after the years of enclosure:

No longer were thousands of men needed to tend the crops, a few would suffice. With fewer jobs, lower wages and no prospects of things improving for these workers the threshing machine was the final straw, the machine was to push them to the brink of starvation. The Swing Rioters smashed threshing machines and threatened farmers who had them. The riots were dealt with very harshly. Nine of the rioters were hanged and a further 45 were transported to Australia ('Swing' was apparently a reference to the swinging stick of the flail used in hand threshing).<sup>18</sup>

We are not advocating such state violence in the protection of the property rights of capitalists against rural labourers. However, it is worth thinking about the contrast in the number of livelihoods provided by ASM in the DRC, between 500,000 to 2 million, and the number provided by Large Scale Mining (LSM), 50,000, or 11 percent of formal employment.<sup>19</sup> If we then look at the DRC government's official figures (with all the usual caveats), industrial copper, cobalt, gold and oil provide about 90 percent of foreign exchange earnings and 20 percent of tax revenues, while 3TG and diamonds provide 5 and 1-2 percent respectively.<sup>20</sup>

One industrial gold mine in Northeast DRC, Kibali Gold Mine, produced 20 tons of gold in 2015 with less than 5,000 workers and contractors, most likely more gold than the DRC's entire ASM sector.<sup>21</sup> If all the DRC's ASM production that could be industrialised was industrialised, let us, for the sake of argument, say that 500,000 livelihoods would be lost. This is not far off the total number of those Congolese estimated to be in formal employment. This is not some theoretical issue. There are live conflicts between artisanal miners and industrial concession owners over land use rights on all the major 3TG sites in Eastern Congo. It might reasonably be argued that the GoDRC would not use any increased tax revenues from industrialisation for public services in the short to medium term. It would be used for neo-patrimonial expenditure and buying elections. So we come to an impasse.

Based on the suffering it would bring to 500,000 people and their 5 million dependents, are we to campaign with slogans like *No to the enclosure of the mining concessions by multi-nationals, no to the exclusion of artisanal miners, no to the industrialisation of 3TG!*? Is the present or the future a more legitimate basis for making this judgement?

In the early 19<sup>th</sup> century UK that would have meant supporting the Luddites and Swing rioters smashing the weaving and threshing machines, ending the enclosure of the commons, and returning to small-holder agriculture and artisanal weaving. Back then, Britain's tax revenue as a proportion of GDP varied around 10 percent. What little in the way of free health and education came from charity or 'informal taxation', as in the DRC today. UK state law served property owners as it now does in the DRC, and the UK did not even have universal suffrage as the DRC does today.

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<sup>18</sup> See [en.wikipedia.org/wiki/Swing\\_Riots](http://en.wikipedia.org/wiki/Swing_Riots).

<sup>19</sup> Extractive Industries Transparency Initiative (2015) 'Rapport ITIE RDC 2014'. Kinshasa: EITI.

<sup>20</sup> See [minfinrdc.com/minfin/wp-content/uploads/2015/08/Statistiques-du-Secteur-minier-pdf](http://minfinrdc.com/minfin/wp-content/uploads/2015/08/Statistiques-du-Secteur-minier-pdf).

<sup>21</sup> See [reports.randgoldresources.com/report/2015/review-operations/kibali-gold-mine](http://reports.randgoldresources.com/report/2015/review-operations/kibali-gold-mine).



One hundred years later in Western Europe, between 1900 and 1960, the tax take rose from around 15 percent to over 30 percent of GDP. It was only then that European populations really started to see substantial redistributive taxation and public services. Globally, increases in the percentage of GDP that is taxed is closely correlated with the level of GDP per capita. Low-income countries tend to have a low tax take as a percentage of GDP for the obvious reason that people on low incomes cannot afford to pay 36 percent in tax. As GDP per capita saw rapid growth in Western Europe, from \$2,885 in 1900 to \$10,000 in 1970 and to \$20,000 in 2004, the average tax-take rose from 15 percent to 36 percent. By 2004, this gave European governments an average of \$7,200 to spend per person on public services.<sup>22</sup> The identification by the economist Wagner of the strong correlation between rising GDP and tax as percentage of GDP goes back to the 1880's and has been named 'Wagner's Law'.<sup>23</sup>

In 2014, the DRC's GDP was \$33 billion and GDP per capita was below \$500.<sup>24</sup> The tax take of \$4.2 billion was only 13 percent of GDP.<sup>25</sup> The GoDRC can fund an administration and electoral patrimony, but not public services. It only has \$50 to spend per person per year from formal taxes and it has as many as half a million civil servants to pay.

There is one proviso, although not one that changes the basic argument - the question of 'informal taxes', or what others call corruption, or non-legal payments to government employees. In 1992, Prud'homme calculated that the level of 'informal taxes' in the DRC was six times the level of formal taxes.<sup>26</sup> If that estimate still held today, that would mean the 'informal tax' take that directly funds the incomes of civil servants is 78 percent of GDP! That is unless the 'informal' economy is also six times bigger than the World Bank estimates for GDP!

## Conclusion

Let us go back to the Luddites and industrialisation, and a 1934 quotation from Harry Jerome:

The term Luddite fallacy is used by economists in reference to the fear that technological unemployment inevitably generates structural unemployment (and is consequently macro-economically injurious). If a technological innovation results in a reduction of necessary labour inputs in a given sector, then the industry-wide cost of production falls, which lowers the competitive price and increases the equilibrium supply point which, theoretically, will require an increase in aggregate labour inputs.<sup>27</sup>

Such technical language pays no heed to how development that involves the 'technological unemployment' that has accompanied the mechanisation, particularly of agriculture, has been brutal for those millions who have hungered after losing their livelihoods. But it is far from clear

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<sup>22</sup> See [ourworldindata.org/data/growth-and-distribution-of-prosperity/gdp-growth-over-the-last-centuries/](http://ourworldindata.org/data/growth-and-distribution-of-prosperity/gdp-growth-over-the-last-centuries/), <http://www.economicshelp.org/blog/5326/economics/government-spending/> and [https://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_tax\\_revenue\\_as\\_percentage\\_of\\_GDP](https://en.wikipedia.org/wiki/List_of_countries_by_tax_revenue_as_percentage_of_GDP).

<sup>23</sup> See for instance [http://www.global-labour-university.org/fileadmin/GLU\\_conference\\_2010/papers/59.The\\_past\\_present\\_and\\_future\\_of\\_public\\_spending.pdf](http://www.global-labour-university.org/fileadmin/GLU_conference_2010/papers/59.The_past_present_and_future_of_public_spending.pdf) and on its general applicability to OECD countries <http://onlinelibrary.wiley.com/doi/10.1111/j.1468-0475.2010.00517.x/abstract>.

<sup>24</sup> See [www.worldbank.org/en/country/drc](http://www.worldbank.org/en/country/drc).

<sup>25</sup> Finance Ministry figures.

<sup>26</sup> Prud'homme, (1992) 'Informal Taxation in Developing Countries', *Environment and Planning C: Government and Policy* 10 1-17.

<sup>27</sup> Jerome, H. (1934) *Mechanization in Industry*, pp. 32.25. New York: National Bureau of Economic Research.



how the concentrations of land, capital and technology that now provide the tax base for the richer parts of the world to fund their welfare systems can be achieved in poorer countries without disruptions to existing economic and land access systems. The failure of ‘modernisation’ in Africa, such as it is, has been marked by the absence of industrialisation.

Whether that is mainly the consequence of Western colonial and neo-colonial domination, or as much an outcome of domestic neo-patrimonial politics is a different question. It may be that a middle path can be carved in which industrialisation co-exists with ASM, with some formalisation of ASM to reduce its damaging environmental impacts, improve health and safety and reduce child labour and debt bondage. For instance, the Mozambican government policy on artisanal mining is built on this premise and the Ethiopian and Mongolian governments have decriminalised and engaged constructively with artisanal mining and begun to extract rents. The Ethiopian government now supports safer working practices in ASM gold, provides a guaranteed price by digital bank transfer to miners and benefits from the foreign exchange earnings of international gold sales as it buys the gold in local currency.<sup>28</sup> This now provides a significant source of foreign exchange earnings for the Ethiopian government, and its constructive engagement with the ASM sector does not preclude investment in industrial gold mining. In any case, especially for 3Ts, many ASM sites would not be economically viable for large-scale industrial investment.

The terrible suffering that has been caused historically by the land dispossession associated with capitalist- or state-driven industrialisation of mining, like with other forms of ‘development’ such as hydro-schemes and industrial agricultural projects, can be mitigated. But it can only be mitigated to a certain extent. Whatever material recompense or careful relocation is engineered, any deep connection people have with the land and landscape from which they are dispossessed cannot survive dispossession. Growth in the economy may provide alternative livelihoods and better public services in the long term. There is little if any prospect of the state, or the development industry, having the resources to create ‘alternative livelihoods’ for between 500,000 and two million artisanal miners in the DRC in the near future.

Positive state engagement with ASM has its benefits, as the examples of Mongolia and Ethiopia demonstrate. But what has not appeared in our collective political or economic imagination is a credible alternative to industrialisation that can provide the tax base for universal public services and welfare in the DRC, or elsewhere in Africa. This is not to argue that all of humanity is locked into an historical teleology defined by the industrial development path followed historically by Europe, the Americas, Japan, South Korea and now China, but until a credible alternative to industrialisation is presented, or the hopes of the tax base it makes possible are abandoned, *soyons sérieux!*

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<sup>28</sup> Through the National Bank of Ethiopia, the Ethiopian government has increased its gold purchases using local currency from 735 kilograms in 2009 to 8,386 kilograms in 2013. See [www.worldbank.org/content/dam/Worldbank/Event/Africa/Ethiopia%20Extractive%20Industries%20Forum%202014/4a\\_MOM.pdf](http://www.worldbank.org/content/dam/Worldbank/Event/Africa/Ethiopia%20Extractive%20Industries%20Forum%202014/4a_MOM.pdf).



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