



# Eritreans Exploited: UK corporate complicity in human rights abuses

Located in the Horn of Africa, Eritrea is one of the smallest states on the continent, with a population of approximately 5 million on 124,000 km<sup>2</sup>. This small African state is one of the world's most repressive, with the UN reporting crimes against humanity going back decades.

## Eritrea's system of oppression

Eritrea's totalitarian state is extreme and includes a ratified Constitution that hasn't been implemented; the absence of national elections since independence from Ethiopia in 1991; its Parliament does not meet; and the President, Isaisa Afwerki rules without institutional restraint. The government owns all media and Eritrea has been at the bottom of the World Press Freedom Index for eight consecutive years. Non-governmental organisations are not permitted.

Despite the Eritrean government promising to implement reforms, nothing much has changed.

Rather, the UN's 2016 report on Eritrea notes that the same pattern of human rights abuses persists. It states:

**'Eritreans continue to be subjected to indefinite national service, arbitrary detention, torture, enforced disappearances, reprisals for the alleged conduct of family members, discrimination on religious and ethnic grounds, sexual and gender-based violence, and killings.'**<sup>1</sup>

Eritrea has the highest number of any country per capita seeking asylum and it is the 'fastest emptying' nation in the world with 400,000 people leaving in the last decade – in 2015, more than 45,000

Eritreans applied for asylum in Europe.<sup>2</sup>

## Ownership over Eritrean citizens

Under the pretext of defending the integrity of the state and ensuring its self-sufficiency, Eritreans are subject to a system of national service and forced labour that effectively abuses, exploits and enslaves them for indefinite periods. The UN noted that 'enslavement has been committed on an ongoing, widespread and systematic basis since 2002... within the context of military/national service programmes, Eritrean officials exercise powers attaching to the right of ownership over Eritrean citizens.'<sup>3</sup>

Over 380,000 youths have been drafted since 1994.<sup>4</sup> All Eritrean citizens, aged between 18 and 40 must complete 18 months of military service to the state, with six months of this being in military service. In reality, most conscripts end up serving indefinitely. During this 'military training', Eritreans endure human rights abuses including a lack of adequate food, water, hygienic facilities, accommodation and medical services that may result in death, severe disabilities or long-term damage to their mental and physical health: 'during their service, most conscripts in the military and all conscripts in civil service are subject to forced labour.'<sup>5</sup> The work they are required to do is not just for Eritrean public services, but for private companies, including mining companies.

## Mining and repression in Eritrea

Much of Eritrea's foreign exchange income comes from foreign gold and copper mining company projects in which the Eritrean government holds a 40% stake. The state control of these revenues is enhanced by the complete lack of mining revenue transparency in the country, a fact that has been persistently documented in various UN reports. Incredibly, the government of Eritrea does not publish a budget so government expenditure and income are simply not known and are impossible to scrutinise.

The UN has noted that official budgets do exist but have no bearing whatsoever on actual government income and expenditure. In addition, the UN has stated that 'only the President and three members of his inner circle, alone and with no oversight, run state finances. One important and undisputed source of revenue is proceeds from mining operations owned jointly by the Eritrean state and a transnational corporation.'<sup>6</sup>

## International mining profits from forced labour

This transnational corporation is Canadian mining firm, Nevsun Resources. The Eritrean government has said that Nevsun's total payments to government amounted to around \$200 million a year during 2011-13.<sup>7</sup> In the five years, 2011-15, figures from Nevsun itself show that the company paid a staggering \$828 million to the Eritrean state in income taxes, royalties and to ENAMCO, the mining company owned by the Eritrean state, for its share in the Bisha mine – this extremely large amount for one company could amount to around 7% of Eritrea's GDP.<sup>8</sup> Nevsun argues that the amount of taxes it pays to the government demonstrates a positive impact. It is difficult to support Nevsun's claims of having a positive impact because there is no way of knowing where the money actually goes and what the government is using it for. For all we know, the more money it provides the regime, the more easily this abominable regime can maintain its grip on power and the more complicit the company is.<sup>9</sup>



All mining companies run the risk of being complicit in Eritrea's forced labour system since the use of forced labour is prevalent throughout the economy.<sup>10</sup> Mining companies conduct significant construction activity during their project development phase and in Eritrea state-affiliated firms have a monopoly in construction. There is considerable evidence that these firms use conscripted labour across their operations.<sup>11</sup>

## Nevsun challenged in court

In November 2014, three Eritreans filed a lawsuit against Nevsun Resources in Vancouver, British Columbia in which they alleged the company's complicity in the use of forced labour by Nevsun's

local sub-contractor, Segen Construction (owned by Eritrea's ruling party), at the Bisha mine.<sup>12</sup> A ruling by the Supreme Court of British Columbia dismissed the efforts of Nevsun to block the case from going forward, marking the first time in Canadian history that claims against a Canadian corporation for allegations of complicity in crimes against humanity, slavery, forced labour and torture in overseas operations would be heard in a court in Canada.<sup>13</sup>

The plaintiffs – Gize Araya, Kesete Fshazion and Mihretab Tekle – claim that they worked at the Bisha mine against their will and were subject to 'cruel, inhuman and degrading treatment', including being forced to work long hours and threats of torture and intimidation.

Kesete Fshazion said in his affidavit that he started working at the Bisha mine at the end of 2008:

'The entire time I worked at the Bisha mine, I was not there of my own free will. I believed that I could not refuse the assignment to the Bisha mine because if I had refused, the authorities would have detained me and I would have been severely punished'.<sup>14</sup>

Mihretab Tekle says he arrived at the mine in February 2010 along with about 50 other men from his battalion, and was assigned to work on the construction of the tailings pond:

'Temperatures there were sometimes as high as 47 degrees Celsius. The black plastic sheets with which we worked only intensified this heat, and there was no real shade available to us to shelter us from the sun. Many conscripts caught malaria ... were also prone to diarrhoea and numerous other illnesses as a result of our weakened state and the extremely difficult conditions in which we worked'.<sup>15</sup>

Nevsun has been reported as saying that the Eritrean military never provided labour to the mine. Even if it did, the company argues, Nevsun was not directly responsible for employing the workers.<sup>16</sup> The first of these statements appears entirely untrue given the evidence that has emerged. On the second, although Nevsun did not directly employ forced labourers, it profited from it and still bears some responsibility and duty of care at its mine.

## The UK Connection

There are several ways in which Britain is connected to Eritrean mining, thereby being complicit in the practices of this repressive regime. This includes not just the mining companies involved in exploration in the country, but the financial institutions that have invested in UK and other mining companies operating in Eritrea.

The British private company **Andiamo Exploration Ltd** holds an exploration licence in Eritrea and is exploring for copper and gold: between 2009 and 2014, Andiamo raised \$10.6 million to fund its exploration programme in the highly prospective Bisha Belt and drilling results have revealed high grade copper and gold at its flagship Yacob Dewar Gold Project.<sup>17</sup>

Some 25% of Andiamo has been held since 2014 by **Ortac Resources Ltd**, a London-headquartered company, listed on the London Stock Exchange and registered in the tax haven of the British Virgin Islands.<sup>18</sup> It also operates in Zambia and Slovakia. The Executive Chair of Ortac – Anthony Balme – is also a non-executive director of Andiamo.<sup>19</sup>



**London Africa Ltd** is another London based private company exploring for copper, gold, zinc and lead over 1,168 km<sup>2</sup> in Eritrea.<sup>20</sup> Spurred on by a successful exploration for gold, London Africa Ltd is set to commence its next stage of exploring for other prospects.<sup>21</sup>

Major shareholders in Ortac include **Halifax Share Dealing** – a part of Halifax which allows customers to buy and sell shares online – and **Barclays Stockbrokers Ltd** – part of Barclays, which also enables the online buying of stocks and shares.<sup>22</sup> These two shareholders together hold 19% of Ortac.<sup>23</sup>

**JP Morgan Asset Management (UK) Ltd** hold shares in Nevsun.<sup>24</sup> The company is an investment manager that is part of JP Morgan Chase & Co, which provides retail banking, investment banking and asset management services across the world.<sup>25</sup> In 2014, the UK's Department for International Development (DFID) partnered with JP Morgan Chase in its first 'Impact Fund' investment in the venture fund, Novastar, whose main venture capitalist activities are located in East Africa.<sup>26</sup>

In late 2016 **JP Morgan Asset Management (UK) Ltd** also acquired a 9.12% holding in Danakali.<sup>27</sup> The broker Somers & Partners said JP Morgan had given Danakali 'its seal of approval' and pointed out the American bank had 'a successful track record in Eritrea through its investment in Nevsun'.<sup>28</sup>

**Take Action!** <sup>29</sup>

War on Want is calling for the human rights of the people of Eritrea to be respected and protected. In highlighting the terrible exploitation of ordinary Eritreans, undertaken with the complicity of UK companies, we are calling on those companies to demand the human rights of Eritreans are respected and to put in place mechanisms that care for the people that are employed in their interest.

War on Want supports Eritrea Focus, a diaspora group based in the UK, and its advocacy for the rights of ordinary Eritreans.

**What you can do:**

Call on those companies to place pressure on the Eritrean government to respect and uphold human rights and to protect the people that are employed in relation to their operations.

Call on the UK government to demand that the Eritrean government protect the rights of its people and to work with the APPG and Eritrea Focus to support the protection of the rights of Eritreans.

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- 29 This research brief was commissioned by War on Want and Eritrea Focus and was undertaken by Mark Curtis



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