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# Can Britain Break with its Colonial Past? A critique of the British government's and British extractive companies' role in Africa

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History teaches us that Britain was the world's largest empire and pre-eminent superpower during the 19th century. During this period, Britain built thriving global companies that cemented its economic dominance – by exploiting the resources of its colonies and other countries.

Africa's vast resources were plundered to support the development of Britain – and other European powers – while contributing minimally to the development of the continent. Poverty on the continent is as bad as ever. Inequality is also just as severe, if not worse, and there are increasing conflicts between extractive companies and communities. This is symptomatic of widespread and age-old tension around access to – and exploitation, distribution and utilisation of – Africa's resources. There is no discussion on Africa today that does not make reference to the contradiction that exists between its wealth of natural resources and the poverty of most of its people, especially those living in mining communities.

**British Mining Companies**

When speaking about British mining companies, there are two realities we need to keep in mind. The first is that today there are no companies that are purely British. Globalisation and the mobility of capital make it difficult to identify companies as entirely British. However, a British company is a company that is headquartered in the UK and formed under the UK Companies Act. It means these companies can access capital markets by being traded on a UK exchange. In Britain, the London Stock Exchange (or LSE) is the dominant UK listed platform. Any company that is listed on the LSE must be treated as a British company.

The second reality is that Britain's extractive industries should adhere to EU and UN normative frameworks. Most principles that guide British mining companies are designed and adopted at the EU level, such as the OECD principles, the Extractive Industries Transparency Initiative (EITI), and many more. Equally, Britain is a signatory of international human rights and environmental standards, including the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, the UN Declaration on the Rights of Indigenous Peoples and Convention on Biological Diversity.

There is no doubt the corporate governance and the social responsibility of British companies are major issues of public debate in Africa, given Britain's significant role both now and in the past in the extractive sector in Africa. The mining sector might be in decline here in Britain, but it remains a key player in the global mining sector due to the strength of its financial sector and stock exchanges, as well as its technology and knowledge production. Many mining companies are connected to the UK through its financial sector and because it is a source of expertise on exploration and production, especially via a number of its universities. Most of these UK-linked companies are based in Scotland in places like Aberdeen.

British mining companies' operations in Africa are not very different from that of other multinational companies. They provide the necessary capital investment and work in a manner designed to ensure maximum benefit to the company. In Africa, those who bring in capital have far more influence on mining rents than the owners of the minerals. The rent distribution is skewed in favour of mining companies because – they argue – they take enormous commercial risks to invest in unsecure environments. In this context, their investment becomes a 'race to the bottom'.

It is not by accident that European companies, including British ones, have been on the receiving end of criticism for the pillage of Africa's resources. The scramble for resources involving British mining companies usually sees them overlook the national context within which they operate. British companies have no problem investing in countries at war or in countries suffering from serious human right abuses and systemic corruption. In a number of cases, British companies are extracting minerals in situations of conflict or extreme poverty, which reflect William Reno's description of *Afrique Utile* and *Afrique Inutile* (Usable and Unusable Africa).[1] Usable Africa is the territory that contains minerals, which are protected by companies' private security. Unusable Africa is land that is managed by a dysfunctional and corrupt state, which has disengaged from its primary prerogative – the delivery of basic services. There seems to be an acceptance by British companies of the idea that these two situations can operate in parallel – that effective mineral production and endemic violence or poverty can co-exist.

The reality is that the state provides British companies with licences in a dubious manner and at a reduced price, which allows them to reap the maximum rent. The little that is paid to African government in taxes, royalties and bonuses is captured by a small elite.

British companies – despite their moral rhetoric – fall easily into the trap of accepting Africa's logic of personal rule. Europe, when its interests are threatened, also helps to shore up extractive and destructive personal rule in Africa and in the process undermines democracy.

**Angola**

In Angola, for example, the British government has failed to criticise the lack of transparency and accountability of – and the human rights abuses perpetrated by – the regime of President Dos Santos because of the major oil interest of BP (formerly British Petroleum). Angola's dreadful human rights record and the extreme level of embezzlement of funds by the ruling elite should be enough to elicit some harsh rebukes from the British government – Zimbabwe has been regularly taken to task for far less. However, the British government is clearly unwilling to jeopardise its relationship with the closed and repressive oil-rich country in order to allow its companies to continue to operate there.

It seems that Europe in general – and Britain in particular – have been taken in by Angola's soaring, double-digit economic growth rate over the past decade, and have never seen fit to ask the key question – economic growth for whom? It seems for Britain that – when it comes to Africa and protecting its interests – wealth creation is far more important than wealth distribution. GDP growth is the be all and end all – regardless of whether it leads to any reduction in inequality or any real, sustainable socio-economic development.

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1 William Reno, *Warlord Politics and African States* (Boulder, CO; Lynne Rienner, 1998), p. 35.

**The DRC**

The second reality depicts Africa as the world's poorest continent, where the majority of people live with no access to clean water, decent health care, education and electricity, and struggle to survive in the face of high levels of unemployment, poverty and inequality. This is the reality we see all around us in Africa. And when one looks at the countries with high growth rate they are all – with the exception of Ghana and Zambia – still facing serious challenges on the democratic front, with high instances of corruption in the extractive industries. Some are literally in the midst of civil wars such the Democratic Republic of the Congo (DRC), where AngloGold Ashanti is investing in gold in a context of acute political intractability. Human Rights Watch issued well-known reports on the AngloGold Ashanti adventure when it entered into lucrative relations with the FNI rebel movement in 1994.[2] This example speaks volumes about how British companies are prepared to make deals with very dubious players and deals that undermine the national sovereignty of the host country in order to secure access to resources.

Two other British oil companies, SOCO and Perenco, also operate in the DRC. SOCO wants to exploit oil in the Virunga National Park, which is the continent's oldest and most diverse national park and a UNESCO World Heritage site. Despite rejection of the project by local civil society and communities, SOCO has continued to move ahead – supported by officials in President Kabila's government. The French Oil company Total has already pledged not to operate in Virunga – and indeed in any other World Heritage Sites – but SOCO refuses to abandon its Virunga project.

Perenco is an independent Anglo-French oil and gas company with headquarters in London and Paris. It has exploration and production activities in 16 countries across the globe. In the DRC it is active in on-shore and off-shore oil development in Bas-Congo Province. Its oil extraction has decimated fish stocks, destroyed vegetation and been conducted just behind the houses of impoverished Congolese citizens. And yet there is no outcry from the British authorities. Why does the British government allow its companies to invest in countries with questionable records on human rights and corruption, such as Angola and the DRC? And why does it allow them to operate with impunity?

The love affair between many African governments and international corporations – and the optimistic power of the Africa Rising narrative[3] – are obscuring harsh realities, namely that many African are excluded from benefiting from the exploitation of their own resources. In many of these high growth countries, citizens now believe that they are paying too high a price for economic growth, which does not trickle down to them.

Most British companies in Africa are protected by private security in globally-networked enclaves, while the rest of their host countries face endemic poverty, inequality and disorder – and in some cases warfare. As James Ferguson observes, this 'global' model of resource extraction is not new; indeed it is quite old.[4] In the early colonial period, in particular, private companies with their own private armies (from King Leopold's

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2 Human Rights Watch, *The Curse of Gold: Democratic Republic of Congo* (New York: HRW, 2005).

3 E.g. Robert Rotberg, *Africa Emerges: Consummate Challenges, Abundant Opportunities* (Cambridge; Polity, 2013).

4 James Ferguson, *Global Shadows: Africa in the Neoliberal World Order* (London; Duke University Press, 2007).

Congo to the British South Africa Company) pioneered methods for securing economic extraction in the absence of modern state institutions – and with no thought for the welfare of the local people.

**Human rights abuses**

Some of the most serious contestations around mining activities in Africa in recent decades have involved British companies, including the Marikana massacre in South Africa and the execution of Ogoni activists in Nigeria. The killing of 34 striking workers in Marikana in 2012 took place at Lonmin's platinum mine, while Nigerian dictator, Sani Abacha, hanged Ken Saro Wiwa and eight others in 1995 for protesting against the extraction of oil in the Niger Delta by the British company, Shell. These two crises arose because of the social deprivation of mining communities and the economic neglect of the Niger Delta and Marikana communities. In both cases, the killings also highlighted the collusion between British companies and the political elites – and the fact that British companies are happy to extract resources without trying to genuinely improve the lives of workers and mining communities.

In Zimbabwe, De Beers is suspected of having extracted diamonds in the Marange area for years without declaring it to the Zimbabwean government – while it was supposedly just doing geological surveys. This was the area where De Beers said it could not find any diamonds and which subsequently – from 1996 onwards – experienced a major diamond rush.

And then there is Rio Tinto, which has been singled out as one of the most aggressive anti-union companies in the sector. Rio Tinto's behaviour in Africa has seen unions and civil society groups around the world join forces to expose its negative labour practices. Indeed, 200 people marched in protest against Rio Tinto's ill treatment of mineworkers outside the international conference – the annual Mining Indaba – in Cape Town in February this year.

There are also British companies that have been involved in perpetual misconduct and have refused to change their ways despite the cries of communities and civil society organisations. In Zambia, a recent study entitled *Copper colonialism: Vedanta-KCM and the copper loot of Zambia* makes very clear that this British company does not respect human rights or the labour laws of the host country or international standards to which Britain is a signatory.[5]

Vedanta-KCM has created misconceptions in Zambia that it is an Indian company when it is actually a British one. Such misrepresentation raises questions about the integrity of the company. Since it started operating the mine the company has been in the news for damaging the environment and violating workers' rights. It is also accused of tax avoidance – with illicit flows finding their way to many of the UK's tax haven territories, such as the Bahamas. These islands are where Anil Agarwal keeps the enormous profits from his 68% share in Vedanta, via his holding company Volcan Investments, and avoids paying any tax in the UK or elsewhere.

How the British government deals – or currently fails to deal – with the illicit flow of funds to British tax havens, which come from the exploitation of mineral resources in Africa, is a big question. Many illicit

5 Foil Vedanta, *Copper colonialism: Vedanta-KCM and the copper loot of Zambia*, January 2014. See http://www.foilvedanta.org/

financial flows from Africa involve systems set up by companies, which are listed on LSE, to ensure that as little money as possible stays in the host countries. Is the British financial system supporting corrupt companies – whether they are British or not is immaterial – to list on, and benefit from, its stock exchange? This is a critical question that the British government will have to answer if its claim to support transparent resource trade is ever to be taken seriously. The British government must also answer why it allows its tax haven territories, such as the Bahamas, to be used by companies to stockpile their enormous profits – and to simultaneously avoid paying tax in the UK or elsewhere. In addition, it seems that the UK Listing Authority (UKLA) is not equipped to perform one of its key duties – namely to keep an eye on the social, environmental and human rights impacts of UK listed mining companies not only in Africa but around the world.

But maybe it is Glencore above all which epitomises the behaviour of British companies in Africa. Glencore is one of the biggest commodity companies in the world. It has operations in the DRC and Zambia, where it uses obscure business networks, which suggest that the company may be trying to create a monopoly over the DRC's and Zambia's copper and cobalt. This would allow it to control the international market and set the price of these commodities. The impact on the Congolese and Zambian economies in general and the mining sector in particular would be catastrophic.

In the DRC, it has been accused of buying copper from artisanal miners, including children, which it pushes on the international market. Several European and African NGOs have denounced the abuse and exploitation of women and children by Glencore, particularly in cobalt mines in the DRC.[6] In terms of governance and transparency, Glencore's monopoly aims, its opaque activities and suspicions of fraud have contributed to financial losses in several countries, including Zambia, which lost more than US$ 100 million due to tax evasion in 2011 alone. The reality is that Glencore's activities are difficult to control because it is in collusion with key figures in the host governments, which enable it to access the richest deposits and to maximise its own profits at the expense of local communities and the country's coffers.

It must be noted that there has been a change of attitude from Western governments over the past decade in relation to the promotion of transparency and accountability in the extractive sector. Many international standards have been designed to monitor the behaviour of Western multinationals to ensure that their footprint is not associated with human rights abuses, environmental degradation, corruption, and tax evasion and avoidance. And one EU nation that has committed itself to improving transparency and accountability in the extractive industries is Britain. Indeed, it has been one of the leaders in terms of setting up new standards, such as the EITI and the Kimberley Process. To demonstrate its support for transparency, Britain has signed up to the EITI despite the fact that it has a very negligible mining sector. However, the government's commitment has not yet translated into efforts to try and curtail profit shifting and use of tax secrecy jurisdictions by its mining companies – and neither has it helped to change the behaviour of many Britain companies.

The work of Southern Africa Research Watch unfortunately shows that British companies are falling short in their commitment to some of these standards. There is a considerable gap between the proclaimed

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6 John Sweeney, 'Mining giant Glencore accused in child labour and acid dumping row', The Observer, 14 April 2012.

commitments of British companies and their actual work on the ground – and between the desire of the British government to see its multinationals behave in a more responsible and sustainable way and the realities within which these companies operate. Often these gaps lead to accusations of hypocrisy and deceit. Unless the commercial relationship between Britain and Africa becomes more pro-poor, pro-democracy and pro-justice, we will see an increase in the number of protests and uprisings against British extractive companies on the continent.

Extractive companies – regardless of their origin – are continuing to take advantage of the weaknesses of governance structures in most African states. In particular, with few exceptions, the state in Africa – despite democratic dispensations – still means the so-called 'big man'. Because countries are poor and have very few economic options, the big man uses the country's mineral resources to secure money for himself and so entrench himself in power. Major mineral extraction allows the big man – and his elite clique – to make secret deals with multinational companies, which allow them to run extremely lucrative – but usually environmentally destructive and socially damaging – operations in return for under-the-table payments.

**Conclusion**

Past relations between Britain and Africa provide us with two possibilities. The first one is an opportunity to establish strong, transparent, and mutually beneficial relations. This is possible because we know each other through the long history we have shared. But for this to happen, the onus is on those who exploit to accept the need to establish respectful and equal relationships with those they have exploited. Despite Britain's oppressive colonial role, the long term relationship between Britain and Africa provides a real opportunity for Britain – and indeed Europe – to forge a closer and more collaborative relationship that would result in a win-win for both sides. Europe has far stronger relations with Africa than China can pretend to have but Europe must be proactive – recognising Africa's weaknesses and helping it to catch up with the rest of the world. This can only happen if trade relations between Africa and Europe are fairer and beneficial to all parties – and by ensuring greater transparency and accountability in the critical extractive sector.

The second possibility is the very opposite of the first one. If the mistrust bred in the past and present continues – and if British companies continue to operate as they have done for decades – then they will expose their investments to increasing insecurity as communities demand greater benefits from their mineral resources. And this will contribute to an increase in resource nationalism – threatening British and European access to a host of strategic minerals.