

EUROPEAN COMPANIES AND THE COLTAN TRADE: AN UPDATE

part 2

AN IPIS REPORT - September 2002

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Introduction

Coltan and Congo: the implication of the private sector

Coltan is a rare metal ore used for the production of capacitors and other high-tech applications. It is mined in several countries in Africa, Asia and the U.S. and later refined by a small number of processing companies in Germany, the U.S., Kazakhstan and the Far East (see frame: coltan, the black gold). For the high-tech industry, coltan proves a key-source to manufacture their electrical components. As a result, consumers of this precious mineral include some of the largest mobile phone manufacturers such as Nokia, Motorola and Ericsson and computer industries such as Alcatel, Compaq, Dell and IBM.

At the end of 2000, a sudden demand for tantalum capacitors caused a boom on the coltan market, precipitating massive price rises and a rush in mining activities. In the Democratic Republic of the Congo (DRC), this caused a veritable rush into the mining areas, some of which lay in the World Heritage national parks in the east of the country (Kahuzi-Biega, Okapi and Virunga). The parks are situated in the territory held by the Rassemblement Congolais pour la Démocratie (Congolese Rally for Democracy, RCD), one of the rebel movements responsible for a brutal war, which has cost the lives of over 2.5 million Congolese (see frame: the second Congolese war). When prices for coltan rose to a height in November 2000, the rebels installed a monopoly to siphon off all revenue of the coltan exports in their area, providing them with the necessary resources to finance their war. In some cases, the army even brought in political prisoners to dig the coltan for them. Meanwhile, thousands of poor Congolese farmers rushed to the coltan mines, killing many endangered species on their way¹.

The coltan rush was covered extensively in the American and European press. The media held corporations such as H.C. Starck, a German processing company, responsible for supporting rebel organisations by purchasing tantalum raw materials in eastern DRC. Mobile phone manufacturers were confronted with the image of a war-torn, impoverished country that supplied the material for their technical components. In June 2001, an international coalition of NGO's launched a campaign called 'No Blood on My Mobile' to mobilise against the implication of the private sector in the ongoing war in DRC².

Following this campaign, the Belgian research institute International Peace Information Service (IPIS) produced a study titled "Supporting the War Economy in the DRC. European Companies and the Coltan Trade" (January 2002). The report concluded that a number of European companies did play a major role as promoters of the war through their cooperation with the military. Others contributed indirectly - by paying taxes to the old government institutions currently occupied by the RCD rebel movement. Following these conclusions, IPIS asked for more attention for the international (in contrast to local) aspect of the coltan trade. The authors specifically recommended more research into the transport of this ore to European destinations, as well as into mechanisms to monitor the minerals trade from the Great Lakes and other conflict regions.

¹ It is suspected that all 3.700 elephants and most of the 8.000 lowland gorilla's (Grauer's gorilla) in Kahuzi-Biega have been killed as a result of poaching from miners. In the highland area, all 350 elephants and half of the 258 gorilla's are gone: Karen T. Hayes, o.c., p. 26

² The following organisations supported the recommendations of the report: 11.11.11 North-South Coalition, ACT, ATOL, Broederlijk Delen, Caritas Secours International, CNCD/Opération 11.11.11, Entraide et Fraternité, Foncaba, FUCID, Memisa, Missio, Oxfam Belgium, Pax Christi Vlaanderen, Solidarité Socialiste, SOS Faim, Vredeseilanden, Wereldsolidariteit/Solidarité Mondiale; France: CCFD/Comité Catholique contre la Faim et pour le Développement, CIMADE, COSI/Centre d'information et de solidarité avec l'Afrique; Germany: EED/Evangelischer Entwicklungsdienst, Pax Christi Germany, Vereinte Evangelische Mission; The Netherlands: Cordaid, ICCO/Interchurch Organization for Development Cooperation, Kerkinactie, Pax Christi Netherlands; Switzerland: Fastenopfer, Action de Carême: Supporting the War Economy in DRC. European Companies and the Coltan Trade, 14 January 2002.

Coltan: "black gold"

Presentation and uses

Coltan or columbo-tantalite is the name of an ore containing two rare metals with similar atomic structures: columbium (niobium, Nb) and tantalum (Ta). Tantalum is twice as dense as metal and has a high melting (2996° C) point. This makes it an excellent element for the production of heat resistant super-alloys and capacitors.

Today, tantalum is primarily used for the production of capacitors in mobile phones, laptop computers, video camera's, playstations and automotive electronics. Tantalum also serves the aviation and atomic energy industries to make carbide tools for metalworking machinery and serves as a refractory super-alloy in the manufacture of turbine blades for jet engines and power stations. Niobium is mostly used in heat-resistant steel and glass alloys in the construction industry.

Before it can be used, coltan needs to be refined. The tantalum or niobium are separated through a chemical reaction from their ore and transformed into a metal powder. A very small group of companies in the world is capable of processing coltan. These include H.C. Starck (Germany), Cabott Inc. (U.S.), Ningxia (China) and Ulba (Kazakhstan).

Sources

Until recently, the majority of the world's production of tantalum was from the discard slags of tin smelters. The tin mineral (cassiterite) is frequently associated with coltan ore: approximately 85 percent of tantalum ore is mined as a by-product and a co-product of tin. The biggest coltan mines are located in Australia (Greenbushes, Wodgina, Sons of Gwalia). Nevertheless, it is generally believed that 80% of the world's reserves are in Africa, with the Democratic Republic of the Congo (DRC) accounting for 80% of these African reserves. In DRC, coltan is mostly found in the two Kivu provinces and in Maniema. Niobium is found chiefly in two mines in Brazil (CBMM, Araxà and British-American, Goias) and one mine in Canada (Niobec, St Honoré).

The coltan rush in DRC

At the end of 2000, a boom in demand for tantalum powder - to be used in the new generation of mobile phones (UMTS) and computer games (Sony Playstation II) - made its price rise to unprecedented levels. While in January 2000 one pound (lb) of tantalum cost between 30 and 40 USD, this price had risen to 380 USD in December 2000. However, the coltan boom was short-lived and prices rapidly decreased. In April 2001, the price for tantalum powder had gone down to 150 USD/lb, falling back to 100 USD/lb in July and back again to its normal level of 30-40 USD/lb in October 2001.

Sources: Tantalum-Niobium International Study Center (www.tanb.org); Karen T. Hayes, Coltan Mining in the Democratic Republic of Congo: the Implications and Opportunities for the Telecommunications Industry, Fauna and Flora International, 14 January 2002; Ryan's Notes.

The second Congolese war

The current conflict in the Democratic Republic of the Congo (formerly Zaïre) is already the second continental war that broke out in the country since the toppling of president Mobutu. In May 1997, a regional alliance of Rwanda, Uganda, Angola, Burundi and Eritrea marched on Kinshasa and replaced marshal Mobutu with Laurent-Désiré Kabila as a president. Soon after, discussions rose between Kabila and his allies over the division of power in Kinshasa. This in turn led to a rupture of the alliance and a return to war. In August 1998, a Congolese rebellion was founded in the eastern city Goma under the name Rassemblement Congolais pour la Démocratie (Congolese Rally for Democracy, RCD). It has been backed ever since by the Rwandan Patriotic Army (RPA). The Ugandans have in turn supported a number of rebel movements in the east and the north of the country: Rassemblement Congolais pour la Démocratie-Mouvement de Libération (Congolese Rally for Democracy-Liberation Movement, RCD-ML), Mouvement pour la Libération du Congo (Congo Liberation Movement, MLC), Front pour la Libération du Congo (Congo Liberation Front, FLC) and RCD-National. All these armies have been fighting a war-by-proxy against the Kabila government, but also against each other, for the last four years. Kabila himself called in the help of Angola, Namibia and Zimbabwe to control its part of the country. In January 2001, he was assassinated by one of his close aides and his son Joseph replaced him as a leader.

Economic reasoning

In the course of the war, the motivation of the occupying countries has gradually shifted from political to economic reasons. Initially, Rwanda, Uganda and Burundi were primarily pulled into the war because of their own security considerations. Whilst Rwanda is continuously being threatened by Hutu (Interahamwe) militias in the Congolese Kivu region, Uganda and Burundi still suffer from regular attacks of their own contenders in DRC. However, as the war continued, these considerations have become less important. A UN Panel of Experts concluded in November 2001 that the profits from the vast natural resources of the DRC have in fact become a "primary motive" for the warring parties³. In this context, a great responsibility has been ascribed to Rwanda and Uganda, as they have been blamed for continuing the strife for purely economic reasons⁴. The result of this strategy remains a country in chaos, with no clear government or infrastructure, and a population which is under-nourished and on the run⁵.

The prospects for peace

Meanwhile, a number of peace initiatives have been taken to end this conflict. These initiatives were concluded with the signing of a ceasefire in the Zambian capital Lusaka (1999) - although it took another three years to negotiate a substantial peace deal. On 19 April 2002 a partial agreement was reached in Sun City (South-Africa) between Joseph Kabila and Jean-Pierre Bemba, the leader of the MLC, to form a government and restart negotiations with the international community⁶. However, since Rwanda and the RCD movement have refuted the deal, large swaths of the DRC still remain occupied and the prospects of peace remain bleak.

³ Addendum to the Report of the UN Panel of Experts on the Illegal Exploitation of Natural Resources in the DR Congo, 13 November 2001, § 148. See also: Report of the UN Panel of Experts on the Illegal Exploitation of Natural Resources in the DR Congo, 12 April 2001

⁴ Uganda in Eastern DRC: Fueling Political and Ethnic Strife: Human Rights Watch, March 2001; plus respective press reports (January-March 2002): <http://www.hrw.org/press>

⁵ According to a FAO report, up to 65 percent of the Congolese population (35 million) is under-nourished: see Oxfam Briefing Paper: Poverty in the Midst of Wealth, January 2002.

⁶ For a critical analysis of the Sun City deal, see International Crisis Group, Temps Couvert sur Sun City: La refondation nécessaire du processus de paix congolais, 14 mai 2002.

Five months after the publication of the IPIS report, the war in DRC is still going on. While a partial agreement has been met to restore peace, half of the country remains occupied by the same rebel movement and army that profited so extensively from the coltan trade: the RCD and RPA. On the one hand, the private sector still plays a vital role in financing this war through the facilitation, exploitation, transport and marketing of Congolese minerals to European and American destinations. On the other hand, the falling of coltan prices since mid-2001 have precipitated some companies to take initiatives to clear their image, and possibly counter the trade in "blood tantalum".

In between the publication of the first UN Panel Report on DRC and the present publication, a number of initiatives have been taken to counter some of the allegations made by this Panel with regard to the implication of national businesses and countrymen:

_____ In June 2001, the Belgian Senate has founded an inquiry commission into the legal and illegal trade of natural resources from the DRC. They are paying particular attention to the Belgian implication into this trade. The commission has been hearing national and international observers and concerned parties since November 2001. An interim report has been planned for October 2002.

_____ In May 2001, the Ugandan government has set up an inquiry commission into the implication of its army into the plundering activities of Ugandan nationals. The commission is presided by Justice David Porter. On 5 November 2001, the Porter Commission produced an interim report in which it countered some of the allegations made in the first UN report on DRC. On 13 August 2002 the Ugandan government decided to extend the Commission's mandate to mid-November 2002.

Recently, the UN Panel produced a second interim report on 24 May 2002, in which it concluded that the plundering of the Congo continues unabated and that it is being "consolidated in many areas." It also said that, despite the sharp decrease in the price of coltan last year, commercial operators linked to the warring parties have continued to export a substantial volume of this mineral to destinations outside Africa.

Contracted by the Global Ministries of the Uniting Churches in the Netherlands (to whom we will refer to in this document by the Dutch name "Kerkinactie" in collaboration with ICCO and BBO), IPIS has therefore decided to write a second report on the coltan trade from DRC. Building on conclusions of the second interim report of the UN Panel and expecting the outcomes of the inquiry commissions in Belgium and Uganda, it wants to seize the opportunity to call for renewed attention for coltan in DRC and to put forward some of its own observations.

The present report bears the outcome of an investigation by IPIS researchers from January until May 2002. During this investigation, further evidence has been gathered on the companies discussed in the previous report, along with some new evidence on the involvement of the transport sector. IPIS researchers conducted their research through interviews with company managers and representatives and - with regard to the transport sector⁷ - through the quest for official documentation. In addition to this documentary research, the researchers gathered conclusive information during a research trip to the Great Lakes region, in February-March 2002.

The question whether the trade in Congolese resources by the rebels and their non-Congolese business partners is illegal, constitutes one of the biggest bones of contention in the current debate on the war in the DRC. While holding on to the sovereignty principle - according to which all activities taking place without the consent of the elected government are illegal⁸ -, the UN Expert Panel has acknowledged in its Addendum Report that some of the legal economic transactions between the Kinshasa government and its allies, have also had a negative impact on the evolution of the conflict. Regretfully, the legality-illegality dispute has obstructed the much more important discussion on corporate social responsibility in conflict areas. Though this report is for the most part descriptive, special attention will be paid to the distinction between ethical and unethical business activities. The focus will specifically be on the so-called "external dimension" of corporate social responsibility. Companies should not restrict their attention to internal issues directly related to their own activities - such as employment and health - but should also try to safeguard the interests of external stakeholders. These stakeholders are all persons that in one way or another are affected by the company's business, ranging from business partners and suppliers, to customers, authorities and NGOs. At the end of each case study in this report, an evaluation will be made of the extent to which the activities of the company in question are undertaken with care for the stakeholders identified in the analysis. An assessment will also be made of the impact of these activities to the continuation of the conflict in the DRC.

The report will be divided into two parts. In the first part, we will illustrate some of the changes that have occurred on the coltan market since January 2002. In particular, we will lay out the reactions and initiatives of the companies we discussed in our previous paper, and assess their present role in the Congolese war economy.

The second part of this report will be dedicated entirely to the transport sector. We will discuss the activities of three companies which have been accused by the UN of fuelling the war in DRC: DAS Air, Martinair and NV Steinweg/Hollands Veem. Particular attention has been paid to the responsibility of the Dutch business community. While Martinair, N.V. Steinweg and Hollands Veem B.V. have been singled out because of their status as Dutch companies, DAS Air was selected because of the company's vital importance in the transport of coltan from the Great Lakes region to Belgium and the Netherlands. We will weigh some of the allegations made by the UN and other institutions and, where possible, add further evidence.

Information about the transport sector is crucial to understand the implication of the private sector in the continuation of the war. As IPIS illustrated in its first report, transport documents contain vital information about the supply chain for coltan from the DRC. First, this evidence serves as an excellent source to identify the principal actors and exit/entry points for this mineral. Second, the analysis of these documents could set a basis for any future discussion on monitoring and control mechanisms regarding the trade of coltan from the Great Lakes region. In the third and last part of this report, we will therefore build on our observations to make some recommendations to international institutions and the private sector with regard to the trade in coltan from the Great Lakes region.

⁷ The companies we discussed in January were Cogecom/Cogear (Belgium), Sogem (Belgium), Masingiro (Germany), Finmining (Switzerland) and Eagles Wings Resources International (Netherlands-U.S.): Supporting the War Economy in DRC. European Companies and the Coltan Trade, 14 January 2002.

⁸ Report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of the Democratic Republic of the Congo, §15.

Part 1

Changes on the coltan market since January 2002

Chapter 1: Price Evolution

A first reason that has been given for the sudden price drop of tantalum has been an overvaluation of the technology market. At the end of the year 2000, companies like Nokia and Ericsson were suddenly frantically looking for capacitors to construct their new generation of mobile phones, the UMTS. However, demand for UMTS stayed out and the market corrected itself quite swiftly. Secondly, two of the largest mines in Australia, Greenbushes and Sons of Gwalia, decided in mid-2001 to double their production for the forthcoming year. Both mines now account for over 60 percent of world production. Following this decision, many traders prefer to purchase their supplies there, since this assures them of a viable partnership with an industrialised producer of a high grade (40% of tantalum) coltan. In fact, there have been no notable changes in business conditions since October 2001, and most capacitor manufacturers are still working off excess inventories of previously bought supplies⁹. To put it bluntly, nobody has been buying because they still had enough in stock.

Finally, there have also been consistent attempts by US government institutions to regulate the pricing boom, and to prevent further damage. On 8 December 2000, the Defense Logistic Agency (DLA), an American stock agency operating under the US Ministry of Defense, sold an important stock of colombo-tantalite on the London Stock Exchange (LSE), worth 91.3 million USD. By the end of the month, this operation resulted in the decline of tantalum prices, which have continued dropping until July 2001, when they returned to their pre-boom level. So, while the demand remains high - and may even have risen - stock watchers in the US have been careful not to let this strategic mineral explode to a similar price level as the "coltan boom" of 2000-2001.

In the following chapter an assessment will be made of the impact of this sudden price drop on the coltan exports through Rwanda and Uganda.

Chapter 2: Coltan exports through Rwanda and Uganda Rwanda

"We raise more or less \$200,000 USD per month from diamonds... Coltan gives us more: a million USD a month."¹⁰

This claim by Adolphe Onusumba, the leader of the RCD rebel movement, illustrates to what extent the coltan trade has been fuelling the war in eastern DRC. For at least four months (November 2000-March 2001), profits from coltan exceeded those from diamonds in their territory - which includes the rich diamond areas around the central town of Kisangani. The rebel monopoly on coltan exports siphoned off almost 2.5 million USD in tax revenues alone from December until February 2001. This monopoly proved an extremely lucrative business. Not only did it enable the RCD to cash in on all export taxes from their territory, it also proved to be an excellent trading agent. In its previous report, IPIS provided evidence of a number of trading contracts in December 2000 with two Belgian companies (Cogecom and Cogear), worth almost 4 million USD (see IPIS report January 2002). Considering the massive fraud surrounding the minerals trade from their territory, the RCD monopoly probably generated millions more.

Another party that profited largely from the coltan boom was the Rwandan Patriotic Army (RPA). According to UN estimates, during the year 2000 the RPA exported at least 100 tonnes of coltan a month through the Rwandan capital Kigali. If we follow UN figures, RPA would have made 20 million USD a month by selling coltan through its allied trading posts to international traders. Including transport and other external costs, this would have amounted to at least 250 million USD in a period of 18 months (from late 1999 until mid-2001). This, according to the UN, is "substantial enough to finance a war"¹¹. According another, well-informed source, between 60 and 70 percent of these profits are re-invested in the war¹².

However, evidence from selling contracts for this period suggests that UN figures are probably exaggerated. A more likely figure would be 64 million USD, excluding all external costs and taking the highest average prices. If we take an average price of 10 USD/kg to purchase the coltan from local miners, the actual profit for the RPA for this period has been no more than 40 million USD¹³. This figure also relates to the official exports from Rwanda for the year 2001. That year, Rwanda exported 44 million USD worth of coltan, according to official figures¹⁴. As we will clarify further in this report, it is very likely that most of this revenue again ended up in the pockets of the Rwandan Army.

Uganda

Figures for Uganda are even more difficult to estimate. While this country has no official coltan exports or transits, there can be no doubt that large cargoes have transited through this country through 2000 and 2001, as it is very probable that this traffic is still occurring. During its research trip to the region, IPIS found that coltan trading posts are in fact still operating in the Congolese towns of Beni and Butembo. While some international traders were present in this region last year, their tactic has been mostly to work under the cover of Congolese fronts. From there onwards, the coltan is being smuggled to Uganda or other African destinations, or transported semi-legally through transit points on the Congolese border.

In the first case, smugglers mostly use small Russian airplanes (Antonov 12 or 28) which are typically registered in Ukraine or former Soviet countries and used for transport to Bujumbura, Kigali or Entebbe. However, IPIS has learned during its field trip that South Africa has gained importance as an intermediate stop for Congolese minerals. In Uganda, planes from Congo land at the military airport of Entebbe. Acknowledging the role of the military in the smuggling of Congolese minerals to Uganda, it is very likely that most of these coltan exports are not declared. The Porter commission provided further evidence to this argument when it investigated the activities of Ugandan air carriers flying to the DRC. Allegedly, the companies that were engaged as freighters for the Ugandan Peoples Defence Forces (UPDF) were largely overpaid by the Ministry of Defence, which suggests a fraud in the clearing of Congolese goods at Entebbe airport¹⁵.

In the second case, where coltan is exported through customs at the Congolese-Ugandan border, the UN Panel brought forward conclusive evidence of Ugandan fraud. From Congolese customs authorities, it received evidence for coltan exports through 2000 and 2001 which illustrates that coltan from DRC has indeed transited through Uganda. During its field trip to the region, IPIS did not receive official information from Congolese authorities regarding coltan exports. However, it is very likely that a major part of the coltan from Beni and Butembo still transits through Uganda. The UN already noted in its Addendum Report that low income taxes in Uganda make it more profitable for traders to ship their minerals through this country¹⁶. Moreover, IPIS received official export figures from customs in Beni for the mineral cassiterite. These figures show a massive increase in exports from 2000 to 2001: from 4 tonnes to 35 tonnes, worth respectively 6000 and 60.000 USD. As coltan is sometimes declared as cassiterite in Uganda¹⁷, this information suggests that at least some of the Congolese coltan has to pass the border legally. Yet, it is not reported in Uganda.

To conclude, all this information tallies with UN Panel information that the warring parties in DRC have continued to export a substantial volume of coltan and that the illegal traffic (smuggling) continues to play a major role, even if working under the cover of Congolese front companies.

We will now analyse some of the reactions of European and American companies to the changes on the coltan market, as well as to the international criticism considering their activities.

⁹ Ryan's Notes, 8 April 2002

¹⁰ Vick, Karl, 'In the Waging of Congo's Wars, Vital Ore Plays Crucial Role', in: International Herald Tribune, 20 March 2001

¹¹ Report of the UN Panel of Experts on the Illegal Exploitation of Natural Resources in the DR Congo, 12 April 2001, § 130

¹² Marc Hoogsteyns, journalist, hearing before the Belgian Senate, 17 May 2002.

¹³ The UN Panel uses for its estimates an average selling price of 200 USD/kg unprocessed coltan to international traders. Selling contracts between local and international traders for the same period portray a price which lays at one tenth to one fifth of the UN estimate: between 20 and 40 USD/kg for unprocessed coltan ore. Prices for tantalum (not coltan) for the same year ranged between 40 in January and 400 USD in December 2000.

¹⁴ published in The East African, 18-24 February 2002

¹⁵ The Monitor, 6 May 2002

¹⁶ UN Panel Report, 13 November 2001.

¹⁷ Cassiterite has lower import taxes than coltan in Uganda: UN Panel Report, 12 April 2001, § 102.

Chapter 3:

General effects of the price drops and corporate response to international criticism

Since January 2002 several international coltan traders have decided to cease their activities in eastern DRC. The variety of motives cited for this withdrawal is concordant with the complexity of the situation in the Kivus. A first category of companies has attributed their departure to the extremely difficult working conditions created by the rebel movement's economic policy. The Belgian company Sogem serves a good example of this case. As explained in the first IPIS report, it was not capable of releasing the stocks of its traditional trading partner in Bukavu at the time of the rebel monopoly on coltan. Since it was unable to do business with this partner when the prices for coltan were at their highest peak, it decided to leave the DRC and wait for better times to come. A second category of companies has taken its decision to leave after a resolution of the US House of Representatives in September 2001. This resolution, which suspended all coltan imports from DRC, urged the American companies Cabot and Kemet to pack their bags¹⁸. The worsening security situation has also been cited as a reason for withdrawal. Further on in this chapter, we will see that the American-Dutch trading venture Eagles Wings Resources has shifted its activities to Rwanda, because 'things had gotten too hot for them in Bukavu'. Remarkably, only a small group of companies has explicitly blamed their withdrawal from the DRC to the severe price drops on the international coltan market. In a personal interview with the authors of this report, the director of the Belgian trader Specialty Metals, Mr. Philippe Lavagna, said that his company was waiting for an improvement of the commercial climate before restarting its activities in the Great Lakes region¹⁹.

While the motives for withdrawal have been quite varied, the effects of the massive withdrawal have been unequivocal. Following the departure of their international trading partners, the traditional local trading posts have been further marginalized, to the benefit of those trading posts controlled by cronies of the occupying Rwandan regime. Not surprisingly, the rebel government has done everything in its power to support this marginalization. According to Pole Institute, a leading local research institute in Goma, the price for an annual licence was raised to 40.000 USD. As a result, only three trading posts out of 19 have been able to obtain the necessary authorisation to be able to continue their activities. Strikingly, the trading posts still operating under licence are all run by protégés of the Rwandan regime: Grands Lacs Metals, Rwanda Metals -controlled by RPF - and Shenimed, the former boss of the SOMIGL monopoly²⁰. The international traders cooperating directly with Rwandan military actors are also profiting from the marginalization of the traditional trading posts. Chris Huber, the Swiss trading agent running the companies Finmining, Raremet and Medival Minerals, has been particularly successful. In February 2001, Huber had already been offered the management of important cassiterite (tin ore) and wolfram mines in the east of the DRC by the RCD-Goma authorities through his mining venture Medival Minerals²¹. Since the outbreak of the war, he has continued exporting coltan through trading posts controlled by the RPF. A recent contract of 75.000 USD between Finmining and Grands Lacs in Bukavu suggests that his business is still as profitable as before²².

Despite the increasingly difficult working conditions and the stigmatisation of all actors involved in the coltan trade from the Great Lakes region, some of the bigger traders have decided to continue their involvement. Most notably, the German company H.C. Starck and the American-Dutch trading venture Eagles Wings Resources International have taken some efforts to clear their image.

¹⁸ On 7 December 2001, the US-based African Church Information Service reported that, besides Kemet and Cabot, also two other companies had stopped trading coltan from DRC.

¹⁹ Interview with Philippe Lavagna, 13 September 2001.

²⁰ This new licence was promulgated simultaneously with the abolishment of the SOMIGL monopoly, on April 5th 2001. With this provision, the export tax per kg was established at 4-6 USD. Pole Institute, The coltan phenomenon, December 2001.

²¹ Africa Mining Intelligence, 25 April 2001

²² Autorisation d'exportation n° mines/354.7/113/2000, 6 December 2001. Valid delivery date is stated on 6 January 2002. See also: Congo, le sale traffic d'un Suisse, L'Hebdo, 4 April 2002.

Introducing corporate social responsibility?

H.C. Starck and EWRI, two major players on the coltan market have tried to counter the critique of the UN and the international media by introducing a number of policy changes, which serve to demonstrate that they do not match the category of 'immoral' multinationals, only interested in making profit and careless of the environment in which they operate. For the most part, these policy changes relate to the protection of the environment and the safeguarding of the interests of the local labour force. While the attempts by multinationals to improve their own behaviour are to be welcomed, critical monitoring of their activities remains necessary. As the following account will show, some aspects of the implementation mode are particularly worrisome.

H.C. Starck: protecting wildlife

During the coltan boom, H.C. Starck was probably the most important buyer of coltan from DRC. In a book written by the German journalist Klaus Werner, the author suggests that, during this period, 80 percent of all coltan originating from DRC eventually ended up in the processing plant of this company in Germany²³.

Following the publication of the UN Report on DRC, the media accused this daughter company of the German giant Bayer as the main perpetrator of the Rwandan war effort. Through its tantalum purchases, it was accused of supporting the RCD rebel movement in DRC. As a reaction, the management of Starck has strongly denied these claims and stated that it only accepted raw materials "from reliable partners, who have their offices in Europe and the US." The company added that "these trading companies have confirmed that H.C. Starck is not being supplied with illegally mined material from Central-Africa"²⁴. A subsequent press release on the corporate website stated that it has ceased to purchase coltan from DRC since August 2001²⁵. Evidence obtained by IPIS suggests that this information is correct. However, it remains unclear whether coltan transports from Masingiro - Starck's main trading partner in DRC which has continued purchasing until December 2001 - did not end up with this company. Because Starck refuses to give any comment on this specific information, it is impossible to determine the exact end user of these transports.

Apart from this public reaction, Starck has also taken the initiative of supporting an environmental NGO in the region which is primarily concerned with wildlife preservation: the US-based Dian Fossey Gorilla Fund²⁶. As an immediate indulgence, Starck has transferred 10.000 euros to the NGO's account for the recovery of the Nyaragongo volcano explosion in Goma.

According to Starck, this move has been motivated largely by the company's concern about the ecosystem in the World Heritage national parks. As we mentioned earlier, the coltan rush has killed thousands of gorilla's and other endangered species as Congolese miners were invading their habitats and were forced to survive on bushmeat. Reportedly, Dian Fossey asked Starck to continue purchasing coltan from the region to ensure that the miners do not lose their source of income. "Without this income," Starck's statement reads, "they would be forced to feed their families from the animal stocks in the national parks." For this purpose, Starck has promised its participation in an international conference in Durban, South-Africa, to "discuss how raw material extraction and trade can be more closely harmonized with the needs of the local population and the ecosystem."

However, the responsible agent of the Dian Fossey Fund, Mr Greg Cummings, draws a far different picture of Starck's engagement towards his institute. In fact, no practical arrangements have been made as to how Starck could actively support the NGO's project in the region. Apart from a introductory meeting at the company's offices in Gosslar, no further steps have been taken to support the local population or to organise the announced conference. In an interview with IPIS, Mr Cummings added that the whole project has been in fact completely blocked by the German Ministry of Foreign Affairs, a ministry which consists largely of Green Party members. The policy choice of the German government is actually quite contrary to Starck's announcement. Officially, it wants to "cease the German involvement and ban all coltan imports from DRC."

To conclude, without a practical development plan the initiative of H.C. Starck appears more like a clumsy "clean hands" operation than a real engagement towards local economic empowerment. Obviously, Starck wants to get "more involved": the closer they get to the source of the supply chain, the more they could curtail the often shadowy middlemen and unscrupulous trading agents that provide them with their raw materials. While this initiative could entail an enormous benefit for the local population once it is put in practice, the current state of Starck's engagement makes it a bit too early to speak about a real corporate shift.

²³ "Schwarzbuch Markenfirmen. Die Machenschaften der Weltkonzerne" von Klaus Werner und Hans Weiss dokumentiert, Franz Deuticke Verlagsgesellschaft, 2002.

²⁴ Förster, Nikolas, 'Bayer: Der Teufelskreis', in: Financial Times Deutschland, 29 August 2001

²⁵ <http://www.hcstarck.com/press>

²⁶ The Dian Fossey Gorilla Fund is based in Atlanta (Georgia).

²⁷ Interview with Greg Cummings, Dian Fossey Gorilla Fund, 24 May 2002.

Eagles Wings Resources International: Developing mining interests in Rwanda

Another interesting initiative towards local development has been taken by Eagles Wings Resources International (EWRI), an American Dutch joint-venture which plans to become one of the five principal players in the business of tantalite buying and selling worldwide²⁸. As IPIS described in its January 2002 report, this venture consists of an American partner, Trinitech Holdings (led by Mr Robert Raun) and a European business agent based in the Netherlands: Chemie Pharmacie Holland (CPH). In addition to its American and Dutch offices, EWRI has founded a Luxemburg office in November 2000 (represented by Mr Robert Raun and a Luxemburg attorney, Mr Jean Steffen) to enhance its investment opportunities and possibly start other holding companies in Europe²⁹.

Rwanda Allied Partners (R.A.P.)

was founded early 2001, with the aim of trading tantalite, cassiterite and wolfram collected from three centres in Rwanda: Kigali, Gitarama and Butare. Presently, the company owns five of the biggest concessions in Rwanda. R.A.P.'s board of directors is composed of Jeannette Mutesi, Mahmoud Salem -an Egyptian chemist graduated from Cairo University- and Simba Manasse -a former member of Idi Amin's army with various business interests in Lubumbashi and Goma. The same people are also responsible for the management of Pyramid, one of Simba's trading companies, which in September 2001 was transformed into a mining enterprise. The British national Barry Breal, a close friend of Mahmoud Salem, is reportedly one of the companies' main shareholders.

Pyramid's management likes to pride itself on the fact that it runs the "only automated mining operation in Africa". In a recent documentary, filmed by a Belgian film crew, Simba Manasse boasts that he foresees an average tantalite production of 5 to 8 tons a day for each concession.

It is not entirely clear who is taking care of the security in and around the mines. While Salem affirms that Pyramid disposes of its own security service (while relying also on protection by the state's security services), his partner Manasse makes reference to negotiations with the Rwandan private security firm Garsec. Garsec is run by Taddee Gashumba, a former lieutenant-colonel of the RPA, who also holds the function of director-general of Saphida, another Rwandan mining company specialized in the exploitation of tantalite and cassiterite.

Sources: Coltan documentary Marc Hoogsteyns (May 2002), Interviews with Simba Manasse (29 May 2002), Taddee Gashumba (3 June 2002), Mahmoud Salem (7 June 2002).

ners, a Rwandan joint venture reportedly owned by RPF interests with stakes in the DRC (see frame: Rwanda Allied Partners).

In an interview with IPIS researchers, the Rwandan director of EWRI Mr Alfred Rwigema denied though to have any relation with RAP. According to Rwigema, the manager of RAP buys his concessions from local farmers for a ridiculous price in comparison to its real value, while the intention of EWRI is exactly to enhance local capacity building in the area³³. Thirdly, EWRI has decided to take on board the Dutch development agency SNV to support its business. SNV is a former (quasi) NGO³⁴, which has become completely independent since 1 January 2002³⁵.

In DRC and Rwanda, EWRI is represented by Mr Alfred Rwigema, the son-in-law of the Rwandan president Paul Kagame. While this appointment has been largely criticized as a policy move of the Rwandan RPF regime to cover its commercial operations in DRC, EWRI has always maintained that Rwigema is only engaged as a commercial agent. Recently, the Rwandan president has reacted to these critiques in an official interview. In this interview, Mr Kagame denies to have any form of commercial relationship with Alfred Rwigema and states that "whatever Alfred does, is his business." The president added that "if Alfred makes any mistakes, or commits any offences, the law shall be there to take care of him."³⁰ In addition, Mr Rwigema told IPIS researchers that he ceased to do business in DRC and closed his trading post in Bukavu³¹.

As a result, EWRI reportedly has no current interests in DRC with regard to coltan mining and trading. As IPIS has learned from interviews with the company's local representatives this move is part of a larger shift of the company's strategy, in which EWRI will start a prospection of mining possibilities in Rwanda. More specifically, it has shown a great interest in the exploration of an artisanal mining site in the Rwandan prefecture of Gitarama.

This move to Rwanda by EWRI is remarkable. Firstly, EWRI has always shown an interest in opening its own mining concession in Central-Africa. In December 2001, a business agent of EWRI already told IPIS researchers that his company was looking for a partnership in this regard. Nevertheless, he acknowledged that the current situation in eastern DRC made it difficult to maintain its operations there³². Probably, this argument has precipitated the company to pull out of this country altogether. Secondly, EWRI's prospection in Gitarama takes place at practically two footsteps from another mining concession for coltan. This mine is run by the companies Pyramid and Rwanda Allied Part-

In an interview with IPIS the head of SNV in Rwanda, Mr Niko Pater, stated that he had been contacted by EWRI in early 2002 because this company wanted to develop efficient exploitation methods for the local miners in Gitarama. The EWRI management wanted to provide mining material for the local population and invest in local development. Also, it wanted to discuss possibilities to mine in an environmentally viable manner³⁶. SNV, on their part, are interested in the project because they hope to enhance the independence of the local miners in the region. Currently, these are badly organised: digging occurs mostly on an individual basis and the price diggers obtain is highly dependent on the valuation provided by the little négociant, or middleman. If organised better, the mining cooperatives could actually sideline these "middlemen" and sell immediately to the trading company, i.e. EWRI. This, according to SNV, could be a first step towards the development of the local private sector which, ultimately, could attract other foreign investors. To the question if their contract with the Dutch Development Ministry allowed such close cooperation with private interests from this country (EWRI is partially owned by the Dutch company Chemie Pharmacie Holland, cf. supra), Mr Pater answered that he primarily works with the local miners and that the money provided by the Ministry goes directly to the mining cooperatives. Finally, the responsible desk officers at SNV's head quarters informed IPIS that it had given Mr Pater the permission to start this project and that until further notice he obtained full independence with regard to any practical arrangements³⁷.

To conclude, the management of EWRI has preferred to establish itself in safer waters in Rwanda when it suffered from bad publicity about its involvement in DRC. While their alliance with SNV might add to their comparative advantage as a trader in the region, this relation needs to be watched closely if the joint project does not want to be high-jacked by RPF interests in DRC. If watched closely however, local initiatives like EWRI's could actually set a basis for further development and democratisation - and ultimately make way for a viable exploitation of minerals in the Great Lakes region.

²⁸ website of Eagles Wings Resources, LLC: <http://www.trinitechholdings.com/eagleswings>

²⁹ Mémorial. Journal Officiel du Grand-Duché de Luxembourg. Recueil des Sociétés et Associations, 14 mai 2001

³⁰ Interview of Paul Kagame with Marc Hoogsteijns, April 2002 [on tape]

³¹ IPIS Interview with Alfred Rwigema, 21 May 2002.

³² IPIS Interview with EWRI Rwanda business agent Anthony Marinus, December 2001.

³³ IPIS interview with Alfred Rwigema, 21 May 2002.

³⁴ A quango (Quasi Autonomous Non-Governmental Organisation) is a body which has a role in the processes of national Government. It is not a government department or part of one. It operates at arm's length from Government. Appointments to the boards of these public bodies are known as public appointments.

³⁵ Based on an interdepartmental policy evaluation it was concluded that the hybrid ('quango') status of SNV should be terminated. Since 1 January 2002 SNV has been demerged from the Ministry of Foreign Affairs. The administrative and financial relationship with the (Dutch) Ministry of Foreign Affairs has come to an end. For further information on SNV, see: <http://www.snv.nl>.

³⁶ Interview with SNV-Rwanda director Niko Pater and collaborator Alain Rousseau, 28 March 2002

³⁷ Interview with SNV officer Joke Oranje, 24 May 2002.

Part 2

Assessing the role of the transport sector

Chapter 1:

Martinair No Coltan Exports from DRC ?

In the Addendum to the UN Panel Report (November 2001) the Dutch carrier Martinair, a daughter company of KLM Airways³⁸, was mentioned as one of the transporters of coltan from Kigali to Amsterdam. Paragraph 20 read: *“(shortly after the publication of the first UN report) Sabena halted the transport of all coltan shipments from Kigali³⁹. Instead, the Netherlands carrier Martinair is now shipping coltan from Kigali twice a week to Amsterdam.”* The Dutch press did not miss the opportunity to attack one of the country’s most well-known enterprises. Articles in the NRC Handelsblad and Trouw heaped criticism on Martinair for its contribution to the war economy⁴⁰. The affair also made a stir on the political level. In an attempt to calm things down, Jozias van Aartsen, the Minister of Foreign Affairs, summed up the core defence arguments put forward by Martinair’s management: Martinair only transported flowers on its way back from Kigali to Amsterdam, the company was already flying to Kigali before Sabena decided to cease its activities in the region, and finally, there was only one flight a week from Kigali to Amsterdam instead of two⁴¹.

Six months after the parliamentary debate, researchers and journalists are still wondering what is the heart of the matter. How well-founded is Martinair’s argumentation? And what kind of evidence can the UN expert panel produce to substantiate its statements? The authors of this report received permission from the Martinair management to check part of the cargo manifests for the flights between Kigali and Amsterdam, for the period between 20 February and 20 November 2001. They also obtained a copy of the defence file compiled by Martinair against the accusations of the UN Panel. In this file, Martinair explains that it was never given the opportunity to explain its position, that the Panel did not take the effort to check the cargo manifests, and that the suggestion that Martinair increased the frequency of its flights once it supposedly engaged itself in the transport of coltan is completely unfounded.

An analysis of Martinair’s defence

The main goals of Martinair's defence are threefold. The company wants to prove that there has been only one flight a week between Kigali and Amsterdam, it wants to refute the allegations concerning negotiations with Sabena about a possible take-over of the Belgian company's coltan transports, and finally it wants to challenge the allegations about its involvement in the transport of coltan.

The UN panel met with representatives of Martinair on 28 February 2002. While the UN Panel was represented by ambassador Kassem, Mr. Freedman, Mr. Holt, Mr. Tall and Mr. Schiemsy, vice-president Sales Africa & Middle East Scholten and Commercial Director Bover attended the meeting for Martinair. On the one hand, the UN Experts had to admit that they had slipped up completely with their statement about the frequency of the flights between Kigali and Amsterdam. Apparently, the UN researchers attending a press conference organized by Martinair's vice-president Scholten had misinterpreted one crucial phrase in the speaker's presentation. Scholten's notice that Martinair would increase the number of flights from 'biweekly' -i.e. one flight every two weeks- to one flight a week, was conceived as an announcement of a rise to two flights a week. On the other hand, the Expert Panel did not give in on the issue of their description of the 'replacement' of Sabena by Martinair. The experts said the use of the word 'instead'⁴² did not necessarily need to imply that the two companies had negotiated on the take-over of Sabena's coltan transports⁴³.

Martinair’s business connections in Kigali

Of course, the most important thing for Martinair is to prove that the coltan transports never took place. The cargo manifests checked by IPIS seem to indicate that the company has been right in stating that it only uplifted flowers from Kigali airport. However, since neither the UN Panel nor Martinair's management rule out that smuggling might have occurred - with minerals being transported without leaving a trace in the cargo manifests and thus without the knowledge of the Dutch air carrier -, IPIS has tried to lay bare a number of research leads to check the plausibility of

Martinair Holland NV
(Arie Verberk)

Amsterdam

Astral Aviation Ltd

Astral Aviation Ltd

Nairobi

Mwanza
Kahama
Geita

Kisangani
Goma
Kinshasa
Mbandaka
Kananga
Kalemie
Mbuji-Mayi
Lubumbashi
Isiro
Buta
Gemena
Gbadolite
Bunia
Kindu

**Airflo/
Total Dutch
Cargo**

**Kencargo
Airlines
International**

**Martinair
Cargo (20%)**

Kigali

Rwandan
government
(51%)

Tristar

**Highland
Flowers
(John Nkera)**

**Alliance
Express
(Florence Nkera)**

**Alliance Air &
South African
Airways (49%)**

LEGEND

Handling
Companies

Clients

Shareholders

Destinations

Air
companies

Dotted lines:
Flight routes

such a smuggling scenario. Special attention has been paid to possible links between Martinair's business partners in Kigali and individuals, institutions and companies connected to the Rwandan regime and generally considered to be responsible for the plundering of Congolese resources. (see chart) Dutch air carrier⁴⁵-, IPIS has tried to lay bare a number of research leads to check the plausibility of such a smuggling scenario. Special attention has been paid to possible links between Martinair's business partners in Kigali and individuals, institutions and companies connected to the Rwandan regime and generally considered to be responsible for the plundering of Congolese resources (see chart).

In Kigali, Highland Flowers is the only one flower exporter making use of the services of Martinair. Since the majority of the African export goods are uplifted in Nairobi, where the plane makes a intermediate stop on its way to Amsterdam, this is not surprising⁴⁶. What is remarkable, though, is that the founder and director of Highland Flowers, John Nkera, is married to Florence Nkera, the General Manager of Alliance Express, Martinair's handling company in Kigali. This is all the more striking, because both companies are accused of maintaining ties with the Rwandan Patriotic Front.

Alliance Express was first accused of being an instrument of the RPF in an article published by the AfroAmerica Network on 5 April 2002. It is stated that Rwandan President Paul Kagame and the widow of General Fred Rwigema - one of the founders of the Rwandan Patriotic Front⁴⁷ - are the company's shareholders. Furthermore, Rwigema's widow is reportedly the managing director of a travel agency owned by Alliance Express in Kigali⁴⁸. In the eyes of a source close to Paul Kagame's inner circle it is very plausible that members of the Rwandan regime are using Alliance Express to smuggle Congolese minerals out of the country⁴⁹. However, IPIS did not find any hard elements to support this thesis. When confronted with the rumours about her company, General Manager Florence Nkera refuted the allegations about the shareholdership. Nkera said 51% of the shares are owned by the Rwandan government, while the other 49% - at least until very recently - were in the hands of Alliance Air⁵⁰, in a partnership with South African Airways⁵¹.

RPF, Tristar and Highland Flowers: using flowers to cover up coltan exports ?

According to a document by the World Bank's International Finance Corporation, Tristar, a company founded by the RPF when it was still in Uganda, is the sponsor of the Highland Flowers project in Rwanda. After 1994 Tristar Investments SARL (aka Tri-Star) has rapidly grown into a major local investment holding company with a portfolio comprising of telecommunications, construction, agriculture, trading and banking⁵². It should be noted that Tristar also appears to play a significant role in the financing of the looting of mineral resources in the DRC. The UN panel of Experts has discovered linkages between Tristar, the BCDI (Banque de Commerce, du Développement et d'Industrie)⁵³, the RPA and the RPF. Most importantly, they claim to have evidence of a direct connection between Tristar and two companies involved in the coltan trade in South Kivu, namely Grands Lacs Metals and Rwanda Metals. As stated in the first UN report, Grands Lacs' stakeholders include Majors Gatete, Munyuza and Kazura. While Major Dan is the former head of the Congo desk in Kigali, major Kazura is the RPA's chief-of-security in DRC. The director of Rwanda Metals, Francis Karimba, has admitted that his company has traded Congolese coltan with a number of foreign companies, namely Euromet, Raremet, Northington Trading Company and Finmining Ltd⁵⁴.

Given the direct connection between Tristar and two of the most prominent coltan trading companies run by Rwandan military actors, and given the fact that Tristar is a shareholder of Martinair's only client in Kigali, further research on a smuggling scenario - whereby flowers may have been used to cover up coltan exports - is definitely needed.

By analogy with the analysis of Martinair's business activities in Kigali, the discussion of the company's commercial undertakings in Nairobi is also dedicated to the exposition and examination of a number of research leads for a smuggling scenario (see chart).

Martinair's business connections in Nairobi

Martinair's business agreements are more diversified in Nairobi than in Kigali. Officially, the three types of goods transported to Europe are flowers, vegetables and fish. Martinair works on a charter basis for two Kenyan flower exporters: Airflo⁵⁵ and Total Dutch Cargo. Their partners in Holland are East African Flowers⁵⁶ and Safari BV NL⁵⁷. Kencargo Airlines International Ltd, in which Martinair is a 20% shareholder, takes care of the handling⁵⁸. As a joint sales and service cargo organisation of Kenya Airways, KLM Cargo and Martinair Cargo, it uses Nairobi Jomo Kenyatta Airport as its main hub.

As Martinair's management claimed that, for 'practical reasons', it was impossible to send transmit all the available documentation, IPIS did not have the opportunity to check the cargo manifests for the Nairobi-Amsterdam line. Consequently, it is impossible to affirm with absolute certainty that Martinair has restricted itself to the goods it claims to have transported. If Martinair ever carried minerals from the DRC, these might have been brought to Nairobi by the Kenyan company Astral Aviation Limited. On its website Astral says it is "proud to be associated with Martinair Cargo, who are (its) preferred European partners." It is added that "Martinair operates a schedule MD-11 Freighter service from Amsterdam to Nairobi, which allows for a reliable and convenient transfer of cargo at JKIA-Nairobi to the regional destinations." From Nairobi Astral serves the following destinations in the DRC: Goma, Kisangani, Kinshasa, Mbandaka, Kananga, Kalemie, Mbuji-Mayi, Lubumbashi, Isiro, Buta, Gemena, Gbadolite, Bunia and Kindu⁵⁹. Though it should be stressed that IPIS has no proof that Astral has actually transported Congolese minerals, there are a few things about the company that may necessitate further research. First of all, Astral Aviation has been providing a schedule of mining charters from Nairobi to Mwanza and onwards to the private mining strips of Kahama and Geita (all destinations in Tanzania). The mining strips belong to the Kahama Mining Corporation, a subsidiary of Barrick Gold in Canada, and the Geita Gold Mine, co-owned by Anglo Gold and Ashanti Goldfields, respectively. Since the Barrick Gold Corporation has a long tradition of operations in Northeast DRC⁶¹, it cannot be excluded that the gold exports have continued through the cargo flights of Astral Aviation. Secondly, Astral Aviation works closely together with Interfreight East Africa Ltd, a company that has been referred to by the UN Panel of Experts as one of the transporters of coltan from the DRC⁶². Since Astral has recently completed 100 mining charters for Interfreight, there can be no doubt about the close collaboration between the two companies⁶³.

In a personal interview with the authors of this report Mr. Sanjeev Ghadia, stressed that his company only transported humanitarian goods to the DRC, adding that Astral has taken special precautionary measures to prevent the smuggling of minerals. According to Ghadia the planes always return empty to Nairobi⁶⁴.

Conclusions

The elements presented in Martinair's defence file make it unlikely that the company has ever transported coltan from Kigali to Amsterdam. However, as both the UN Panel and the management of Martinair admit that the Dutch air carrier may have fallen victim to smuggling, IPIS has tried to expose a number of leads for further investigation on this scenario. The links between Highland Flowers and Tristar, as well as the connections between Astral Aviation, Barrick Gold Corporation and Interfreight, require further research.

The assessment of Martinair's corporate social responsibility is not an easy job. Undoubtedly, the company's management was aware of the crucial importance of minerals in the DRC conflict. Yet, as the identity of the transported goods was to a very large extent predetermined through the contracts with exporters of flowers and perishable goods, no specific guidelines for the transport of minerals were ever developed. The responsibility for complying – and checking the compliance – with the legal regulations regarding the transport of goods from the Great Lakes region was delegated to the local handling agents. It has to be admitted that Martinair took its full responsibility as soon as reports came out about its possible contribution to the war in the DRC: it called its local partner Alliance Air to account for all the exports from Kigali, it invited the UN for an open discussion on the matter, and it gave them the permission to check all the relevant cargo manifests.

³⁸ Martinair was founded by Aart van Bochove in 1958. Its head offices are located on Havenmeesterweg 201, 1118CD Shiphol Airport. The Board of directors is composed of Arie Verberk, former deputy secretary-general of the Dutch Ministry of Economic Affairs and politically active as the president of the Papendrecht branch of D66, CFO Robert de Fluiter Balledux and five commissioners, namely Hendrik H. Meijer, Leo M. van Wijk, Gerard van Schaik, Leonardus J.M. Berndsen and Peter F. Hartman. Source: Amsterdam, Chamber of Commerce, 22 March 2002.

³⁹ On 15 June 2001 the Belgian-Swiss airline consortium Sabena-Swissair announced an embargo on the transport of coltan and all related minerals from all points of the company's operations in eastern Africa. The announcement followed the release of the UN report in April (source: <http://allafrica.com/stories/200106210167.html>).

⁴⁰ NRC 8 December 2001, Brabants Dagblad 27 November 2001, Trouw 27 November 2001, Dagblad De Limburger 27 November 2001.

- ⁴¹ Tweede Kamer der Staten-Generaal, 'Aanhangsel van de Handelingen', statement by the Minister of Foreign Affairs, the Minister for Development Cooperation and the State Secretary for Economic Affairs, in response to a question sent in on 22 November 2001 by MP Koenders (Pvda).
- ⁴² Ibidem.
- ⁴³ Report of the meeting between the DRC Panel and Martinair representatives in Nairobi, 28 February 2002.
- ⁴⁴ The cargo manifests carrying the following airway bill numbers were checked: 129-40030675, (PMC 2813 MP) 129-40030465, (PMC 2618 MP) 129-40030476, (PMC 2202 MP) 129-40030476, TTL FOR AMS, (PMC 2492 MP) 129-40030491, (PMC9017 MP) 129-40030502, (PMC2342MP) 129-40030513, 129-40030524, (PMC 2707 MP) 129-40030535, 129-40030546, 297-89759596, (PMC 6955 MP) 129-40030550, 129-2805-4445, 5333 MP, PMC 2031 MP, 129-40030572, (PMC 5808 MP) 129-40030583, (RMG1238 MP) 129-40030594, (PMC 5200MP) 129-40030605, (PMC 5330 MP) 129-40030616.
- ⁴⁵ Report of the meeting between the DRC Panel and Martinair representatives in Nairobi, 28 February 2002.
- ⁴⁶ The address of Highland Flowers is PO Box 1287 Kigali.
- ⁴⁷ Fred Rwigema should not be confused with Alfred Rwigema, Paul Kagame's brother-in-law.
- ⁴⁸ Source: AfroAmerica Network (Ottawa, Canada), 5 April 2001: '*Canada: RPF delegates on recruiting and public relations spree*'.
- ⁴⁹ Personal communication with a source close to Kagame's inner circle, 21 March 2002.
- ⁵⁰ Alliance Air is a newly established African Airline owned by the Governments of Tanzania and Uganda, South African Airways, Air Tanzania and Uganda Airlines. The company can be seen as a resurrection of the defunct East African Airways. Alliance Air should not be confounded with Alliance Express (source: <http://www.imul.com/uganda/alliance.html>). Alliance Express started as a merger between the national carrier Air Rwanda and the regional carrier Alliance Air (source: http://www.sas.upenn.edu/African_Studies/Hornet/irin342.html).
- ⁵¹ Interview with Florence Nkera, 29 March 2002.
- ⁵² Tristar has 41% shares in MRN Rwandacell SARL, it owns the security company INTERSEC -which is usually hired by private companies, embassies and international NGOs in Rwanda, it owns Imprimerie Nouvelle, it owns or has shares in Mutara Enterprises, it has shares in a construction company and finally it also is one of the shareholders of Le Meridien, a hotel in Kigali (Source: Bjorn Willum, Candidate Degree dissertation submitted October 22 2001, University of Copenhagen: p. 123).
- ⁵³ Surprisingly, Tristar and the BCDI are also shareholders of the Banque de Commerce et du Développement, created by the late Kabila (UN report §78).
- ⁵⁴ UN report §60, IPIS report p. 19.
- ⁵⁵ Airflo is the freight forwarding branch of Oserian (Source: http://www1.worldbank.org/wbiep/trade/c_papers/Roses2KenyaSupplychain.pdf).
- ⁵⁶ East African Flowers is a subsidiary of the Oserian Development Company. During the 1970s Oserian had developed Kenya's largest single vegetable operation producing both for export and for supply to local processing companies. East African Flowers was created to oversee the allocations and sales of Oserian's flowers in the Dutch auctions (Source: http://www1.worldbank.org/wbiep/trade/c_papers/Roses2KenyaSupplychain.pdf).
- ⁵⁷ Interview Bob Bover (Martinair), 3 April 2002
- ⁵⁸ The Kencargo board of directors is composed of 6 people : chairman and Kenya Airways' acting managing director Mr. Brian Presbury, Martinair's Peter Scholten as the managing director, Bram Graemer the KLM representative, Kenya Airways company secretary Mr. Lewis Kamau, Kenya Airways corporate planning and strategy director Dr. Jason Kap-Kirwok and KAHN's managing director Mike Flinders (source: http://www.kencargo.com/companyinfo_content.htm).
- ⁵⁹ Source: <http://www.astral-aviation.com/adhoc.htm>
- ⁶⁰ 'Astral Aviation completes 100th mining charter for Panalpina agent', <http://www.cargoweekly.com/press/pr0023.htm>
- ⁶¹ The American investigative journalist Wayne Madsen has accused Barrick, together with tens of other mining companies, of stoking the flames of the civil war in the DRC. While still a rebel force, the AFDL-CZ granted Barrick a lucrative gold concession in northeast Congo, near the Ugandan border. In early 1999 the mining minister of the RCD-Goma rebel movement signed a separate mining deal with Barrick and for a long time one of the major goals of the rebels was said to be the restoration of the mining concessions for their Canadian client. Source: 'Genocide and covert operations in Africa' (1999), p. 301.
- ⁶² In the first UN Report, Panalpina was listed as an exporter of Congolese coltan from Kigali to Nairobi (UN Report, Annex I). It was not until later on that the Panel discovered that Interfreight had been responsible for these coltan exports. Their initial mistake had been caused by the fact that Interfreight had been using the transportation documents of Panalpina, despite owning 80 per cent of the shares of the latter (Addendum Report §20).
- ⁶³ 'Astral Aviation completes 100th mining charter for Panalpina agent', source: <http://www.cargoweekly.com/press/pr0023.htm>).
- ⁶⁴ Interview with Sanjeev Ghadia, 3 March 2002

Chapter 2:

DAS Air Cargo

Those who thought that the reputation of Dairo Air Services⁶⁵ had suffered from the negative publicity generated by the Addendum Report of the UN, have been proved wrong. On 29 March 2000 it was voted the best African Cargo Airline of the year for the third consecutive time⁶⁶. Contrary to many of its competitors, DAS immediately admitted that it had been involved in the transport of minerals. As these transports were completely legal, they were convinced that their clients would not turn their backs on them. IPIS researchers made several attempts to obtain the cargo manifests with details about the transport of coltan, but were told on each occasion that for 'practical' reasons it was not possible to transfer the documentation⁶⁷. According to Ugandan sources this reluctance is perfectly understandable. It is alleged that the owner of DAS Air, together with several of his collaborators, have engaged themselves in a lucrative trade of Congolese minerals and arms trafficking to conflict areas in Eastern Congo.

Origin and destination of DAS Air's coltan transports

Due to the lack of documentation IPIS has not been able to verify the exact amounts of coltan uplifted by DAS Air. Though local representatives in Entebbe and Kigali were not prepared to come up with further details to support their case, they denied that their company had flown to Goma and Bukavu, as stated by the Addendum report of the UN panel of experts⁶⁸. This was confirmed by employees at Goma airport. The same source added that DAS has stopped flying coltan from Kigali since February 2002. Because of the price drops, the traders arrange for transport by road, with most of the coltan being shipped in the ports of Dar-es-Salaam and Mombassa⁶⁹.

The representatives of DAS Air's European offices did not say at which European airport the coltan eventually arrived⁷⁰. According to Mr. Rule of the Gatwick head office, it was probably flown to Ostend⁷¹. Reportedly, there were about 4 arrivals a week⁷². As for destinations - or intermediate stops - on the African continent, there are indications that DAS Air has been flying coltan to South Africa⁷³. IPIS has obtained evidence which makes it plausible that at least on one occasion Congolese coltan was shipped from Kampala to Durban. On 11 December 1999 the Ugandan company Kenvic Mineral International made a price offer to a Congolese trader in Butembo, North Kivu⁷⁴. The most interesting thing about the document is that DAS Air is explicitly pushed forward as the air carrier engaged by Kenvic to take care of the transport of the minerals. This may be indicative of a more general trend of cooperation agreements between air companies and mining companies operating in the DRC.

Swapping arms for minerals ?

Though in a personal interview with the authors of this report he firmly denied any involvement in business activities in the DRC⁷⁵, four independent sources have identified John Kyaligonza, the station manager of DAS Air in Entebbe, Uganda, as one of the close collaborators of the Congolese rebel movement RCD-ML, which is supported by Uganda⁷⁶. It is alleged that Kyaligonza acts as an intermediary for Joe Roy -the owner of DAS Air- and that he is leading special missions to the rebel controlled territory in North-East DRC to pick up unspecified quantities of cassiterite and gold. The minerals are allegedly transported by truck and brought to the military airport in Entebbe under the protection of UDPF soldiers.

Joe Roy would not be the first Ugandan businessman taking advantage of the chaotic situation in Eastern Congo to obtain Congolese minerals in a cheaper way. During a recent research trip to Eastern Congo the authors of this report were told on several occasions that a group of Ugandans are attempting to obtain UDPF protection, their ultimate aim of course being to export Congolese minerals without paying taxes. The RCD-ML leadership is very well aware of the fact that the Ugandan military presence in the region is absolutely necessary to defend itself against the attacks of the Mayi Mayi militias and to keep the ethnic tensions between Hema and Lendu under control⁷⁷.

According to a Congolese source who claims to be very well-informed about Kyaligonza's activities in Eastern Congo, DAS Air's station manager often operates in and around the mining

centres of Watsa, Djugu and Butembo. Unfortunately, IPIS has not been able to find any information about the companies to which Joe Roy has allegedly sold his Congolese minerals. DAS Air's managing director Daisy Roy vehemently refutes the allegations about the exchange of minerals for arms. In a personal fax message to the authors of this report, she states that "for the duration of the conflict DAS Air has never operated into the DRC or in and out of the military airport of Entebbe", adding that this would be confirmed by the Directorate Civil Aviation Authority. Nonetheless, the log file of outgoing flights from Entebbe to destinations in the DRC clearly shows that DAS Air has operated flights into Congo from 1998 onwards, operating both under its own name as well as for GAS Air Nigeria. The last flight of DAS to the DRC took place on 10 August 2001 with the unidentified Ugandan registered plane 5X-RPR.

Conclusions

Though DAS Air has admitted its involvement in the shipping of coltan, it still has not shown the cargo manifests on the basis of which it can be determined which amounts have been transported to European airports. According to a number of key witnesses there are strong indications that members of DAS Air's management is involved in the trading of Congolese minerals in the region controlled by RCD-ML. However, these allegations need to be further investigated. So far, the authors did not obtain documents to confirm the involvement of Joe Roy and John Kyaligonza.

Regardless of whether the rumours about Mr. Roy and Mr. Kyaligonza are correct or not, one can say that DAS Air has not done a very fine job with regard to corporate social responsibility. It has never questioned the impact of its coltan transports for the conflict in the DRC, and neither has it been very cooperative in clearing out the details about its flights from the Great Lakes region. As a result, it has hard to say how crucial DAS Air's transport activities have been for the actors of the war economy in the DRC.

⁶⁵ Dairo Air Services, which was founded in 1983, is owned by Capt. Joseph Roy and his wife Daisy. The company has its main operational base at London-Gatwick and feeds cargo into its route system through a network of offices in the UK, Europe and North America, using Amsterdam and London-Gatwick as gateways. Entebbe, where DAS is self handling, is the main hub for routes into Africa (Source: Airline-fleets International, 2001-2002 edition: p. 697).

⁶⁶ The New Vision, 1 April 2002: 'Dairo voted the best African cargo carrier'.

⁶⁷ Interview Mr. Rule, 25 March 2002.

⁶⁸ Interviews Mr. Gilbert Bagerukayo (Kigali) and Mr. John Kyaligonza (Entebbe), 19 March 2002

⁶⁹ Interview with Geert Lemme, 19 March 2002.

⁷⁰ Interview with Patricia Heilbrink, 26 March 2002

⁷¹ Interview with Mr. Rule, 25 March 2002. The Ostend office was created in 1999. Its founders were Joseph Charles Roy, Daisy Kobusinge Asaba, Andrew Jeremy King and Andrew Graham Leslie. The business manager is Patricia Heilbrink.

⁷² Interview with a plane spotter at Ostend airport, 18 March 2002

⁷³ In the Addendum Report of the UN Expert Panel South Africa is presented as an important transit country for the forwarding of mineral resources coming from the DRC(\$106).

⁷⁴ According to the document Kenvic is willing to pay 23 USD/1b for a purity between 26 and 29 %, 25 USD/1b for a purity between 30 and 32 % and 26 USD/1b (+1) for a purity around 33 %. The document is dated 11 December 1999, and is signed by Kenvic's General Director, Henry Kazimbe.

⁷⁵ Interview with John Kyaligonza, 19 March 2002

⁷⁶ Interview with a Congolese rebel leader (24 March 2002), interview with an RCD-ML representative in Kampala (28 March 2002), interview with a Ugandan journalist (24 March 2002), interviews with Congolese trader (2, 4, 6 April 2002).

⁷⁷ The two groups have competed for control of the land for a long time. The Lendu, who number some 700.000 in the area, rely on their crops for their livelihood, while cattle raising and cultivation are the main sources of income for the Hema (about 150.000 people). Source: Human Rights Watch, January 2001: 'Background to the Hema-Lendu conflict in Uganda-controlled Congo'.

Chapter 3:

Handelsveem, Steinweg, Hollands Veem: Shipping agents on the brink of war

A last company which has been described as an important forwarding agent for coltan from DRC is the Dutch Handelsveem. It was first mentioned in Annex I of the UN Panel Report on DRC (April 2001), along with 33 other companies exporting coltan from Kigali. Described as "Veen", the company was listed as an export company to the Netherlands, without specifying details of delivery.

However, contrary to UN information, "Veen" is not a trading but a freight forwarding company called Veem, or Handelsveem. Moreover, the Dutch commercial register gives a third name for the company: Steinweg N.V. As a private limited company with offices in Rotterdam and Antwerp, the occupation of Steinweg/Handelsveem is to stock, transfer and load commercial goods arriving at their harbour warehouses - and to assure further transport to worldwide destinations. Finally, there is another company with substantial links to this shipping venture: Hollands Veem B.V., based in Rotterdam. The director of this company, Mr Paulus Swart, is also a financial director of Steinweg/Handelsveem. According to the Rotterdam Port Authorities, Steinweg and Hollands Veem are actually one and the same company. Hereafter, we will refer to this Belgo-Dutch venture (Handelsveem, Steinweg, Hollands Veem) simply as Steinweg⁷⁸.

Forwarding activities

Steinweg is amongst the most important forwarders of coltan originating from the DRC. Subsequently, it has been possible to document some of its trans-shipments from DRC to European destinations. In our first report (January 2002), we described the transport of 40 tonnes (55 drums) of coltan, from Bukavu to the German company Masingiro GmbH. Flown to Ostend airport on 12 June 2001, the cargo was then handled by Steinweg N.V. , which assured further transport by truck to Germany.

Additional research by the IPIS team has produced evidence of six more coltan transports from the DRC by Steinweg, from August until December 2001. Just like the transport described above, all export contracts are concluded between the German company Masingiro and a Congolese trading post named Gemicom, with offices in Bukavu. The total net weight of the cargo is estimated at 132,083 tonnes; the total estimated value is 1,436,941 USD⁷⁹.

The documentation relating to these shipments further exemplifies the organisation of coltan transportation from the DRC to European destinations. On the basis of these documents, IPIS has been able to trace a second coltan shipment from Gemicom to Steinweg in Belgium. The total amount of this shipment consisted of 30 drums (22,580 tonnes) of unprocessed coltan ore, leaving Bukavu on 30 August 2001, and arriving in Belgium within 30 days after the authorised export date. After receiving an authorisation from the RCD-Goma authorities, signed by the provincial chief of Mines and Geology on 20 August 2001, the cargo then went through all customs declarations (Office Congolais de Controle, OFIDA) - to finally leave Bukavu by ship to Goma on 30 August. From there onwards, the cargo was driven to the Kenyan port of Mombassa by the Congolese commuting agent TMK (Transports et Messageries au Kivu), which then forwarded it to an unknown shipping company who shipped the coltan to Antwerp. Presumably, the representatives of Steinweg then arranged further transport of the mineral ore to its final destination in Germany.

Remarkably, the export authorisation for this shipment does not state the end destination as Masingiro but as Steinweg N.V. As this last company does not obtain any processing or trading facilities, this seems, however, doubtful. In fact, it is more plausible that the mentioned cargo went on to Germany: to Masingiro and then on to the processing plant of H.C. Starck. A second document obtained by IPIS further adds to this argument. It mentions the end destination of the same cargo as Masingiro GmbH, C/O Steinweg N.V.

However, when IPIS tried to obtain further clarification from Steinweg in Antwerp, the management declined to give any comment on the actual destination of the goods. In a subsequent fax letter addressed to IPIS, the manager of Steinweg in Antwerp, Mr Jacques Van den Hende, explained that he could not provide commercial information to third parties, unless if it were an official institution. Following IPIS's report, Steinweg's commercial manager to the Netherlands, Mr Kwast, gave an

interview to the Dutch radio station IKON. In this interview, he initially said that he had never heard about the mineral coltan. After being confronted with the documentation obtained by IPIS, he nevertheless acknowledged that Steinweg had been transporting coltan, but also declined to comment on any further questions⁸⁰.

A former employee of the Steinweg group later explained this reluctance to provide IPIS with further information on their forwarding activities. First, breaking the silence would endanger the company's liability with their clients. The former employee stated that it is very common to describe the forwarding agent as end destination on official documents, because this provides a protection for the client's commercial interests. Second, he noted that even as an employee, it remains difficult to obtain information on the different services (loading, forwarding, transshipment, ...) provided by the same company, because they all operate under the same roof. Steinweg has promised though to hand over all relevant documentation to the inquiry commission of the Belgian Senate on 17 May 2002⁸¹.

Conclusions

The general secrecy surrounding the transport business comes to its full swing when we focus on the activities of a forwarding company like Steinweg. While evidence of its involvement in the transportation of coltan from DRC is abundant, the company's management has been unwilling to provide us with answers or documentation. A greater transparency, at least with official institutions, should therefore be a main demand from governments and international institutions. In this context, IPIS has been pleased to learn about Steinweg's promise to the Belgian Senate to hand over all relevant documentation.

⁷⁸ The president of the Rotterdam office for Steinweg/Handelsveem is Mr Pieter Adrianus Govers and the director is Mr Pieter Johannes de Sterke. In Antwerp, the directorship is fulfilled by Mr Jacques Van den Hende.

⁷⁹ "Authorisations d'export des Mines", Bukavu August-December 2001: evidence acquired by IPIS

⁸⁰ IKON Interview 20 January 2002.

⁸¹ Closed meeting with Mr Steinweg representative Ivan Crombecq, 17 May 2002: http://www.senaat.be/www/webdriver?MIval=index_senate&M=1&LANG=nl

General conclusions

Since the publication of the IPIS Report in January 2002, no major changes have occurred on the international market for coltan. As a result of the overevaluation of the technology market, the increased production of two of the largest mines in Australia and the strategic stock sales by the American Defence Logistics Agency, the prices for tantalite have been dropping since mid-2001. Self-evidently, these price drops have affected the coltan exports through Rwanda and Uganda. Though the volume of the coltan exports has diminished substantially, there is evidence that the warring parties are still showing a particular interest in the black gold. With regard to Rwanda, it should be remarked that the revenue figures, cited in the first UN report on the DRC, were slightly exaggerated. A recalculation, based on evidence from selling contracts, points out that from late 1999 until mid-2001, the RPA has probably made 64 million USD (excluding all external costs), instead of 250 million USD (including transport and other external costs), as claimed by the UN.

Following the evolutions on the international coltan market, the worsening security situation in Eastern DRC and the denunciation of the coltan traders' contribution to the war economy, several multinationals have decided to cease their activities in the Kivus. Their massive withdrawal has stimulated the marginalization of the traditional trading posts, who continue to be plagued by draconic taxes and military entrepreneurs. While the traditional traders are more and more pushed aside by a small group of cronies of the Rwandan regime, the German company H.C. Starck and the American-Dutch trading venture Eagles Wings Resources International have introduced a number of policy changes to clear their image and to counter the critique of the UN. H.C. Starck has focussed its attention on the environment issue by concluding a partnership with the Dian Fossey Gorilla Fund, and EWRI has shifted its activities to Rwanda, where it has engaged itself in a joint project with the the Dutch development agency SNV to safeguard the interests of the local mining community. Though both of the abovementioned initiatives are to be welcomed, analysis has shown that they should be critically monitored, particularly with regard to their implementation mode.

Transport companies constitute essential connectors between the exploiters of Congolese resources and a number of international processing plants, dependent on provision from the Great Lakes region. Hence, in theory, researchers ought to get a much clearer picture of the global branches of certain pillage networks, if they conducted a thorough analysis of the transport documents. In practice, however, certain established rules and practices in the transport sector throw a spanner in the works. This report has shown that for commercial reasons discretion is still one of the most highly respected norms in the business. The authors have found it extremely difficult to obtain exact data on the amounts of goods transported as well as on the identity of the addressees. Generally speaking, it can be stated that the British, Belgian and Dutch ports and airports are still of vital importance for the transit of mineral resources coming from the Great Lakes region, that certain companies seem to have specialised in the transport of specific types of goods and that during the coltan boom cooperation seem to have been concluded between certain mining companies and a number of large air carriers.

Of the companies discussed in this report, only DAS Air, N.V. Steinweg and Hollands Veem have been demonstrably been involved in the transport of coltan. The cargo manifests checked by the authors of this report seem to justify the claim by Martinair that they have never transported any minerals from the Great Lakes region. Nevertheless, it cannot be excluded that the Dutch air carrier has fallen victim to smuggling. In this respect it is crucial to examine more thoroughly the role played by the handling agents. The air companies take a certain risk by charging handling agents with the responsibility for loading the goods. The latter are responsible for completing and submitting the cargo manifests. Since customs officers habitually only make a random survey, for which they trust on the data provided by the handling agent, the risk of smuggling greatly increases when one agent has the monopoly on all handling activities (in that case it is much easier to manipulate the cargo manifests).

Moreover, military airports are of crucial importance for the smuggling of minerals. There are strong indications that top officers of the UDFP are using the military airstrips to cover up their activities in the DRC. Some of the 'civilian' cargo companies are probably also allowed to make use of these airstrips.