special report

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GLENCORE
THE COMMODITIES GIANT WITH NO SOUL

After surviving a near-death experience in 2015, Glencore stocks are riding high on world markets: the company has just posted its best ever results. One reason is its dominance of supplies of cobalt, an essential mineral used in batteries for smart phones and electric cars. Cobalt prices are soaring, and Glencore controls supply through massive operations in the Democratic Republic of the Congo (DRC).

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When IndustriALL Global Union visited DRC in February 2018 to meet with local unions at Glencore mines, the company denied access to its operations, and security forces attempted to break up a union meeting in a church and arrest the organizers. What are they hiding?

Last year, the Paradise Papers revealed that Glencore paid huge sums of money to a corrupt fixer to obtain mining interests in DRC. Adding to its reputation for corruption, human rights abuses and environmental degradation, Glencore's treatment of its workforce – in DRC, and across more than 150 operations in the world - is the scandal that has not received the attention it deserves.

The company directly employs 83,679 people around the world, with a total of 145,977 including contractors. Glen Mpufane, IndustriALL mining director, says:

"For Glencore, workers are a disposable and replaceable resource like any other."

These include miners at Glencore's Oaky North mine in Australia who were locked out of their workplace for 230 days, workers at CEZinc in Canada having to strike for nine months to prevent a raid on their pensions, the loss of thousands of jobs through casualization in Zambia, a spate of preventable accidents at the Cerrejón mine in Colombia, and brutal labour conditions in DRC.

INDUSTRIALL'S GLENCORE CAMPAIGN

At its Executive Committee meeting in Sri Lanka in October 2017, IndustriALL launched a campaign against Glencore. This follows years of unsuccessful attempts to establish global dialogue with the company to resolve workers' rights and health and safety crises at its operations around the world.

Speaking at the launch of the campaign, Tony Maher, national president of Australian affiliate the Construction, Forestry, Mining and Engineering Union (CFMEU), said:

"Glencore has no corporate soul. This is a Frankenstein company, stitched together with body parts."

Glencore is a hybrid, whose sole purpose is to make money, a corporate colossus with a stranglehold on world resources. The company has built up an extremely complex network of 80 or more subsidiaries on five continents, using shell corporations, partnerships and offshore accounts to obscure transactions and avoid tax, and working with corrupt intermediaries to gain access to resources.

Unions representing Glencore workers in Argentina, Australia, Bolivia, Canada, Chile, Colombia, DRC, Germany, Italy, Norway, Peru, South Africa, the UK and Zambia have come together to coordinate action against the company: many have been confronted by the arrogance and intransigence of Glencore in their own countries.

Kemal Özkan, IndustriALL assistant general secretary says:

"The purpose of the campaign is to restrain the monster, to prevent it from causing further damage. IndustriALL affiliates are seeking to negotiate with the company at a global level, to create a transparent mechanism for resolving disputes wherever they arise."

COMPANY PROFILE

Glencore's criminal past – its founder was on the FBI's Most Wanted list for almost 20 years - and ongoing contempt for the law means the company tries to keep a low profile and stay out of the spotlight. But recently, since the company's public listing in 2011, and the leaks of the Panama Papers, Paradise Papers and Hilary Clinton's emails, more information about the company's behaviour has come to light.

Glencore, originally named Marc Rich + Co, was founded in 1974 by Marc Rich, a Belgian-American commodities trader. Before Rich, oil production and trading was dominated by big, established companies like BP and Exxon, who made long term deals with stable governments. Rich flew into conflict zones with borrowed money, making deals with officials to buy oil directly. Rich brought two great innovations to the world of commodities trading: defying international law, and using leverage – trading with borrowed money and reselling at a profit – to corner lucrative markets.

The company's fortune was built on tax avoidance and sanctions busting: Rich defied international trade embargoes to do business with pariah regimes from across the political spectrum, including Iran during the hostage crisis, Libya under Ghaddafi, Chile under Pinochet, and apartheid South Africa. Rich also did deals with North Korea's Kim Il Sung, Yugoslavia's Slobodan Milosevic and the Philippines' Ferdinand Marcos, and through convicted money launderer Gilbert Chagoury, with Sani Abacha in Nigeria.

Never fussy about the sources of his wealth, Rich claimed that breaking the UN embargo of South Africa resulted in his "most important and most profitable" business deals.

In the 1980s, Rich worked with the Israeli secret service, Mossad, to set up a secret pipeline to sell Iranian oil to Israel. In 1983, Rich was charged in the US with tax evasion, fraud, trading with the enemy and illegal business dealings. A fugitive from justice – and for almost two decades, on the FBI's Ten Most Wanted list – he fled to Switzerland.

Although Rich was controversially pardoned by Bill Clinton on his last day in office in 2001, Glencore's headquarters remain in canton Zug in Switzerland. Despite being the largest company in Switzerland, and at number 16 on the Fortune Global 500 of the world's biggest companies, Glencore prefers to keep a low profile.

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In 2011, the company went public and was listed on three stock exchanges; London, Hong Kong and Johannesburg. The public listing forced a greater degree of scrutiny, and Glencore's dealings are now more widely reported. The company's prospectus was candid about its strategy of operating in high risk and volatile environments.

Laura Carter, IndustriALL Latin America regional officer, has had a lot of experience with Glencore:

> Glencore profits from the misery of others. It is an ogre with the feet of a ballerina, honing in on shortages and disaster with razor-sharp precision.

The business model is to borrow money to buy controlling stakes of commodities, influencing the price and potentially making a huge profit. Glencore originally traded mostly in oil, but moved into coal, zinc, copper, lead, nickel, ferroalloys, iron, aluminium and agricultural products.

Seeing the benefit of controlling production as well as trade, Glencore began investing in mining company Xstrata in 1990. In 2013, Glencore merged with Xstrata, by then the world's largest coal mining company, and acquired a number of significant mining operations. The company has moved along commodities supply chains, controlling primary extraction as well as value added processing and logistics, and bought controlling interests in mines, coal terminals and freighters, refineries, smelters and warehouses. Glencore also moved into agriculture, buying interests in grains, oils, cotton, sugar and storage facilities.

Glencore's model of borrowing money to carry out trades almost led to bankruptcy in 2015, when a crash in worldwide commodities prices left the company over-exposed and overwhelmed with debt.

To ensure more sustainable and long-term sources of financing for commodities deals, Glencore has begun to form partnerships with state-owned sovereign wealth funds, such as the Qatar Investment Authority (QIA), which owns 8.2 per cent of Glencore stock. In 2017, QIA and Glencore bought 19.5 per cent of Rosneft, the Russian state energy company. Other sovereign wealth funds, from Norway, United Arab Emirates, Singapore and China have also been major Glencore investors.

Glencore CEO Ivan Glasenberg owns 8.4 per cent of Glencore stock, tying his personal fortune to that of the company.

Glencore's opaque network of shell companies and intermediaries allows it to show a loss in the countries where it extracts raw materials and to sell these products for a pittance to subsidiaries in tax havens.

CONTEMPT FOR THE LAW

In 2015, Glencore was fined in **South Africa** for supplying substandard coal to utility company Eskom, and accused by the government of **Ghana** in 2017 for illegally importing and reselling petroleum products.

The McArthur River mine in **Australia** has not paid royalties to the government since it opened in 1995, and in 2017, the tax office ruled that Glencore had understated its taxable income by diverting US$190 million offshore. The company was also accused of tax evasion in **Zambia** in 2011, and in 2018 the **UK** Court of Appeal upheld sanctions against Glencore for tax evasion.

Subsidiary Xstrata faces a lawsuit in the **UK** after allegedly paying the police force in **Peru** to attack protesters. In 2017, the London Metal Exchange fined Glencore US$1.4 million for falsifying warehouse documents.

DRC subsidiary Katanga is subject to legal proceedings in both the US and Canada for giving false statements to investors.

The company also has a reputation for bullying governments, after suing **Bolivia** and **Colombia** through Investor-State Dispute Settlements, and using oil-backed loans to control resources in **Chad,** leaving the country in a financial crisis.

HUMAN AND WORKERS' RIGHTS

Glencore has been accused of human rights abuses in many countries. In addition to the case in Peru, in Colombia, Glencore subsidiary Prodeco is accused of financing a paramilitary group between 1996 and 2006, during the country's armed conflict in an attempt to control the carbon industry.

IndustriALL campaigns director Adam Lee says:

"Workers are expendable commodities to Glencore. In operations in Europe – where Glencore employs few people in an environment of strong unions and regulations – conditions generally meet industry standards. But in many other countries, the company has either neglected or viciously attacked its workforce."

HEALTH AND SAFETY

"Glencore claims to want to be an industry leader in the field of health and safety and proudly announced that it only killed nine people in 2017," says IndustriALL health, safety and sustainability director Brian Kohler. **"But our affiliates around the world report a lax attitude to health and safety."**

In **Bolivia,** workers complain that **safety equipment is substandard.** Because they are paid for what they produce, stricter health and safety regulations slow production and have led to a considerable drop in wages. Unions say contract workers are not properly trained, leading to fatal accidents. According to Glencore's annual report, two workers were killed in 2017. After a worker was killed at the San Lorenzo mine in 2014, the company put pressure on the workforce, threatening to close the mine if there are any further accidents.

In August 2017, the Sintracarbón union in **Colombia** reported that in less than one month there were **13 work accidents** at Glencore's open-cast coal mine, Cerrejón, five of them in a single day. Tragically it was only a matter of time before somebody got killed. **On 25 January 2018, Carlos Urbina Martinez died in an accident at the mine.**

The problems at Cerrejón have a long history. Colombia is yet another of the resource-rich, conflict-ridden countries favoured by Glencore. As early as 2006, there were allegations of corruption and severe human rights violations with the local union accusing the company of forced expropriations and evacuations of entire villages to enable mine expansion, in complicity with Colombian authorities.

OUTSOURCING AND CONTRACTING

Like many employers, Glencore casualizes its workforce to avoid responsibility, leaving over 62,000 of its workers and their families without the security of a permanent contract, pension and health cover. In the last few years, the proportion of contractors to permanent workers has gone up, while overall employment is falling.

In 2016, Cerrejón was fined US$2 million for illegal and excessive use of contractors. Unions in Bolivia report that the company employs subcontractors even though this is illegal, and hires workers classified as 'employees of confidence' to limit their right to organize or to strike.

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According to the Mineworkers' Union of **Zambia,** about half of the workers at Glencore's Mopani copper operations in Zambia are **casual and these workers make on average under a third of the wages of permanent employees.** This is despite Mopani's claim that it aims to pay every contracted employee 80 per cent of a permanent salary.

BREAKING INDUSTRIAL RELATIONS

A frequent complaint from Glencore workers is that the company refuses to bargain centrally – even at country level – and there is no consistency in terms and conditions at different operations. The company owns a number of operations in South Africa where local unions are campaigning for a company level agreement.

Although Glencore claims that "We are committed to working honestly and openly with labour unions at all our locations and treating employees with respect", the reality is very different.

Instead of negotiating in good faith with unions as representatives of the workforce, Glencore tries to actively break unions.

In **Australia,** workers at Glencore's Oaky North mine were locked out by the company for more than 230 days for resisting a plan that aims to replace permanent workers with contractors. Rather than making a fair offer, the company chose to lock out its workforce.

Workers were punished and intimidated for opposing the company's plans. **Australia's state labour arbitrator, the Fair Work Commission, had to order the company to stop its surveillance of workers and refusing to allow them to wear union T-shirts.** Workers and their families were followed around town to their homes, and filmed at social events, by private security guards employed by the company. Workers say that security guards filmed their children at the playground.

Glencore uses its employees as political tools. In 2017, the Copperbelt Energy Corporation, which supplies electricity to mining companies in Zambia, raised the price of electricity. Mopani halted operations and threatened the Zambian government to retrench 4,700 workers, claiming the hike in electricity tariffs would have a huge effect on their budget.

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CHASING COBALT: GLENCORE IN DRC

Perhaps the starkest example of Glencore’s treatment of its workforce is in DRC. A vast and frequently lawless country, DRC produces a range of extremely valuable minerals, including cobalt and copper. DRC is central to Glencore’s newfound fortune, and much of the company’s recent success is dependent on its operations here.

In 2012, Glencore was exposed for purchasing copper mined using child labour. It has worked hard to improve its public image since then, but conditions remain terrible for workers mining some of the most valuable minerals on the planet.

According to the leaked Paradise Papers, Glencore loaned US$45 million to controversial Israeli billionaire Dan Gertler for his help in obtaining mining concessions from state-owned mining company Gécamines at a discounted price, saving Glencore US$440 million.

Glencore paid Gertler a further US$960 million to buy his stake in the mines. Gertler is linked to a string of bribery allegations and is subject to criminal proceedings in Switzerland.

The US treasury sanctioned Gertler in December 2017, saying his corruption had cost DRC US$1.3 billion.

Since buying the stakes, Glencore employs about 15,000 people in DRC through its subsidiaries Mutanda Mining and Katanga Mining. It intends to double its cobalt production over the next few years.

Seven workers died at Katanga in 2016 when the wall of an open pit mine collapsed. A February 2018 mission by IndustriALL to the Glencore operations in the Kolwezi area exposed horrendous conditions. **Workers say they are treated like slaves, exposed to danger at work, and are exposing their families to occupational diseases because they have no facilities to wash.**

“We are so filthy when we get home that we cannot hug our children,” said one worker.

The grinding poverty of the region was on clear display. Cobalt – essential to the production of many high-tech products – is hugely valuable, yet almost all this wealth disappears into foreign companies, or locally through corruption, with the complicity of foreign companies.

Glen Mpufane said:

> “We were shocked by the desperate poverty of the people of Kolwezi, and the lack of development and infrastructure. The contrast with Glencore’s vast wealth is stark. There is a great irony in the fact that environmentally-conscious electric car buyers rely on a supply chain built on Glencore’s environmental and social pillaging.

Glencore denied IndustriALL access to the sites and when local union TUMEC held a meeting in a church, security forces attempted to break it up and arrest the organizers.

It is possible to produce copper and cobalt, and make a profit, while still respecting workers’ rights. Belgian-headquartered Umicore is a competitor of Glencore’s, also producing cobalt, lithium and other precious minerals.

But the company has signed a global framework agreement on sustainable development with IndustriALL covering 14,000 workers in 38 countries. The agreement also covers environmental sustainability, as the company increases its focus on extracting minerals by recycling electronic equipment.

1 Meeting of Glencore miners in DRC. *IndustriALL*
3 Glen Mpufane addresses miners from Glencore operation in DRC. *IndustriALL*
4 The Mine Workers’ Union of Zambia take action against Glencore. *IndustriALL*
5 In Australia, the CFMEU Mining and Energy Division protest at Glencore’s Brisbane office. *CFMEU*
6 Protest sign at Glencore AGM in Zug. *IndustriALL*
7 Metallos from Canada and IndustriALL outside Glencore AGM in ZUG. *IndustriALL*