



## The Significance of Russia's Gold Mining in Africa is Growing

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In the wake of the invasion of Ukraine and international sanctions, Russia is increasing the extraction and export of gold from friendly African countries. This will help it offset the cost of the sanctions. Despite the rising toll of the war, Russia does not intend to give up its activity in African countries or withdraw the Wagner Group's mercenaries.

**The African "Gold Rush".** A series of discoveries of new gold deposits in Africa, specifically in the Sahara and the Sahel, coincided with the growing demand for gold on the global markets in recent years, which was additionally exacerbated by the COVID-19 pandemic. As a result, the continental gold mining centre of gravity is shifting from South Africa (and Zimbabwe), traditionally leading in this field, to the unstable regions of the Sahel and West Africa where Russia is strengthening its influence. In Sudan, which extracts about 100 tonnes of gold annually, the mineral replaced the crude oil extraction lost after the partition of the state in 2011 as the most important resource and symbol of national wealth (even the banknotes depict gold bars). Gold is prominent also in countries such as Ghana and Mali. Along with the discoveries, amateur mining with the use of harmful chemicals such as mercury has spread in the region, subsequently poisoning the water and soil, and resulting in more frequent clashes between the residents and prospectors and the authorities. The number of intermediaries and international conglomerates, for example, Canadian mining companies, counting on a share of their profits from gold mining in this region of Africa is increasing.

Much of the trade in African gold, especially in the areas of the discoveries, is outside of state control. For example, Burkina Faso registered only 300 kg of production in 2018 by small, independent prospectors, compared to the 15-20 tonnes indicated by OECD estimates. Last year in Sudan the finance minister estimated that only about 20% of its gold is exported through official channels. Most of the gold mined in the region ends up in Dubai where, after smelting, it is sold to international markets, e.g., to Switzerland, Saudi

Arabia, and Turkey. The makeshift mines are often controlled or manned by former or current members of armed groups. Controlling gold is one of the main goals of guerrilla operations in the eastern Democratic Republic of the Congo (DRC). Gold is also important to jihadists, who extract revenue from the \$2 billion informal extraction and trade of gold mined in Mali, Burkina Faso, and Niger.

**The Significance of African Gold for Russia.** Since around 2010, Russia's central bank has been successively increasing its gold reserves, quadrupling them to about 2,000 tonnes. In 2020, the value of its gold exceeded that of its dollar reserves for the first time. In addition to buying gold from domestic producers in Siberia, a large portion of its stockpile was gathered from illegal imports from African countries.

The prospect of access to gold has been one of the reasons for Russia's increasing military and business presence in Africa in recent years. It is based on building political dependencies in authoritarian governments, which are backed by Russian mercenaries, and on a free pass for oligarchs facing Western sanctions. By directing military contractors from the Wagner Group to selected countries rich in deposits, Russia obtained favourable operating conditions for mining companies associated with the group's patron, Yevgeny Prigozhin. Based on this model, since 2017 it has built a partnership with the Sudanese commander of the paramilitary Rapid Support Force (RSF), Gen. Mohamed Hamdan Dagalo, currently the deputy head of state in the ruling military junta that controls a large part of Sudan's mining. With its help, according to reports in the British press, in recent years the Russians have been able to informally take away up to 30 tonnes of gold per year from Sudan while official figures declare the minimum totals. RSF-

facilitated access to Khartoum's international airport and Port Sudan also serves the outflow of gold from the neighbouring Central African Republic (CAR). The Wagner Group's support for the military authorities of Mali since December 2021 also involves access to gold mines. Limiting gold exports by air, targeting planes used by the Russian mercenaries, is one of the goals of the no-fly zones negotiated by the U.S. with other countries in the region, including Mali's neighbours Niger, Algeria, and Guinea.

**Changes Since the Invasion of Ukraine.** Russia's activities in Africa contribute to the relative resilience of Russia's financial system in the confrontation with the West. Despite the costs and Western sanctions related to the ongoing invasion, Russia has used its gold to maintain the value of the rouble. Despite the imposed restrictions, Russia maintains the possibility, like Venezuela, to informally sell gold through third countries or from outside the resources of the central bank, to obtain hard currency (foreign denominations). This has allowed the Russian authorities to recover and stabilise the value of the Russian currency since the initial drops after 24 February. Gold also can be used as collateral or as capital investment for businesses and oligarchs whose foreign assets have been frozen.

To increase the available gold resources, the Russian authorities are stepping up the pace of gold acquisitions from Africa. Attacks on petty miners in the CAR ascribed to Wagner mercenaries in March were probably aimed at eliminating the competition and, consequently, the monopolisation of extraction and exports. According to reports from refugees fleeing the CAR who crossed the Sudanese border, the Wagner forces used combat helicopters and tanks against miners (who are also from Chad, Niger, and Sudan) working in the gold-rich area of Andaha to remove them from the occupied territories and confiscate the bullion. In turn, three weeks after an exceptionally long visit of Gen. Dagalo to Moscow, which coincided with the start of the invasion of Ukraine, the ambassadors of the U.S., the UK, and Norway in Khartoum warned about illegal gold mining in Sudan overseen by the Wagner Group. This was confirmed by later reports of an increase in processing in plants in Atbara, belonging to Meroe Gold, a company related to Prigozhin and the Wagner Group. In addition to processing ore from mines it controls in the Darfur region, it purchases bullion through intermediaries from small-scale prospectors in the Nile Valley.

Despite the initial signals that some Russian forces, especially the Wagner mercenaries, were redirected from African countries to the Ukrainian front, there was no visible reduction in the Russian presence in the CAR, Sudan, or Mali. On the contrary, signs of increased activity have been visible since the beginning of March, such as diplomatic activities and the organisation of a Victory Day parade in Khartoum before 9 May.

**Conclusions and Perspectives.** The expansion of Russia's activity in Africa, which has been ongoing for several years along with the rivalry in the region with Western powers (especially France), including in the military dimension, has gained strategic importance in the context of the Russian aggression against Ukraine. Its activity allows entities from Russia to obtain unregistered gold, which serves to strengthen the resilience of its financial system. The scheme supports developing more partnerships with authoritarian countries based on non-transparent, secret agreements and support for military coups.

Russia is certain to strive to strengthen its acquisition channels as well as the undocumented export of gold from African countries. In this regard, it attaches particular importance to Sudan, where this goal would be served by, among others, the establishment of a Russian military base on the Red Sea, initially agreed by Gen. Dagalo, and the creation of an autonomous training zone in Port Sudan for the RSF.

Therefore, the EU should strive to reduce the influence of factions closest to the Russian interests when supporting the Sudanese political dialogue for the restoration of the state's civilian authorities. At the same time, in relations with the United Arab Emirates, the demand to curb Dubai's role in legalising and selling illegally obtained gold must be constantly raised. The EU should use the planned expansion of its military presence to Niger and Burkina Faso to control Russia's share of the regional gold market. In the long term, the EU should act to combat the practice of forced labour in informal gold mines, by analogy with the Kimberly Process on diamonds, which would help to reduce the shadow economy. It is important for the EU and the U.S. to emphasise that the Russian practices of extracting and exporting gold are embedded in a neo-colonial pattern, which contradicts Russia's anti-colonial rhetoric that often refers to historical justice and the sovereignty of African states.