



What should be done about **CONFLICT MINERALS?**

What should be done to ensure that companies supplying tablets, smartphones, computers and other electronic products on sale in Europe avoid funding conflicts and human rights abuses elsewhere?

Breaking the chain that links natural resources to war

In March 2014, the European Commission proposed new legislation intended to ensure that European companies trade minerals from conflict-affected and high-risk areas responsibly, especially those affected by endemic armed conflict.

The stated goal of the proposed legislation is to break the links between conflict, human rights abuses and natural resources by preventing the minerals trade from funding conflicts and human rights abuses around the world.

However, by taking the route of voluntary self-certification and applying it to only 450 importers of raw materials into the European market (with no regard for finished and or part-finished goods), the Directorate- General for Trade in the European Commission has missed an opportunity.

It is possible that the new legislation will have little or no impact on the affected local communities, given that, in the absence of mandatory obligations for companies, importers have little interest in taking the initiative to 'clean up' their supply chains.

*By adopting
the a voluntary
approach based
on self-certification,
the practical
impact on affected
communities
could be next
to nothing*

GOVERNMENT PROCUREMENT: AN OPPORTUNITY NOT TO BE MISSED

Under the current proposal, targeted companies, including smelters, will be invited to join a scheme which will allow them to demonstrate their due diligence practices.

Each Member State will designate a competent national authority to collect the relevant data, which they will pass on to the European Commission, who will publish a list of responsible importers who participate in the scheme. The European Commission will be obliged to approach listed importers when seeking bids for government procurement tenders.

Whether or not Member States incorporate these conditions into their national legislation remains to be seen.



BLOOD MINERALS

In the eastern part of the Democratic Republic of the Congo, illegal trade in minerals by armed rebels and members of security forces has contributed to intensifying and prolonging conflict. As local armed groups and military officials vie for the profits from these precious resources, local communities have suffered massacres, mutilation, rape, slavery and mass displacement.

In Colombia, paramilitary groups and FARC guerrillas have turned away from cocaine production and forced entire hostage communities to mine gold, coltan and tungsten. 50% of mines nationwide are illegal, spread over at least 44% of Colombia's municipalities.

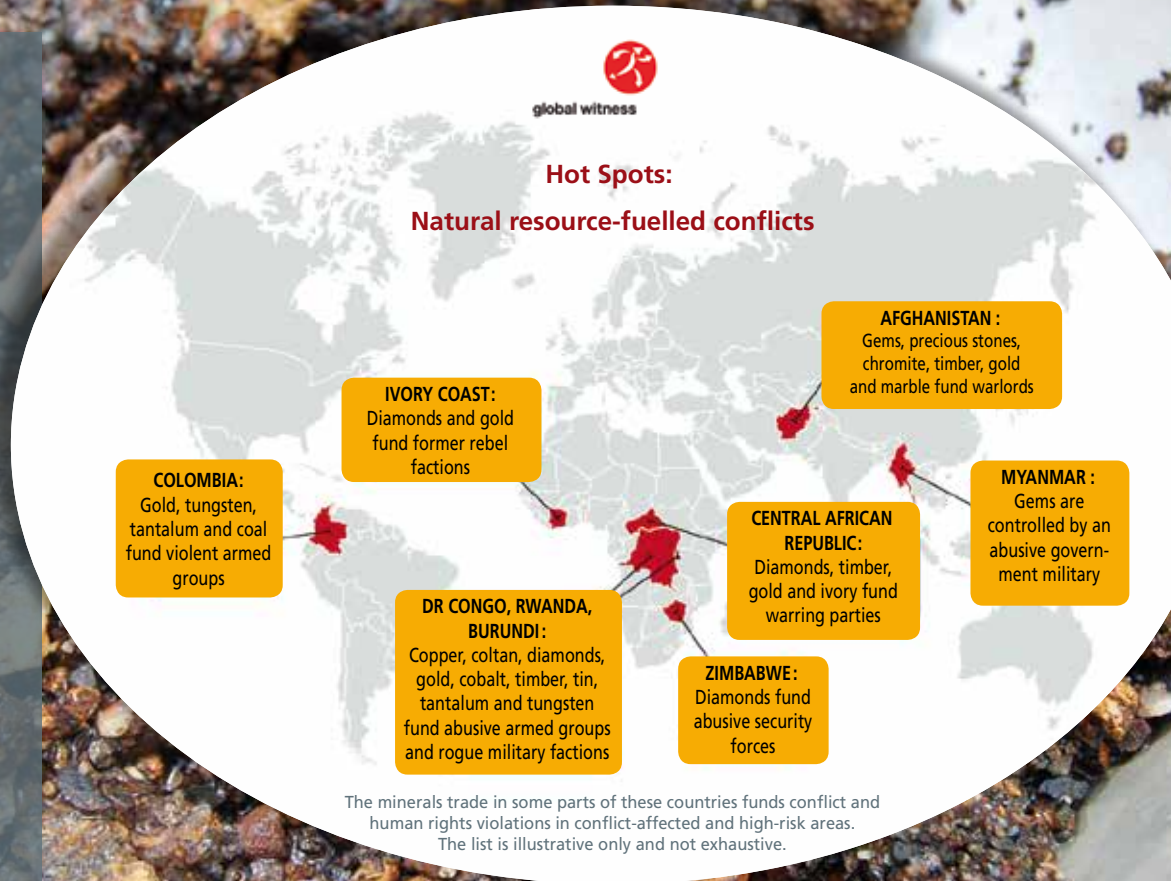
Other parts of the world are equally affected by the harmful effect of the highly profitable trade in natural resources.

"At least 40% of the conflicts that have broken out during the past 60 years are linked to natural resources."

United Nations Environment Programme (UNEP)



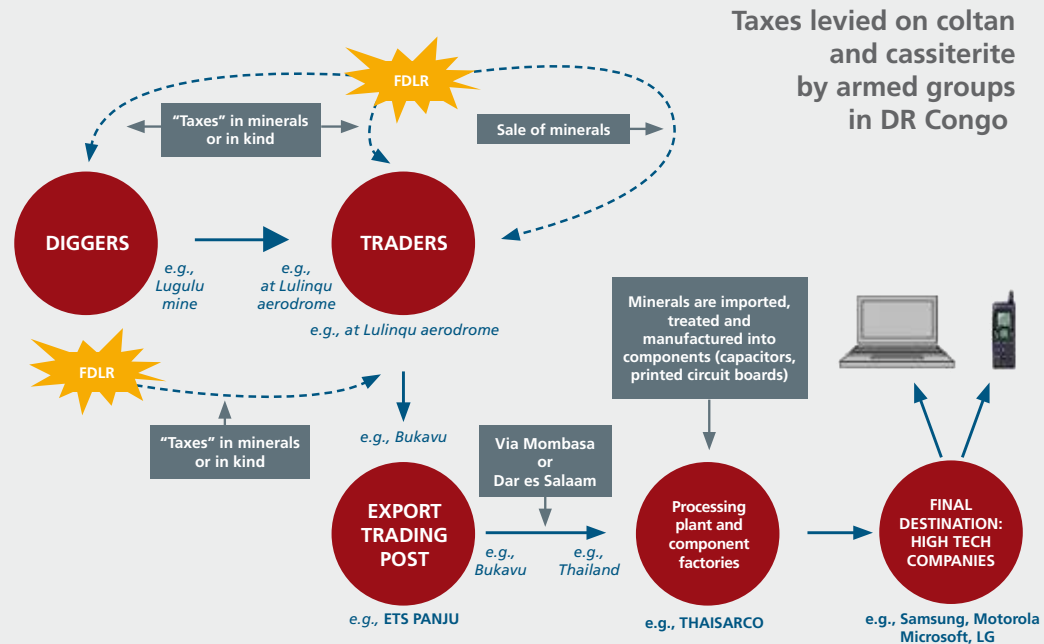
© FARC IMAGENES - Flickr



Conflict minerals: a supply chain from the opaque to the illegal

What do these examples have in common? The same system of illegal mineral exportation: appropriation and taxation by armed groups, illegal passage out of the national territory, then reintegration into official trade routes. This complex, opaque supply train allows the illegal trade and transportation of resources to remain undetected. Miners, rebel groups, traders, exporters, smelters, importers, manufacturers and distributors are merely the visible parties to a supply chain lacking any transparency, especially when its official participants use tax havens to inflate their profits and evoke trade secrecy to justify the lack of information.

And, at the end of the chain, European consumers use mobile phones made of materials which may very well have funded armed conflict somewhere in the world.



Truly effective legislation aimed at eradicating the irresponsible trade of these minerals, and contributing to lasting peace, would compel all first placers of goods containing these minerals to source them responsibly.





Regulation which makes too few demands on companies

By limiting its proposed legislation to four strategic materials - tin, tungsten, tantalum (also called coltan) and gold - the European Commission

shows too little ambition, and forgets that many other minerals contribute to violence around the world, from jade in Myanmar, to coal in Colombia and diamonds in Zimbabwe and Central African Republic¹.

In 2010, the United States took a strong lead by adopting the Dodd-Frank Act, Section 1502 which requires publicly listed companies in the US to carry out due diligence and to explain, in a public submission, whether or not their products contain

minerals which may have funded armed groups in the Great Lakes region of Central Africa. Despite only coming into force as recently as 31 January 2014, the Act has already led to the emergence of a number of mine certification and mineral traceability schemes involving major private parties, as well as international initiatives like the International Conference on the Great Lakes Region (ICGLR). A new economic network is gradually emerging. Even if these initiatives are far from watertight, they allow the conflict-affected communities to glimpse a better future.

A 2013 study by SOMO, a Dutch NGO, showed that only 34 of the largest 186 European companies working in the sectors most exposed to conflict-mineral imports make any mention of the issue on their websites².

In the absence of real legislative pressure, few companies are prepared to enact active and effective due diligence along the full length of their supply chain. If the European Commission genuinely wants to fight the trade in "conflict minerals," it must adopt legislation which, like the Dodd Frank Act, places requirements on companies to behave responsibly.

DUE DILIGENCE

In 2011, the Organisation for Economic Co-operation and Development (OECD) developed its *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*. The Guidance is intended to help companies avoid contributing to conflicts and human rights abuses through their activities and sourcing decisions. The Guidance defined due diligence as the set of measures that make it possible for companies at all levels of the supply chain to identify and prevent risks through systematic supply chain checks and public reporting. Only in this way is it possible to ultimately guarantee that mineral purchases do not fuel conflict. Despite it being a voluntary scheme, the OECD Guidance is the reference point for private, State and multinational entities.

Voluntary Private-Sector Due Diligence Initiatives

- **Conflict Free Tin Initiative**
(Dutch Government and industry)
- **Solutions For Hope**
(platform of companies, NGOs and governments)
- **Public-Private Alliance for responsible mineral trade**
(US Government and industry)
- **GeSI-EICC Conflict free Smelter Program**
(an alliance of companies)

It is up to the Member States and European Parliamentarians to strengthen the text of the law before its adoption by the Council of the European Union. But the public can also play a part: as the consumers of the finished products, they have the power to engage their political decision-makers to ensure that every company is able to supply products which have been sourced responsibly and not contributed to conflict or human rights abuses elsewhere.

In the absence of real legislative pressure, few companies are prepared to actively implement effective due diligence

¹ See "Breaking the Links Between Natural Resources and Conflict", September 2013 : [http://www.globalwitness.org/sites/default/files/BreakingtheLinks\(ENG\).pdf](http://www.globalwitness.org/sites/default/files/BreakingtheLinks(ENG).pdf)

² "Conflict due diligence by European companies", Somo Paper, October 2013.

WHAT DOES DUE DILIGENCE MEAN FOR COMPANIES IN EUROPE?

In Europe, a large number of companies operate in strategic sectors particularly exposed to the importation of conflict minerals³. Very few take the trouble to ascertain their origin or put in place measures to source responsibly.

³A December 2012 study by Sustainalytics identifies the 10 following strategic sectors: medical equipment, aircraft manufacturing and defence, electronic equipment, car manufacturing, IT services and software, telecommunications, semiconductors, electronic consumer goods, technological equipment and materials, and other industries.

