

A man with a beard, wearing a white hard hat, a white shirt, a dark suit jacket, and a high-visibility orange safety vest, stands in the center of the frame. He is positioned in front of a massive, terraced open-pit mine. The mine's walls are steep and show signs of erosion, with winding roads and tracks visible. In the background, a body of water is visible under a clear sky. The overall scene is a mix of industrial activity and natural landscape.

RICH POOR CO

BY MICHAEL J. KAVANAGH, FRANZ WILD AND JONATHAN FERZIGER

PHOTOGRAPHS BY **SIMON DAWSON**

Gertler, inset, co-owns the **Mutanda copper mine** in Congo's Katanga province.

MAN COUNTRY

ISRAELI BILLIONAIRE DAN GERTLER—A FRIEND OF CONGO'S PRESIDENT—HAS AMASSED A FORTUNE VIA PRIVATE DEALS FOR MINING ASSETS IN THE WORLD'S MOST-DESTITUTE NATION.

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Dan Gertler's bearded face lights up as he looks out the helicopter window. Below, an installation twice the size of Monaco rises from a clearing in the central African forest, where it transforms ore mined from the ochre earth into sheets of copper.

"Look at it, look at it," the Israeli billionaire, 39, shouts through the headset above the thrum of rotors. "This is what life is all about," Gertler says as the chopper lands in the scorching, dry

afternoon heat of the Democratic Republic of Congo. "Everyone comes with dreams and illusions and promises. Everyone wants quick deals. They don't want to invest. We are real."

Wearing a black suit by French fashion house Zilli, ritual white tassels hanging off both hips and a black-velvet yarmulke, Gertler hops out into the dust of Mutanda, a mine controlled by his partner, Glencore International Plc, that holds cobalt and some of the highest-grade copper in the world. He climbs into an air-conditioned Toyota Land Cruiser to tour the mine, tapping messages into one of his three BlackBerries, whose batteries, like those of smartphones and laptops everywhere, often depend on cobalt to keep their charge.

Gertler has stakes in companies that control 9.6 percent of world cobalt production, based on U.S. Geological Survey data and company figures. That's just the beginning of Gertler's influence in Congo, the largest country of sub-Saharan Africa, with the world's richest deposits of cobalt and major reserves of copper, diamonds, gold, tin and coltan, an ore containing the metal tantalum, which is used in consumer electronics. His Gibraltar-registered Fleurette Properties Ltd. owns stakes in various Congolese

mines through at least 60 holding companies in offshore tax havens such as the British Virgin Islands.

Gertler, whose grandfather co-founded Israel's diamond exchange in 1947, arrived in Congo in 1997 seeking rough diamonds. The 23-year-old trader struck a deep friendship with Joseph Kabila, who then headed the Congolese army and today is the nation's president. Since those early days, Gertler has invested in iron ore, gold, cobalt and copper as well as agriculture, oil and banking. In the process, he's built up a net worth of at least

\$2.5 billion, according to the Bloomberg Billionaires Index.

He's also acquired a roster of critics. Many of the government's deals with Gertler deprive Congo's 68 million people of badly needed funds, according to the London-based anticorruption group Global Witness and lawmakers from Congo and the U.K., the country's second-biggest aid donor after the U.S. "Dan Gertler is essentially looting Congo at the expense of its people,"

Gertler, at his office in Ramat Gan, returns to Israel each week to spend the Sabbath with his family.



says Jean Pierre Muteba, the head of a group of nongovernmental organizations that monitor the mining sector in Katanga province, where most of Congo's copper is located. "He has political connections, so state companies sell him mines for low prices and he sells them on for huge profits. That's how he's become a billionaire."

In the eight months preceding November 2011 elections, in which Kabila won a second five-year term, companies affiliated with Gertler bought shares in five mining ventures from three state-owned firms, according to minutes of board meetings, company filings and documents published later. The state companies didn't announce the sales. In at least three of the cases, prices paid were below valuations of the projects made by analysts at Deutsche Bank AG, London-based Numis Securities Ltd. and Oriel Securities Ltd. and

from Congo to his home in Bnei Brak, an ultra-Orthodox suburb of Tel Aviv, each week to spend the Sabbath with his wife, Anat, and their nine children.

Congo has a history of making deals out of the public view. The International Monetary Fund, which has given a \$529 million line of credit to the country, froze payments in December 2011 because the lack of transparency made it hard to track whether funds from

Most of the country lives without electricity or running water, and one in five children dies before his or her fifth birthday. Armed groups continue to destabilize the country. Congo's per capita income of just \$280, in 2005 dollars, is below what it was in 1960, when the country—formerly called Zaire—gained independence from Belgium. The World Bank ranks Congo No. 181 out of 185 in its Ease of Doing Business Index for

'WE THINK IT'S VERY IMPORTANT TO HELP DRC IMPROVE IN TERMS OF ITS GOVERNANCE,' SAYS ANTOINETTE SAYEH OF THE IMF, WHICH FROZE PAYMENTS TO CONGO.

mineral deals were flowing into state coffers, says Antoinette Sayeh, director of the IMF's African Department. "Given the significance of natural resources in this economy and the huge

2013, down from No. 180 a year earlier.

Kabila's re-election was marred by irregularities and violence, according to observers from Congo's Catholic Church and the European Union. Kabila's opponent, Etienne Tshisekedi, contested the 49 percent-to-32 percent vote, charging it was fraudulent. The Congolese Supreme Court ruled it valid.

In August, U.S. Senator Tom Coburn, an Oklahoma Republican, wrote to Meg Lundsager, the U.S. representative to the IMF, demanding better oversight of the loan program in Congo. "Billions of dollars of state assets have been transferred for a fraction of their value to nebulous international firms on the IMF's watch," Coburn wrote in the letter, a copy of which was obtained by Bloomberg News. The U.S. gave \$268.2 million in aid in 2011.

Lawmakers from the U.K. are calling for aid to Congo to be slashed because the country can't show that earnings from its mines are benefiting its people. Global Witness has called on Glencore and FTSE 100 Index-listed Eurasian Natural Resources Corp., two companies involved in the pre-election deals with Gertler, to publish details of the transactions and dispel the anti-corruption group's suspicions that Congolese officials received kickbacks in return for selling assets to Gertler.



Gertler forged a friendship with **Joseph Kabila**, now Congo's president, when both men were in their 20s.

Atlanta-based consulting firm Golder Associates Inc.

Gertler denies that he purchased companies at below-market rates or that any of his deals have involved kickbacks. "The lies are screaming to the heavens," he says in his native Hebrew in a June interview, during three days Bloomberg reporters spent with him in Congo and Israel. He returns

impact that natural resources can have, we think it's very important to help DRC improve in terms of its governance," she says.

As the country's mineral wealth is developed, the lot of Congo's people isn't improving. Congo remains the world's most-destitute nation, according to the UN Development Programme's measure of health, education and income.

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“Offering, paying, authorizing, soliciting or accepting bribes is unacceptable to Glencore,” company spokesman Charles Watenphul said in an e-mail. ENRC declined to comment. Gertler says disclosing the deals to the public is the Congolese government’s responsibility, not his. “We’re a private company. Why should we announce?” he says.

“I should get a Nobel Prize,” adds Gertler, who paces around and waves his arms as his demeanor swings between anger and boyish charm during interviews. “They need people like us, who come and put billions in the ground. Without this, the resources are worth nothing.”

The government insists it’s following the rules of the IMF agreement, which calls for it to disclose deals for its natural resources. And Kabila, 41, defends Gertler as a man who staked his fortune on Congo at a time when the country was wracked by war and in desperate need of cash. “The truth is, during our



Gertler, right, learned about business from **his grandfather,** Moshe Schnitzer, who co-founded Israel’s diamond exchange.

very difficult times, there were investors who came and left and others who braved the hurricane,” he said of Gertler in a brief interview at his riverside palace in December 2011. “He’s one of those.” The bond between the two men is so strong that Kabila at times uses Gertler as a special diplomatic envoy, including in 2002, when the Israeli businessman met with then-U.S. National Security Adviser Condoleezza Rice in Washington to ask for help ending Congo’s war with its neighbors.

Diamonds have been a backdrop to Gertler’s life since his childhood in affluent northern Tel Aviv, where he had a secular upbringing. His mother ran a pop-music radio station, and his father was a goal-keeper for Maccabi Tel Aviv, a top-division pro soccer team, before becoming a diamond dealer.

As a youth, Gertler got up at 5 a.m. to learn how to polish gems before heading to school. He joined his grandfather, Romanian emigre Moshe Schnitzer, at business meetings to watch him negotiate diamond deals. When Schnitzer died in 2007, Benjamin Netanyahu, who’s now Israel’s prime minister, gave a eulogy.

Gertler, sitting below a stained-glass dome at his office in one of the Israel Diamond Exchange’s four towers in Ramat Gan, just east of Tel Aviv, turns wistful when he talks about Schnitzer. He recalls a business lesson his grandfather imparted: “He told me: ‘Dan, you meet your bankers and you ask for credit only when you don’t need it. Just



Congo’s people are the world’s poorest, despite their country’s mineral wealth. Here, a scene in Kinshasa.

FROM TOP: COURTESY OF GERTLER; GWENN DUBOURTHOUMIEU/AFP/GETTY IMAGES

to secure it. Because when you need it, it is too late.”

At age 22, Gertler started buying rough diamonds so he could work with larger volumes, he says. Gertler flew between war-torn nations such as Liberia and Angola and the major diamond centers in the U.S., India and Israel, buying and selling gems, he says.

“From the beginning, he went his own way,” says his uncle, Shmuel Schnitzer, 63, who was president of the World Federation of Diamond Bourses from 2002 to 2006. “The guy has guts. This is the basic thing about him.”

Gertler broke with his family’s secular tradition when he and his wife decided to adopt an ultra-Orthodox lifestyle. They’ve banned television and computers from their five-story, terraced house in Bnei Brak, whose crisp stone finishing and verdant shrubbery lining each floor contrast with the neighbors’ concrete apartment buildings.

Today, Gertler donates to Jewish charities in Israel, including one that runs boarding schools for indigent children and orphans. He also helped finance a Jewish bone-marrow registry at the Ezer Mizion medical charity in Tel Aviv, which says it’s the largest in the world of its kind. In Congo, he supports the Chabad-Lubavitch center, which provides religious and educational services to Jews throughout Africa. Gertler’s family foundation also contributes to charities operating in Congo, including health centers and Operation Smile, which performs surgery on children born with cleft palates. He has also put \$12 million into building an agricultural academy on the outskirts of Kinshasa, the capital, that co-founder Gil Arbel likens to a “Congoese kibbutz.”

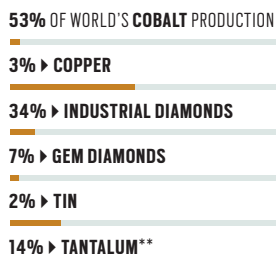
Gertler’s love affair with Congo began in 1997, when the country was one of the top five producers of diamonds in the world. In May of that year, insurgents led by Laurent Kabila, the father of the current president, overthrew the corrupt regime of Mobutu Sese Seko,

AN AFRICAN EMPIRE

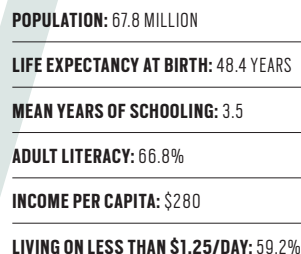
GERTLER-AFFILIATED COMPANIES HAVE INVESTED IN METALS AND MINERALS ASSETS THROUGHOUT THE DEMOCRATIC REPUBLIC OF CONGO.



CONGO’S WEALTH—AND ITS WOE:



**2010 figure.
Source: 2012 U.S. Geological Survey



Figures are from 2011 or most-recent available.
Source: United Nations Development Programme

a U.S. ally who had ruled for 32 years. After taking Kinshasa on May 17, Laurent Kabila declared himself president and renamed the country Democratic Republic of Congo.

A few days later, Gertler’s plane touched down. Shlomo Bentolila, chief rabbi of Kinshasa’s Chabad-Lubavitch center, arranged for the young diamond merchant to meet Kabila’s son Joseph, the new army chief, at the InterContinental hotel, Gertler says. The two clicked immediately, Gertler recalls. Both carried a heavy

responsibility at a young age: Kabila was the commander of tens of thousands of troops, and Gertler was trading \$2 billion of diamonds annually, he says.

For the next year, they would often get together before sunrise at Kabila’s compound. One day, Kabila suggested that Gertler meet the president. Laurent needed money to fight his war and wanted to offer Gertler a monopoly on Congo’s diamond sales, Gertler says. Kabila asked for \$20 million in cash, Gertler says. Gertler agreed.

A few days later, he was back in

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Israel, still celebrating the deal, when the Congolese president called. He needed the money immediately. At 8 a.m., Gertler called Union Bank of Israel Ltd., where he successfully put his grandfather's teachings on building bankers' trust to the test. Using a combination of bank credit, inheritance, cash reserves and liquidated stocks, Gertler scraped together the payment

1965—to bolster his position as leader and help start peace negotiations with his neighbors.

In April 2002, Gertler says, he secretly shuttled between Washington, Kinshasa and Kigali, Rwanda, relaying letters between Kabila and Rice. Jendayi Frazer, a former special assistant to then-President George W. Bush, says she met with Gertler several times, both with Rice and on her

died in Congo—if not from bullets or machete blows, then from the breakdown of health services and sanitation.

Gertler, meanwhile, won back a near monopoly of Congo's diamond trade. One of his companies, Canada-based Emaxon Finance International Inc., paid \$15 million in cash and loans to the country's state-owned diamond miner, known as MIBA, for a four-year contract to sell 88 percent of its production.

Congo was desperate for investment at the time, Frazer says. "It's not like he crowded out a lot of other investors," she says. "There weren't many."

Kabila, who had formed a government in which former rebel chiefs were cabinet ministers as part of the peace deal, tried to kick-start Congo's economy. The ministers signed dozens of deals to exploit the country's natural resources with foreign companies, many of them at prices that undervalued the assets, according to reports by the World Bank and the Congolese Parliament.

In 2006, Kabila's People's Party for Reconstruction and Development, with a platform of rebuilding the country's

war-ravaged infrastructure, was elected in Congo's first free elections in four decades, certified by the UN. Kabila promised to tackle corruption and launched a review of mining contracts, observed by several Congolese organizations as well as the Atlanta-based Carter Center, the human rights group founded by former U.S. President Jimmy Carter.

The backroom deals continued, says Peter Rosenblum, a professor of law at Columbia University who headed the Carter Center's mission to observe the mining review. "What happened in 2008 and

2009 really proved that the Gertlers of the world would win by doing business the way they'd been doing it all along."

'FROM THE BEGINNING, HE WENT HIS OWN WAY,' SHMUEL SCHNITZER SAYS OF HIS NEPHEW. 'THE GUY HAS GUTS. THIS IS THE BASIC THING ABOUT HIM.'

and sent it to the Swiss account of Congo's central bank, he says. Gertler had bet his fortune on a president at war.

The risks he faced became evident in January 2001, when a bodyguard shot Laurent Kabila dead and his son took power. To Gertler's surprise, his friend canceled his diamond monopoly and never explained why, Gertler says. Rather than hold a grudge or sue, Gertler sold diamonds without the monopoly and maintained his ties to Kabila, whom he refers to as "my friend Joseph."

The young president needed friends: When he took over, vast swaths of the country were under the control of rebel factions backed by neighboring Uganda and Rwanda. Kabila asked Gertler to help woo support from the U.S., which had been suspicious of his father's Marxist pedigree—Che Guevara fought alongside Laurent in Congo in

behalf. Gertler's intervention was instrumental to talks that resulted in a peace accord, says Frazer, who now teaches international politics at Carnegie Mellon University in Pittsburgh. "He was serious and credible," Frazer says of Gertler. "He wasn't just trading on his friendship with Kabila."

By the time the peace deal was signed between the government and rebel factions in 2002, millions of people had



Longtime dictator **Mobutu Sese Seko**, left, was overthrown in 1997 by **Laurent Kabila**, above, the current president's late father.

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Rosenblum says. Today, Transparency International ranks only a dozen countries below Congo in its Corruption Perceptions Index.

As Kabila cemented his hold on power, Gertler expanded beyond diamonds into mining of other minerals and metals, forging ventures with government firms and foreign partners. Gertler also controls companies that won the rights to two oil blocks along the Ugandan border on Lake Albert, according to three people familiar with the matter. When asked whether his companies have stakes in the blocks, Gertler replies, “If there is the right opportunity for us to have a big oil play in Congo or somewhere else, we will definitely go for it.”

Six mining executives who have done business with Gertler say he mixes charm and aggressiveness to make

‘IF THE GOVERNMENT WOULD LIKE TO HIRE MY SERVICES TO MAXIMIZE VALUE FOR THEIR STAKE, THEY SHOULD APPROACH ME,’ GERTLER SAYS.

deals. During negotiations, which are often in French—a language Gertler only partially understands—he will be hunched over his BlackBerry, seemingly oblivious to the debate, says Pieter Deboutte, the Belgian who runs Gertler’s business in Congo. Then, suddenly, he’ll catch everyone off guard by interjecting, “Stop, wait a bit!” and launch into a list of orders in English to his staff, Deboutte says.

Gertler’s dealings can be wildly profitable. In one case, he earned a 500 percent return in just six months without risking a single penny as the middleman in a deal for Societe Miniere de Kabolela & Kipese SPRL, or SMKK, which owns a

copper and cobalt deposit in the heart of Katanga’s richest mining zone.

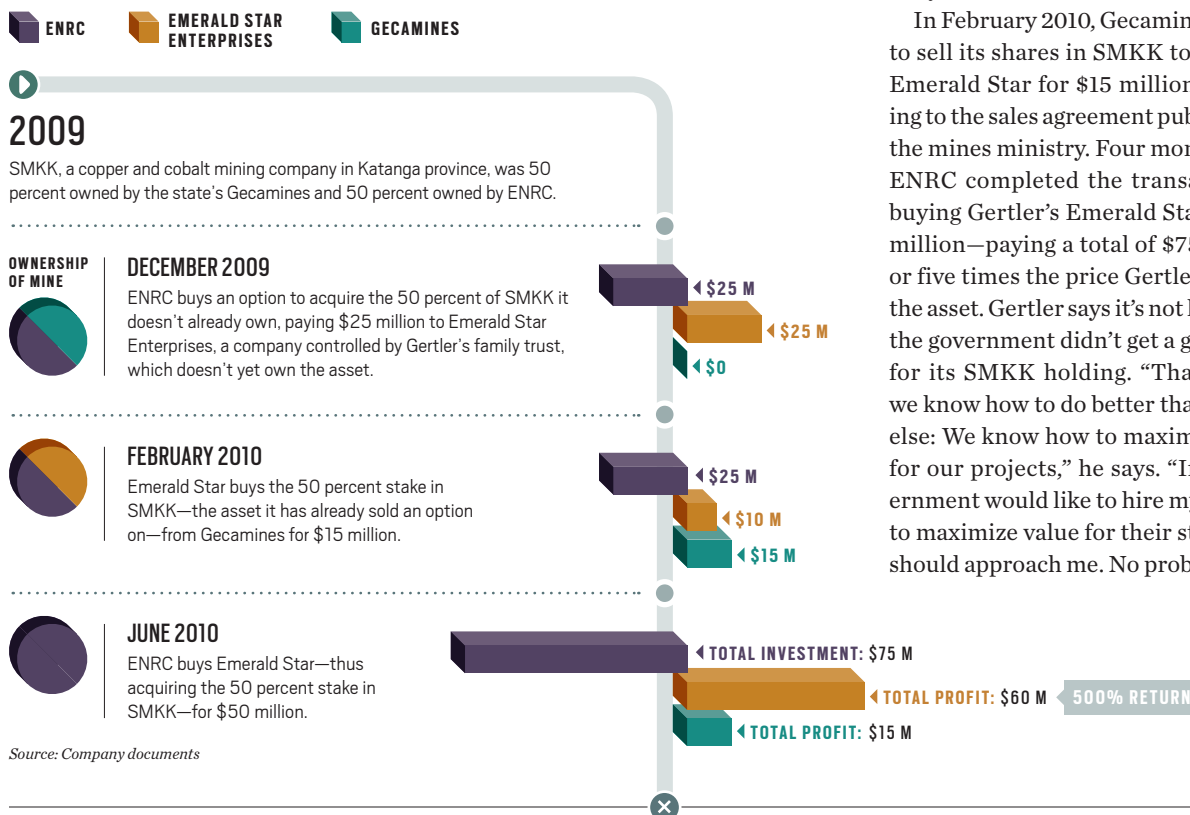
In 2009, SMKK was half-owned by the state’s Gecamines, short for La Generale des Carrieres & des Mines, and half-owned by ENRC, the Kazakh-founded mining company that’s listed on the London Stock Exchange. ENRC wanted to acquire all of SMKK but didn’t exercise its right of first refusal to buy the government’s stake, according to the joint-venture agreement. Instead, ENRC made a deal with a company controlled by Gertler’s family trust—Emerald Star Enterprises Ltd., based in the British Virgin Islands. On Dec. 21, 2009, ENRC paid the Gertler firm \$25 million for an option to buy the remaining 50 percent stake of SMKK, according to filings ENRC made with the London Stock Exchange.

Gertler didn’t even own the asset he was selling the option on—at least not yet.

In February 2010, Gecamines agreed to sell its shares in SMKK to Gertler’s Emerald Star for \$15 million, according to the sales agreement published by the mines ministry. Four months later, ENRC completed the transaction by buying Gertler’s Emerald Star for \$50 million—paying a total of \$75 million, or five times the price Gertler paid for the asset. Gertler says it’s not his fault if the government didn’t get a good price for its SMKK holding. “That is what we know how to do better than anyone else: We know how to maximize value for our projects,” he says. “If the government would like to hire my services to maximize value for their stake, they should approach me. No problem.”

A 500 PERCENT RETURN

A GERTLER-AFFILIATED COMPANY POKETED \$60 MILLION IN JUST SIX MONTHS BY ACTING AS A MIDDLEMAN IN THE SALE OF A MINING STAKE.



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At a site Gertler co-owns in Katanga province, copper ore is **transported by truck**, below, to a **plant**, left for processing. The price of the metal more than doubled from the end of 2008 to November.

Gecamines' current managers declined to comment because, they said, they took over the company after the transaction, which was detailed in an ENRC earnings report released in May 2010. ENRC declined to comment.

Copper is what attracts most miners to Congo, Gertler says. The metal traded at \$7,570 a ton in London on Nov. 9, more than double its price of \$3,190 on Jan. 5, 2009. The belt of earth that stretches from northern Zambia into southern Congo holds one of the world's biggest reserves of copper.

About 37 miles from SMKK, Gertler has a copper and cobalt joint venture with ENRC known as Comide SPRL. Touring around the mine, Gertler jumps behind the wheel of a small bus. While his associates laugh nervously, Gertler almost crashes into two parked helicopters and then speeds around the mounds of ore, sending his passengers reeling across their seats. "He's like a kid," Yariv Bahat, Gertler's exploration manager, yells, sweat streaming down his face. Gertler says he hasn't had a driver's license for years.

Gertler increased his stake in the



mining property in 2011—one of at least six assets the state sold to him that year, according to company documents obtained by Bloomberg.

A company based in the British Virgin Islands, Straker International Corp., bought state-owned Gecamines' 25 percent stake in the Comide project in 2011, according to Comide board minutes from June 29, 2011. Gertler controls Straker, according to two people familiar with the matter. The price wasn't announced, and the sales contract wasn't published, in apparent

breach of the terms of the IMF's loan agreement with Congo and the government's own regulations. Gecamines Chairman Albert Yuma says he wasn't aware of the sale. Gertler refuses to discuss it.

In another deal, in June 2010 and March 2011, state-owned miner Societe de Developpement Industriel & Miniere du Congo, or Sodimico, sold more than 30 mining licenses, including those for two copper projects, to Gertler-linked companies based in Hong Kong and the British Virgin Islands for a total of

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\$60 million. Numis Securities and Oriel Securities estimated the two projects to be worth \$1.6 billion, though their valuations included ore-processing plants as well as the licenses.

Sodimico didn't even get to keep all of the money it made from Gertler's companies, Laurent Lambert Tshisola Kangoa, its chief executive officer, told Bloomberg News in July 2011. He said the mines ministry demanded he give \$10 million to the country's general election fund. "It was not an economic decision by Sodimico," he said of the sale. Gertler's joint venture relinquished the rights to the biggest of the mines, Frontier, according to the mines ministry. In July 2012, Congo sold ENRC the license for Frontier, which in 2009 had been the country's biggest taxpayer, for \$101.5 million.

"When you see similar things with slightly different variations happening again and again, you have to stop and think, 'Obviously something is going wrong,'" Daniel Balint-Kurti, chief researcher at Congo for Global Witness, told the U.K. Parliament's International Development Committee in 2011.

At the Mutanda project, too, Gertler paid far less for his 20 percent than his partner, Glencore International, paid for similar assets. Gertler's stake came to light only in May 2011—months after it was purchased—when Glencore spelled out the mine's ownership deep in the 1,637-page prospectus for its initial share sale. Glencore's outside consulting firm valued the entire mine at about \$3 billion. Based on net present value calculations using figures from Glencore's May 2011 prospectus, Gertler's stake, including royalties and other payments, was worth \$849 million at the time.

One of Gertler's British Virgin Islands-based companies bought the stake from Gecamines for \$120 million in March 2011, according to a copy of the contract Gecamines published under pressure from the IMF. About a year later, in May 2012, Glencore paid \$340 million, plus \$140 million in assumed debt,



'I should get a Nobel Prize,'
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for 20 percent of the mine, increasing its holding to 60 percent. Gertler says Glencore's 20 percent purchase was worth more than his because it gave them control of the company.

Glencore CEO Ivan Glasenberg says Gertler has played an important role in Congo. "His involvement has helped to attract much-needed foreign investment to the DRC," Glasenberg says. "He has been a supportive shareholder with us in our largest operation in the country, Katanga," he says, referring to Katanga Mining Ltd., a nearby copper producer that they co-own.

Surveying the land around one of his cobalt mines, Gertler echoes that assessment. "I took a decision that

I wanted to be a long-term player in Congo," he says, adding that his aim is to help develop Congo as well as to enrich himself and his family. "At the end of the day, yes, I'm looking to create a lot of wealth."

Gertler dismisses critics who say he's amassed a fortune at the expense of the world's poorest people. "Our deals and performance speak for themselves," he says. "And whoever doesn't feel comfortable investing with us will not."

MICHAEL J. KAVANAGH COVERS THE DEMOCRATIC REPUBLIC OF CONGO FOR BLOOMBERG NEWS IN KINSHASA. MKAVANAGH@BLOOMBERG.NET
FRANZ WILD COVERS AFRICAN POLITICS AT BLOOMBERG NEWS IN JOHANNESBURG. FWILD@BLOOMBERG.NET
JONATHAN FERZIGER COVERS ISRAELI AND PALESTINIAN POLITICS IN TEL AVIV. JFERZIGER@BLOOMBERG.NET
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