

COPPER COLONIALISM

Vedanta KCM and the copper loot of Zambia

Who are Vedanta KCM? KCM is a subsidiary of Vedanta Resources – one of the top 250 UK companies, known as the 'world's most hated mining company' for environmental and human rights abuses. The company is being opposed by local people wherever they operate mines, refineries, and oil and gas across India. Vedanta is 69.6% owned by its British Indian chairman Anil Agarwal via various tax havens, so he pays minimum tax in the UK or any other country.

KCM sold for a song Vedanta bought KCM from Anglo American in 2004 for just \$25 million in cash. In the first three months of operation they had made profits of \$26 million! The true valuation of KCM's 79.4% share in the mines and factories is estimated at between \$705 and \$1460 million. Vedanta have a pattern of buying undervalued state owned companies. In Chhattisgarh, India, they bought BALCO - a bauxite refinery, smelter and mines, for \$89 million in 2001 when it was worth around \$800 million. In Rajasthan, India they are under investigation for depriving the exchequer of hundreds of millions of dollars when they bought Hindustan Zinc Ltd for only \$97 million when it was worth \$3.8 billion!

Agarwal brags about ripping off Zambia! Vedanta have long claimed that they are making a loss on Konkola Copper Mines and hence pay virtually no tax. However in April 2014 a video released by Foil Vedanta showed Anil Agarwal bragging to the Jain International Trade Organisation in Bangalore that he was making between \$500 million and \$1 billion a year from KCM! In the video Agarwal boasted that he obtained the mines for only \$25 million against a \$400 million asking price, and ridiculed the Zambian President and parliament.



Agarwal brags about ripping off Zambia in Bangalore

Vedanta guilty of insider trading In July 2014 the High Court of London heard evidence from independent audits on how Vedanta was hiding its massive profit by selling its copper vastly underpriced to its own subsidiary - Fujairah Gold in Dubai, run by Anil Agarwal's son Agnivesh. This is called 'transfer pricing' and is a violation of the 'arms length principle'. Vedanta have used this method to evade millions of dollars of tax in Zambia. The judgement also disputed Vedanta's often quoted claims to have invested \$2.8 billion in Zambia, showing that this figure was also fraudulent & there had been no real capital injection into the mines.

No transparency Vedanta has hidden key information about KCM and misled the Zambian people. Most strikingly they have created the impression that they are an Indian (not British) company, which they have used to their advantage. KCM's Annual Reports are kept secret despite the Zambian people owning 20.6% of KCM via national mining investment body ZCCM-IH, and even most politicians cannot access them.

Who owns Zambia? It is well known that privatisation of mining and the de-regulation and weakening of laws has been forced on Zambia by the World Bank and IMF along with other foreign donor agencies and banks. But who is behind these institutions? Blackrock, the world's biggest asset management firm, owns large percentage shares in Vedanta, First Quantum, and Glencore. They, along with US banks JP Morgan and Goldman Sachs, are buying up 80% of the world's available copper, and holding it in warehouses to control the copper price & make huge profits from 'futures trading'.

People are opposing Vedanta everywhere! In Orissa, India Vedanta lost \$10 billion in 2013 when a tribal community won a ten year struggle against the State and the company to stop their mountain being mined! Everywhere Vedanta operate in India people's movements are resisting exploitation and injustice. In London activists are making these movements visible and exposing the truth about the company. Join the global movement! Stop Vedanta before it's too late!

Polluting communities In 2006 KCM released so much toxic mine waste into the river Kafue that it turned green, with 10x acceptable levels of copper, 770x manganese and 100x cobalt. An estimated 40,000 people drank contaminated water, and many are still affected today by liver and kidney problems as well as miscarriages and stomach pains. In 2011 a landmark judgement by a Zambian High Court judge fined KCM \$2 million on behalf of 2000 Chingola residents who were some of the worst affected. Vedanta challenged the ruling and the case was not re-heard until the issue internationally in 2013. Finally, in April 2015, the Supreme Court of Zambia upheld the guilty verdict against Vedanta but reduced the compensation to nothing, leaving the residents without full justice. In August 2015 the case was taken up by UK law firms who reported shocking evidence of the ongoing negligent contamination of the Mushishima stream and Kafue River by the KCM mine, leaving communities without clean water and suffering ongoing health problems. Environmental pollution is also a pattern for Vedanta. In Tamil Nadu, India, a major gas leak at copper smelting subsidiary Sterlite hospitalised hundreds of people in 2013 and brought 5000 people into the streets in angry protest. In Goa, mine waste floods have destroyed homes and left toxic residue in villages. Between Jan 2009 and Oct 2010 Sterlite imported contaminated copper concentrates containing 2.2 tonnes of Uranium and 441 tonnes of Arsenic. It is not know how this waste is disposed of. Sterlite's toxic waste has been found illegally dumped around the town of Tuticorin. KCM have also imported contaminated concentrates to Zambia.

How to stop Vedanta's loot Operations at Vedanta subsidiary Sesa Goa's iron ore mines in Goa, India, were suspended when an investigation revealed that they had exported 150 million tonnes of iron ore in 2010/11 while only declaring 76 million, their agreed export allowance! The alert was raised by local people who counted the number of trucks leaving the mines and compared that to the declared export. In Zambia companies like Glencore (Mopani) have been found to grossly under-state their export volumes, in particular cobalt, lowering their taxes and fees. There is no independent monitoring of the volumes exported from mines and the government relies on company figures.



Protests demand Vedanta's copper smelter in Tuticorin is shut after gas leak poisoned the town

NGOs – parasites of the poor? Many NGOs are funded by the same government's who profit from the exploitation of Zambia by mining companies. The Norwegian government are a top shareholder in Glencore while their aid fund NORAD pays NGOs to hold the company to account. The UK's Commonwealth Development Corporation (previously Colonial Development Corporation) promotes Zambia as a cheap mining destination while UK aid pays NGOs like Action Aid to help Zambia get more from mining. Action Aid's Director of International Finance and Funding Michael Lynch Bell is also a Director of disgraced mining company Kazakhmys. These are conflicts of interest. NGO's are accountable to their funders and not to the people they claim to work for. They often suppress or co-opt grassroots movements rather than encouraging people to organise themselves to create long-lasting social change.

Exploiting workers An estimated 11,000 of KCM's 18,000 workforce are contract labour whose union is unrecognised and who receive lower pay than full time employees. Retrenched workers claim they have received 'peanuts' in compensation. Meanwhile at Vedanta's Annual General Meeting in London in August 2013, boss Anil Agarwal brazenly claimed that the company has not retrenched a single worker in any of their operations. Tom Albanese, Vedanta's new CEO and Chairman of KCM, is the former CEO of Rio Tinto, a mining corporation known for its aggressive anti-unionising activities. In May 2014 around 400 KCM contract workers stormed the Zambia National Broadcasting Corporation (ZNBC) offices in Kitwe during a protest over KCM's refusal to implement the minimum wage.

Investors or extractors? In recent years copper prices were consistently above \$7000 per tonne, leaving a very large profit margin for mining companies. However the Zambian people benefitted very little from this copper boom. Ecological economists calculate that if the environmental damage, health costs, and loss of resource for future generations were included in the cost of copper it would be worth \$33,000 per tonne. Currently the rest of these 'externalities' are being paid for by Zambians themselves. Due to the commodities slump Vedanta are now suspending workers and may pull out of Zambia. It is crucial that Zambians get justice from Vedanta in terms of owed taxation, a remediated environment, & workers remuneration before it is too late.

Read the full report: *Copper Colonialism: Vedanta KCM and the copper loot of Zambia*
at www.foilvedanta.org Foil Vedanta, London.