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TRANSCRIPT OF "FILE ON 4" – "CONGO GOLD"

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REPORTER: Jenny Cuffe

PRODUCER: Samantha Fenwick

EDITOR: David Ross

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THE ATTACHED TRANSCRIPT WAS TYPED FROM A RECORDING AND NOT COPIED FROM AN ORIGINAL SCRIPT. BECAUSE OF THE RISK OF MISHEARING AND THE DIFFICULTY IN SOME CASES OF IDENTIFYING INDIVIDUAL SPEAKERS, THE BBC CANNOT VOUCH FOR ITS COMPLETE ACCURACY.

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ACTUALITY IN FACTORY

CUFFE: In this Birmingham factory, two tons of fine gold are processed every month.

So that’s a brick of gold we now have there then?

MAN: Yes it is, it’s a bar.

CUFFE: While shares and currencies dropped in value during the worst of the recession, the price of gold has risen to the record level of over \$1,000 an ounce. But in parts of the developing world where even children dig the earth in the hope of striking lucky, the precious metal is associated with misery and fear.

FATHER ALFRED: For me, living in a mining area, it is really like we are sitting on a fire. The gold fire can really burn everything, everybody.

CUFFE: In the week the UN Security Council hears evidence of a link between gold and conflict in the Congo, we travel to one of Africa's biggest gold fields and trace the route by which dirty gold finds its way onto the world market. As governments consider what action to take to stop this illicit trade, File on 4 asks, how can we be sure the gold we wear is as pure as it looks?

SIGNATURE TUNE

ACTUALITY IN HARRODS

HALL: We have here a new service that we're offering, it's investment gold.

CUFFE: Chris Hall is head of Harrods Gold Bullion. In the basement of the famous London store is a display case containing gold coins and bars.

HALL: That's about 400 ounces of 999.9 parts per thousand gold, which is investment grade, good delivery, on all the major gold exchanges around the world. Currently that would be about £264,000.

CUFFE: So that gold bar, which is about the length of a 12" ruler, costs more than the average house in Britain?

HALL: That's correct. There is a demand by people looking for gold, for physical gold that they can have in their possession. We are certain of the demand that is in place at the moment and we will continue to service that demand as long as it's there.

CUFFE: Harrods can be as sure as anyone that its gold is ethically sourced. It comes from a leading Swiss refiner and most of it is freshly mined by a multi-national company. Gold is an increasingly popular commodity - and not just with the wealthy. Rozanna Wozniak is a market analyst.

WOZNIAK: The buying that we have seen has come from investors globally, so it's been every thing from institutions looking to diversify portfolios to shopkeepers who have been looking to take some of the daily takings and putting it into gold, to high net worth individuals to middle and lower income earners looking to protect their savings.

CUFFE: So you see no end to this trend upwards in terms of price?

WOZNIAK: I think that, even as global markets recover, the search for diversification by investors is not going to change. It's a very fundamental part of trying to manage your investments and managing your savings. And during tough periods, there's also the issue and the fact that gold doesn't owe anybody money. It's very simple, we can see it, we can touch it and it's been very fundamental in terms of investors moving into gold over this period.

CUFFE: The vast majority of gold on the market is sourced from large-scale mines. Much of it was dug years ago and is still in circulation. But a proportion comes from small-scale mines, dug by artisanal miners who work informally and without the protection of the law. Figures are hard to come by, but some organisations believe it's about 15 to 20%.of the world supply.

ACTUALITY, WALKING TO PILI PILI

CUFFE: Thousands of miles from the vaults and gold markets in London, is a narrow track up a steep hillside, slippery after heavy rains. It takes you into one of Africa's largest gold fields – a mountainous area in the region of Ituri, in north eastern Congo.

This is really the heart of the mountain. We have climbed 300 metres from the valley, where there are some gold miners just digging in the streams. What happens is that water is diverted from a river and pumped up by generators, pumped up to the top of this hill, and here there are gold diggers working in a pit, digging the earth which is itself a sort of golden brown colour, and everybody here is just the same colour – all their clothes are caked with mud. It's obviously very arduous, back-breaking work.

JAPYEM: There's more than one thousand people now working here in this area. We are just digging gold, this is where we are digging gold. And it's very difficult for us, because we don't have money, we are digging gold with our body.

CUFFE: No machines to help you?

JAPYEM: No machines for digging this gold. We are digging it after one month, two months, then we get some salary.

CUFFE: Over six foot tall and towering above the other miners, Salim Japyem has led me up Pili Pili, or Pepper Mountain. A refugee from Uganda, where he served in Idi Amin's army, he's lived off gold here for the past fifteen years. But it hasn't made him rich.

What kind of gold will you find here?

JAPYEM: For this area is the gold in water.

CUFFE: And how much does it sell for on the market?

JAPYEM: We are selling our gold \$30 for a gram.

CUFFE: It is a tiny fraction of the price on the global market?

JAPYEM: Yes, because we don't know, even the market of the world, we don't know the price, but here they are buying our gold for \$30.

CUFFE: Has that price gone up over the last year?

JAPYEM: No.

CUFFE: And yet on the world market, gold is at record level.

JAPYEM: We don't know, we are just digging the gold. They come here to buy our gold at that price which we are selling to them.

CUFFE: These miners can expect to earn \$40 to \$60 a month, barely enough for an individual, let alone a family. One young digger, who's been burrowing into the hillside beneath the tree line, calls me over to say he's struck lucky.

ACTUALITY WITH GOLD

CUFFE: After a week's digging, he's found 15 grams of gold, but he won't keep all that to himself. This area is owned by the state mining company, Okimo, and up to 30% of profits go to the negotiant, or middleman, who hands out permits. The digger also owes money for his share of the water pump, and the food and beer he's bought on tick, and then there's a \$3 weekly charge to the Congolese army or police. Some miners fall so deeply into debt to various middlemen that they never find enough gold to pay it off.

ACTUALITY IN STREET

CUFFE: On the edge of the gold-mining town, Mongbwalu, there's a small trading post, a criss- cross of muddy streets and one storey shacks.

ACTUALITY IN SHOP

CUFFE: So this is just an ordinary general store and it's selling anything from flour, water, powdered milk. But also there's a counter which is where one of the negotiators sits, and he's the person who buys gold.

A miner in filthy t-shirt and gumboots has come in and hands the trader a small plastic bag containing a palm full of precious flakes of metal.

Now he's got out his scales, he's put the gold dust in one side of the scales and he's put a coin in the other. Now a matchstick is added to the coin, and he's handing out some money.

How much are you giving him?

NEGOTIATOR [VIA INTERPRETER]: 28,807 francs – it's roughly \$32.

CUFFE: There are riches to be made from this area, but it's not the gold diggers themselves who are benefiting. Instead of paving the roads and equipping the school and hospital, the taxes they pay are more likely to end up in someone's back pocket. Anneke Van Woudenberg is senior researcher on the Democratic Republic of Congo for Human Rights Watch, and a regular visitor to Mongbwalu.

VAN WOUDEBERG: It remains a place of a lot of broken dreams. The majority of the miners live in absolute poverty. They live on hope that they're going to strike it lucky and that one day they're going to find a substantial gold nugget, and of course often they end up in indentured labour, in forced labour and the safety standards mean that often many of them are maimed or die. And also usually a whole host of other social issues that surround thousands of men, often young men, congregating in towns and villages in the hope of striking it lucky.

CUFFE: It's not just adults who mine for gold. UNICEF estimate that there are ten thousand children working in gold mines in the Ituri region of north eastern Congo, some as young as eight years old.

ACTUALITY OF CHILDREN SINGING IN CHURCH

CUFFE: At the Catholic Church in Mongbwalu, children start the day with an hour of songs and prayer. Next door, the British charity, Save the Children, runs a project to get them out of the gold fields and back into school. .

This eleven year old girl, Julienne, describes how she takes earth from the riverbank and mixes it with water and mercury to extract gold. Dedier, a boy of the same age, pounds rocks to a powder in a workshop – again using mercury, a highly toxic chemical.

Bienvenue, you are older than the others, but how old were you when you started going into the mines?

BIENVENUE [VIA INTERPRETER]: I started when I was ten years old. Now I am sixteen years old and I have worked all of this time.

CUFFE: So what was your life like? What did you do every day?

BIENVENUE [VIA INTERPRETER]: I did this work because there was no-one to take care of me. My parents are not here, I am by myself, so I have to do this work to survive. My job was to dig, it was to dig to try to find the sand where there is the gold. Sometimes I'd do this for even two months at a time and I would never find anything. It was a huge waste of my energy.

CUFFE: In the wild west atmosphere of Mongbwalu, it's every man and child for himself, with no regulations about health and safety and no protection from the state if things go wrong. Bienvenue has learned the hard way about the dangers of mining.

BIENVENUE [VIA INTERPRETER]: I went into the mines with a group of my friends. We started digging and digging and digging. Once we hit the ground we started digging a tunnel. When we went into the tunnel one of my friends was trapped, the sand fell on him and he died in the mine. He was ten years old.

ACTUALITY AT HOSPITAL

CUFFE: At Mongbwalu's hospital, a skeleton staff of poorly paid doctors and nurses deal with some of the consequences of gold mining, relying on charity for the little medication they have. As well as TB and respiratory diseases, there's a high rate of drug use, prostitution and HIV. The medical director, Dr Rubans Dhedia, says that sexual assault is almost an everyday occurrence and, disturbingly, it's the children working in mines who are most vulnerable.

DHEDIA [VIA INTERPRETER]: We have repetitive case of rape, which is led by immorality from one hand and, from the other, about witchcraft.

CUFFE: And what is the relationship between witchcraft and rape?

DHEDIA [VIA INTERPRETER]: Some people who believe in witchcraft can go and see a witch. The witch can give him conditions that if you rape the youngest girl, you'll have a lot of gold when you dig.

CUFFE: And what is the youngest girl that you have seen here who has been raped?

DHEDIA [VIA INTERPRETER]: Most of the cases are between ten and fifteen years.

CUFFE: The people of this area have a history of suffering. Between 2003 and 2004, it was the epicentre of a bloody conflict, as rival factions supported by Uganda and Rwanda vied for control. Father Alfred Buju lost his own mother, cut down by a rebel wielding a machete. Now he's head of a coalition of groups which work to improve the lives of artisanal miners, and he runs the Justice and Peace Commission, supported by the charity Cafod.

ACTUALITY IN GARDEN

CUFFE: Sitting by lamplight in the presbytery garden, we talked about gold's impact on this community.

FATHER ALFRED: In terms of ... ,people were tortured and you can see also this issue about sexual violence and there were also mass killings, which happened in those mining areas, especially here, even in Mongbwalu. Knowing what is happening and even seeing what is happening, I am fearing that if the state is not strong, conflict can happen anytime, anywhere, especially in the mining area. It can happen quickly in terms of business interests, profit, people are ready to fight. For me, living in a mining area, it is really like we are sitting on a fire. The gold fire can really burn everything, everybody.

CUFFE: And in other parts of the Congo, that fire is still burning. Dino Matani co-ordinates a UN group of experts on the arms embargo. This week the Security Council is considering their evidence on the link between Congo's gold and conflict. Despite UN sanctions, the mineral is still being requisitioned or taxed by militia, who use it to buy weapons and ammunition.

MATANI: Recently there was a Congolese Senate report that talked of roughly \$1.24 billion US of gold or roughly 40 tons of material that are smuggled out on a yearly basis without any sort of customs declaration. Now, if you work on the

MATANI cont: margins, a 3% margin of profit on gold, possibly a bit more for gold that's exported without paying export taxes, then you're talking about several millions of dollars profit that go back to these networks that control this illicit trade. And particularly in the Kivus part of eastern Congo, a lot of this gold is actually controlled by armed group networks. What we've found is the gold trade represents one of the most significant avenues of direct financing for these armed groups and this money obviously helps to sustain them in the field.

CUFFE: And is there any suggestion that the same is happening in the gold fields in Ituri?

MATANI: We've heard that some of the gold coming out of there is still coming out of areas that are effectively controlled by these armed groups. Also former militia fighters, they also are actually involved in the trade of this gold, so we're still looking into what they do with that money and whether that has a link back to how those militias actually operate on the ground.

CUFFE: Many former rebels in Ituri have been integrated into the Congolese National Army, but they're still exploiting gold. Generals earn only \$95 a month, yet they live in large houses and drive flash cars. Whatever deals are made, Anneke Van Woudenberg of Human Rights Watch says Government officials turn a blind eye.

VAN WOUDEBERG: The Congolese Government remains largely absent in parts of Eastern Congo, and yet it is indeed their responsibility to try to ensure that the resources of the country are used for the benefit of its people. Often we see that many of those in the Government are also on the take, are themselves corrupt and use these resources to line their own pockets. But the answer has got to be in greater regulation of this trade inside Congo and outside Congo. Because, remember that this gold is not bought by Congolese people, it is bought by us in the west, it is bought by people in the United Kingdom, in the United States and in Europe.

CUFFE: Both the Congolese Government and the international community have taken steps to regulate the flow of gold. But File on 4's investigation shows that neither has been successful.

ACTUALITY IN BUNIA

CUFFE: Father Alfred and I have come to Bunia, a three hour drive from Mongbwalu and close to Lake Albert and the Ugandan border. There's only one bank in town, intermittent electricity, and unmade roads. Yet, beneath the very noses of the UN peacekeepers based here, gold flows in and out in a constant stream. In offices above these shops, deals are being done.

FATHER ALFRED: I can say all the business is associated with gold, because you can see people are living here on the gold especially. Gold is providing money and money goes together in business. Even the one selling let's say beans or maize or clothes, somewhere to have a bit of money they need still gold.

CUFFE: So even these shops selling shoes and there's one here selling mattresses and coats and little general stores, even these will really be trading in gold?

FATHER ALFRED: Of course, of course. They go maybe to Kampala but they can take their gold, even if it is not within the normal channels, there they will sell it and they come back with articles.

CUFFE: To provide a legal channel for gold, the Congolese Government has authorised a company called COPED to act as the official trading house. In June this year, Belade Papa Douce and his colleagues set up shop next to the Department of Mines in Bunia. Wired to the internet, he follows the global market and offers the going rate. But traders who do business with him are required to pay taxes of 3.25% with other charges on top, which may make it less attractive. So how many negotiants are bringing their gold to you now, and how many are bringing their gold to other non-official traders?

PAPA DOUCE [VIA INTERPRETER]: I don't know the exact number, I'd need to look at the paperwork to tell you how many. When people bring gold to the trading house, there are government representatives there to check its weight and value. If the negotiator likes the price, that's good. If he doesn't, he takes his gold elsewhere. We don't know where they

ACTUALITY IN KAMPALA SUBURB

CUFFE: Machanga and Commercial Impex, the two companies at heart of the trade in Congo's dirty gold during the years of conflict, were both based in this discreet suburb of Kampala - one in a pink building on the corner behind a high wall, the other in a smaller, more modest building further up the street. You won't see their names on any door now. But File on 4 has learned that in order to get round the UN sanctions, the businessmen at the heart of this trade have just simply changed their trading names. The evidence presented to the UN Security Council this week by Dino Matani and his group of experts, includes details of the way Congo gold is traded. After examining travel documents and phone records, as well as Customs certificates and company details, he's come to the conclusion that it involves a relatively small network of individuals. It will now be up to the Security Council to decide whether to impose further sanctions.

MATANI: When you place companies on a sanctions list and you don't sanction the directors of those companies, then it's very easy for them to simply change up their behaviour, set up new front companies and carry on operating. So this year we've continued to look at some of the directors of these companies and also some of the other companies operating in this region, in this trade, and trying to focus on the individuals behind the trade rather than trying to necessarily nail companies against a wall, who could easily change their names from one day to the next.

CUFFE: What were you able to find out about the route that the gold takes?

MATANI: If you check the official Government statistics, you'll see that most of that gold, pretty much 95% of what they declare officially, is going through to Dubai in the United Arab Emirates, and we know that in Uganda you'll have import statistics of gold coming in from Congo, Sudan, perhaps other countries as well. All of that stuff goes to the United Arab Emirates, the same for the Burundian gold, which is principally coming through South Kivu, there's a bit of domestic production in Burundi. But according to the official statistics and various testimonies and other pieces of evidence we've gained, most of that gold is going through to the United Arab Emirates.

CUFFE: And those who buy it in the United Arab Emirates, where do they think it comes from?

MATANI: Well, I'm not sure we've really seen people caring that much about where it comes from. Certainly we were told by one operator in Burundi this year that if he's exporting 50 kilograms of gold, he'll break it down into packets of one kilo at a time - that's still worth, you know, several thousand dollars – and then send this with various carriers through to the UAE. One kilo of gold in the pocket, you can escape detection at Customs, and then he said this gold is sold anywhere in the gold souk, and of course Dubai has one of most famous gold souks in the Gulf, so if you can imagine the small trader arrives, he'll go to a number of shops, show his wares, obtain the best price, sell it and disappear.

CLIP FROM PROMOTIONAL VIDEO

CUFFE: In a promotional video for Dubai's gold exchange, the wide streets of a computer generated city are literally paved with gold, their brightness reflected in glass towers. Colin Griffith is Director for Europe for the Dubai Multi-Commodity Centre.

GRIFFITH: Dubai has always been important to the gold trade, because it's a global centre and it's really the distribution hub for India, and India historically have been the biggest gold consumers in the world.

CUFFE: And as well as India, where does it go?

GRIFFITH: The gold comes into Europe either to be refined or in a refined state for sales onward or for investment purposes.

CUFFE: So the route would be into Dubai and then from Dubai into Europe?

GRIFFITH: Very much so. Yes, absolutely.

CUFFE: Colin Griffith points out that 90% of the gold passing through Dubai's commodity centre - or DMCC - is scrap: gold that's already above the ground. He's aware that concerns have been raised about gold from Uganda, but says it isn't a significant exporter.

I've got the figures here for 2008, Uganda's own export figures, and it says that, for instance, gold compound that was exported to Dubai was worth \$7,648,033 so that's a considerable flow of gold into the United Arab Emirates coming through Dubai, isn't it?

GRIFFITH: I'm not sure that those figures are correct, but if they are, that's still a very small percentage. The UN are policing the gold business that comes out of a lot of the African countries, including Uganda. I think probably the standard, the procedures and everything are pretty good.

CUFFE: Well is it enough to say, well, the UN should police it? Shouldn't those of you who trade in gold and who make profits from gold, shouldn't it be your concern and your responsibility?

GRIFFITH: The Dubai refineries and all the companies who operate under the DMCC operate to a high level of due diligence, and I'm confident that the checks are carried out. One of our checks would be where the actual gold came from. Our compliance checklist is six or seven pages long,

CUFFE: So of any consignment of gold, you would be able to say where that gold comes from?

GRIFFITH: I'm not saying that you could say exactly where that gold comes from. Gold can be refined and produced and it's very difficult to actually trace it. What I am saying is that the companies that operate under the DMCC operate in a fit and proper manner.

CUFFE: Most of the Dubai gold destined for Europe will go to a refinery, where it'll be turned into gold bars. Some of the bars will be sent to banks and vaults and some will go to another refinery, where they'll be melted down with other batches

LEIGHTON: No, no I couldn't, and nobody could, nobody in the industry could make you that guarantee unless they'd actually been to a small artisanal mine, carried the product back with them through the relative Customs, taken it to a refinery, walked it through the process and actually followed the finished jewellery through the end. But nobody could sit, hand on heart, today and say that the gold we're using doesn't have any of that reputation associated with it.

CUFFE: There are growing demands for responsibly mined gold, led by humanitarian and environmental organisations like Cafod. It's similar to the movement that led to the Kimberley process for tracing diamonds. Sonya Meldar is the charity's policy analyst.

MELDAR: We do think it is the responsibility of the traders, of the refiners, of those that are dealing in gold to undertake strict due diligence requirements so that they know where exactly they're getting their gold from, so that they can be absolutely sure that the gold they're buying, they're trading in is not contributing to conflict or human rights abuses in the developing world.

CUFFE: I'm sure many might applaud your efforts but consider them somewhat naïve.

MELDAR: In what way naïve?

CUFFE: It's wishful thinking that you would manage to clean up this industry and make all gold traceable and ethically sourced.

MELDAR: There's no doubt that the gold supply chain is very complex. It has lots of different stages. But we don't think this should be a barrier to achieving traceability with the gold supply chain. This is something we hear from the industry time and time again. But remember, this is a hugely powerful and wealthy industry and we believe that it is their responsibility to address some of the concerns that consumers have. They have the power to do that, to introduce the technology to achieve this traceability within the supply chain.

CUFFE: Customer demand has led some jewellers to re-think their production chain and present a range of goods that are at least partially traceable. There's even a plan for the first Fair Trade gold jewellery, sourced from Columbia. But these efforts are a drop in the ocean. With so many different trade bodies representing various sectors of the industry, it's impossible to get a co-ordinated response. One of the most powerful voices is the World Gold Council, representing major gold mining companies. All large gold mines attract artisanal miners, so it is a concern for the Council's sustainability advisor, Maureen Upton.

UPTON: I think it's important to put this problem in context, because the vast majority of the gold in any given ring, investment, industrial piece of gold that you might buy, is going to be responsibly produced. We can verify that by our own members. So it's a very small part of the gold supply chain. But even though it's a small part, it does present a problem and our members, as well as we as an organisation, have engaged to try to address it and make it better.

CUFFE: Because if you take a country like the Democratic Republic of Congo, I mean, \$1.24 billion worth of gold is produced from that country each year. All right, it may be small when compared to the whole of the global gold production, but it's a very significant amount. And that is gold that is mined in conditions of child labour, no health and safety, extreme poverty, violence against women, human rights abuses and conflict.

UPTON: Well, I'm not sure it's the case that every bit of gold mined in the DRC is mined irresponsibly. It's not really a significant percentage. The fact that there are these pretty grim aspects of it, it still means that it's way too much, and I think that the solution to this problem lies with multiple stakeholders. The Government, I'd say, is the one that needs to be most involved in solving that. The gold industry can't really solve political problems around the world. All that we can, as an industry can do is engage in the areas where we operate, with governments where we operate, with communities that both staff our mines and benefit from them.

CUFFE: No-one says it'll be easy to eliminate dirty gold. The UN Security Council has to decide whether to impose further sanctions, but the measures they took in 2007 haven't been successful. The British and other governments are looking for alternative solutions. John Hobbs of the Department for International Development chairs the Communities and Small-scale Mining initiative, funded mainly by Britain and the World Bank. Their focus is the artisanal miners themselves.

HOBBS: The history of mining is all about artisanal small-scale mining. Ghana was called the Gold Coast for a reason. The hole in Kimberley where diamonds were discovered was originally all individuals digging away like crazy until along came Cecil Rhodes and brought them all together. Artisanal mining in many countries represents 100% of gold production, so it's an incredibly important but quite often forgotten dimension of the mining sector.

CUFFE: John Hobbs believes that the best way to address the problem of dirty gold is to go back to source, to improve working conditions and bring gold diggers in from the margins of the industry.

HOBBS: One of the easier, but very problematic policy responses being talked about at the moment is sanctions against certain countries. And if you impose sanctions on some of these countries, the people that will suffer the most at the end of the day are the people that are digging the holes. But there's another movement of many people that are working on really going into the communities, trying to formalise them as best as possible. They also work and try and encourage large-scale miners to work and cohabit with artisanal miners, try and understand what's happening in the communities, and instead of treating them with hostility, say that maybe there is some way we can work together. The idealism of it, perhaps, is that we want to convert what are essentially in these communities vicious circles into virtuous circles.

CUFFE: But it'll take a long time to complete any virtuous circle. As world prices keep rising, the demand for gold, from whatever source, will increase, and that means those at the bottom of the chain – miners like Salim, will continue digging but see little of the reward.

JAPYEM: We are needing somebody to come from Europe, out from America, go and help us to dig this gold, because we don't have food, we don't have medicine, we don't have everything. Our children are suffering.

SIGNATURE TUNE