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STATEMENT ON US 'CONFLICT MINERAL' BILL: IMPACT ON CASSITERITE AND TIN TRADE FROM EASTERN DRC

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No-one would disagree with the good intentions behind the introduction of the recent 'conflict minerals' regulation but the requirements are so strict, and expected to be implemented within such a short timescale, that it is tragically much more likely to result in damaging the significant progress already being made in traceability and transparency in the minerals sector of eastern DRC than contributing to finding a solution.

Unfortunately, good intentions can't create immediate solutions however much anyone wishes that to be true, only hard work, over a greater period of time than foreseen by the new regulation as well as co-operation between many stakeholders, can produce a positive result. Systems to track material from mining areas in a post-conflict zone, through highly complex international metal markets, to a myriad of end-products cannot be achieved within a few months. Industry may now have no choice but to consider a purchasing embargo on DRC minerals and as a result also question the value of continued participation in key initiatives already coming to fruition, not only by industry bodies but the OECD, EITI and the ICGLR Governments.

Negative impacts will not only be felt in the DRC but in neighbouring countries, and every other State within Africa wishing to export their own mineral resources. While regulatory requirements can be waived in the national interest of the USA there is unfortunately no specific clause evaluating the impact of the Bill on industry, communities or Governments in the most affected areas in Africa. Indeed, no report on 'effectiveness' will be produced until 2 years after enactment. Unfortunately commentators familiar with the DRC may not need 2 years to understand what the likely impact might be - a trade embargo and a return to informality and conflict - since the Bill makes no obvious consideration of unintended consequences and/or the provision of alternative livelihoods for the thousands of miners and traders who will be almost immediately affected.

While the Bill does require the US to produce a plan for peace and stabilisation within 6 months there is no fixed timescale for the implementation of that anticipated plan or mention of how it will relate to, or be more successful than, the current STAREC 'Plan de Stabilization et de Reconstruction pour l'Est'. Remembering that previous US regulation promised a 'congo conflict minerals map' by February 2010, and such a map is yet to publicly appear, expectations of what can be achieved by a new US plan and map of conflict areas may be too high. Since it would be totally irresponsible to implement the requirements of this Bill before a full assessment of its impact in the DRC has been carried out, and a plan to manage those impacts and repercussions has been developed and is in place, we can only hope that an effective plan will be implemented as a matter of extreme urgency.

While ITRI remains extremely concerned about the situation in eastern DRC, and fully committed to continuation of the iTSCi supply chain initiative, the future of the scheme would, of course, be threatened by reduction in official trade and a resulting drop in available financing for the project and the likely increased tension in the region. The iTSCi traceability scheme is already operating at the first pilot site in South Kivu, and it is hoped that the system can be set up at a second site (Bisie, Walikale) in North Kivu shortly.

For further information see the notes below or please contact:

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ANNEX 1: Further information on ITRI

ITRI is the world's foremost authority on tin with over 75 years' experience in tin related technologies. It is a membership based organisation representing major tin producers and smelters and is the premier source of tin related information. ITRI has specialist knowledge of tin use in all the major sectors as well as groups responsible for technology, statistical and market information, regulatory affairs and sustainability. It provides links to the main tin consuming sectors through a substantial network of industry contacts. The organisation hosts seminars, conferences and industry-specific group meetings. It also provides marketing and technical support to its members and the tin industry in general.

ANNEX 2: Further information on iTSCi (ITRI Tin Supply Chain Initiative)

This ITRI Tin Supply Chain Initiative 'iTSCi' is aimed at inclusivity and encouraging improvement in a series of manageable and practical stages bearing in mind that the DRC is a developing economy in which standards can differ from those applied in more established States. The phased system for improved due diligence, governance and traceability includes the following steps;

- PHASE 1: Establishing harmonised document requirements for export shipments including written declarations confirming the lack of involvement of illegal armed groups in the upstream supply chain.
- PHASE 2: Developing and implementing a system to ensure mineral traceability from exporter back to the mine site and to develop chain of custody data.
- PHASE 3: Implementing basic performance standard measurement of social and environmental factors at mine sites and to consider incentives and methods for improvements.

Additional Phases to extend encouragement to higher standards would be planned if the initial three steps prove successful.

Phase 1 has been in operation since 1st July 2009, with smelters within the scheme collecting all relevant export documents and declarations on each shipment made since that date. Independent audit of that documentation will be carried out on a regular basis and compliance reports provided to ITRI for evaluation. Phase 1 is self funded by ITRI members and participants in iTSCi. It has led to improved focus on the provenance of materials and awareness of all parties of the need for legal/formalised trading. ITRI is now implementing Phase 2 of the operation which will provide definitive information on the provenance of minerals. Due to the many challenges that exist in relation to implementation of traceability to remote and widespread mine sites the system will be trialled in a short pilot project and a more final system rolled out later in 2010.