



## **The Illegal Trade in Natural Resources from the Eastern Democratic Republic of Congo**

Harrison Mitchell  
Director  
Resource Consulting Services

[harrisonmitchell@resourceglobal.co.uk](mailto:harrisonmitchell@resourceglobal.co.uk)



**RESOURCE**  
CONSULTING SERVICES



## Harrison Mitchell

- Worked on Conflict Diamonds, KP, EITI for number of years
- Resource Consulting Services - a specialist consultancy advising on natural resource governance for clients including the World Bank, DFID, EITI, EU governments, private sector companies and NGOs.
- Worked for a number of years on 'conflict minerals' from EDRC and published a series of political economy analyses and policy documents for DFID, WB CASM secretariat and EU government. Available from [www.resourceglobal.co.uk](http://www.resourceglobal.co.uk)
- Present our work in the EDRC in the context of this discussion about illegality and the limitations to current approaches in dealing with varying forms of illegality



## Background

- **What is the illegal trade from EDRC?** Metals - Tin, coltan, wolfram and gold
  - Informal economy is everything: fuel, charcoal, cheese etc
- **How much?** From EDRC the value in tin alone was around 250m in 2008.
- **Connects** to international buyers operating smelters in Asia – then to component manufacturers

## Political Economy of Control of the Trade

- Has changed significantly, from the wholesale state sponsored resource extraction of the late 90s, to now largely controlled by enterprises with political elites or at the very bottom private individuals conducting artisanal mining

## Armed Groups - Direct and Indirect involvement

- From wholesale control and extraction by military command in late 90s to now benefit largely from taxation of transport routes, coercion, protection rackets. Also direct investment
- Human rights situation from coercion/illegal governance to severe



## Illegal Trade in the current discourse

- A couple of problems in the current discourse

**Illegality a loosely defined term and applied to all actors. Or the term 'illicit' is used. From our observations two types of illegal activities are apparent**

1. Illegal- Illegitimate activities (vs. legitimate)
2. Illegal- Informal activity (vs. formal activity)

Regardless of origin – most of the trade becomes 'formalises' to be taxed at point of export. Typical for resource-dependent developing economy.



## What illegal activities take place in the EDRC mineral trade?

### **Armed groups (illegal-illegitimate activities)**

- Coercion and violence
- Human Rights Abuses
- Illegal taxation

### **Traders (some illegal-illegitimate some illegal-informal activities)**

- Working without a licence
- Buying from armed groups
- Smuggling

### **Artisanal Miners and communities (typically illegal-informal activities)**

- No license
- Health and Safety issues



## Why the distinction?

Different illegal actions require different measures which should be proportional, appropriate **and effective**

- Big difference between illegitimate violent actions and informal activities by artisanal miners who are struggling to survive.
- **Armed Groups:** Clearly the worst actor in this scenario
  - a strong, response, SSR
- **Traders :** in between
  - Stick and carrot response to encourage formalisation and discourage collusion with armed groups/military (will be difficult to extract elites!)
- **Artisanal Miners and Communities:** Most vulnerable, least empowered
  - A developmental approach to encourage formality



## So what are current approaches to tackling illegality?

Currently the discourse at the international level is focussed somewhat on control measures or punitive measures.

### **Punitive measures - Illegitimate-illegal focus**

Sanctions

Bans or embargoes

Arrests etc.

### **Control measures – Informal-illegal focus**

Certification

Due Diligence Requirements

Supply chain assurance

**Not much enthusiasm for developmental approaches!**





## 1. What are the limitations of these measures?

### **Punitive:**

- Seems to have run its course after years of pretty unsuccessful attempts by the UN to stop this trade using various individual and collective sanctions.
- Bans of the trade don't work, and particularly don't work when you have significant % of the gold trade leaving the DRC illegally.
- Tends to push the trade further into informal routes = harder to control
- Military benefit can be easily hidden





## 2. What are the limitations of these measures?

### Control measures:

- Currently the most popular approach toward preventing the trade from benefiting military groups
- Essentially come down to assuring the supply chain so that bad elements are excluded the trade
- **Control measures largely affect illegal informal activity not violent illegal activity**
- No proven impact of certification or sanctions on violent illegal activity
  - e.g. KP for diamonds was applied **AFTER** violent activities ceased
- **Conclusion:** Certification, due diligence etc are means to formalise and professionalise the sector but will have a limited impact on armed groups



## What's missing from these approaches?

### 1. Developmental approach/Capacity Building/Governance

- Artisanal Miners are pretty much excluded from these measures, primarily because they are considered too much of a problem, requiring too much investment (terrible health and safety conditions etc)
- Control measures should also have approaches which can help artisanal miners as well as meeting due diligence schemes

### 2. Military problem

- Security Sector Reform

### 3. Pro-active private sector engagement

- Currently mostly sticks, but there is a real danger of total withdrawal
- Better approach might be encouragement of informal actors into formal sphere
- Need help at local and international level
- International community should define parameters



## What haven't I mentioned?

- **Dodd-Frank Act**
- **Certification Schemes currently underway (Certified Trading Chains and ITSCi)**
- **Local capacity building**



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[www.resourceglobal.co.uk](http://www.resourceglobal.co.uk)

[contact@resourceglobal.co.uk](mailto:contact@resourceglobal.co.uk)