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Dear Mr John Hilary

War on Want's Fanning the Flames report

War on Want's report on the role of British mining companies in conflict and the violation of human rights is a selective and inaccurate account of a complex subject. The report fails to acknowledge the role that mining companies can play in preventing conflict and contributing to economic development in post-conflict countries. As Oxford University's Professor Paul Collier notes in his recent book *The Bottom Billion*, "the lower a country's income at the onset of a conflict, the longer the conflict lasts."¹

Economic growth and poverty alleviation are important factors in maintaining political stability and are critical to preventing post-conflict societies from regressing into conflict. Mining investments can offer one of the best potential catalysts for this in post-conflict situations, or in other situations where economic infrastructure is poorly developed and institutions are weak. ICMM member companies operating in resource-rich, but economically poor, countries are contributing to the economic development of those countries. Without foreign direct investment, the chance of economic growth being stimulated is greatly reduced. The critical role of such investment in promoting development is a central theme of the 2007 World Investment Report², which War on Want have selectively quoted from.

Research undertaken by ICMM, the World Bank and UNCTAD (2006) has found that mining investment can provide opportunities for economic growth, poverty reduction, and engagement in the global economy which can be particularly critical for countries at an early stage of development. In Chile, Ghana and Botswana, for example, since the early 1990s increasing mining investment has coincided with an upturn in economic growth. As a result, poverty has fallen nationally (by 40%, 14% and 20% respectively) and more so in regions with a high level of mining activity. The research goes on to recommend that co-operative engagement between governments, donor agencies, companies and civil society is the best way to ensure broad-based and successful economic outcomes in the world's poorest countries.

Undoubtedly, there are great challenges in operating in countries where governance is weak and there is a history of conflict. However, ICMM believes that it is in society's interest for companies who are committed to addressing the complex social, economic and environmental issues associated with mining to be contributing to economic growth in such countries.

¹ Paul Collier - *The Bottom Billion* (2007), Oxford University Press, p. 26

² United Nations Conference on Trade and Development (2007). *World Investment Report 2007: Transnational Corporations, Extractive Industries and Development*. UNCTAD also emphasises that: (i) the chances of benefiting from TNC participation in the extractive industries increase if host governments have long-term plans concerning natural resource extraction, and effective mechanisms for ensuring equitable sharing in the benefits accruing; and (ii) that host governments need to invest some of the revenues earned from mineral extraction in building the economic and social infrastructure needed for sustainable development. ICMM is strongly supportive of both these factors.

The Democratic Republic of Congo is one such resource-rich country where economic development poses a huge challenge. According to Professor Collier, “the Democratic Republic of Congo (formerly Zaire) will need around half a century of peace at its present rate of growth simply to get back to the income level it had in 1960.”³ He adds that the typical post-conflict country has little more than a 50% chance of making it through the first decade in peace. Without investment by responsible mining companies the prospects for peace are greatly reduced.

With its highly selective use of opinions and citations, *Fanning the Flames* does not contribute constructively to this debate. There is little basis in the report to support the claims in the introduction and conclusions on the complicity of companies in human rights violations. In ICMM’s second submission to the UN Secretary General’s Special Representative on Business and Human Rights (Professor John Ruggie) in October 2006⁴, an analysis of 38 cases of NGO or community allegations of mining company involvement in human rights or related abuses was presented, which included all the mining-related cases in the sample used by Professor Ruggie in his interim report in 2006. The analysis clearly showed that (a) these alleged abuses occurred in countries with poor governance or human rights performance and (b) in almost all cases the alleged abuses were not even committed by mining companies, but rather by state bodies or other groups. It should also be noted that in the large majority of cases the facts alleged were disputed by the company or companies involved. Moreover, few of the countries were signatories to key voluntary initiatives such as the Extractive Industries Transparency Initiative (EITI) or the Voluntary Principles on Security and Human Rights. ICMM is a supporter of both these initiatives.

There is currently no international consensus on the boundaries of responsibilities between governments and companies regarding the protection of human rights. ICMM welcomes both the emergence of global norms like the Voluntary Principles and dialogue with civil society organizations and others on how such initiatives should be applied. However, we strongly believe that restricting all mining investment before high standards of governance are achieved risks wiping out the benefits brought by the many non-controversial mines and condemning poor countries to further poverty and conflict.

The report makes allegations against a number of ICMM member companies, and they are best-placed to respond to those specific cases. However, ICMM contends that a central claim in the report – that “companies exacerbate or profit from war” – is wrong. While ICMM agrees that combatants on both sides of some civil conflicts in sub-Saharan Africa have used mineral resources to finance their participation in the conflict, it is hard to envisage a situation where conflict has worked to the advantage of an ICMM member, rather than imposing considerable risks to employees and assets, and additional costs. The report also states that “many analysts conclude that large-scale mining cannot set countries on the path towards sustainable development”, but fails to acknowledge that the opposite is also true (as noted above).

War on Want also calls on the UK government to “acknowledge the harm being done to local communities in developing countries as a result of British mining companies” and “to introduce new rights of redress in the UK and to support binding standards for corporate accountability at the international level”. While ICMM is supportive of greater corporate accountability, our preference is to wait for the final report of the UN Secretary General’s Special Representative on Business and Human Rights (Professor John Ruggie) and his considered reflections on such matters. It would be more productive, in our view, for the UK’s Department for International Development (DfID) and other development agencies to encourage and support host governments to firstly develop effective mechanisms for ensuring equitable sharing in the benefits of mineral resources development and secondly, to invest some of the revenues earned from mineral extraction in building their economic and social infrastructure in support of sustainable development.

The main failing of the War on Want report is that it does not offer realistic solutions. The true situation is that mining companies are one of the very few sources of investment in the world’s poorest countries and investment is essential for economic growth and peace. Those who are genuinely wanting to promote poverty reduction should be encouraging responsible investment rather than opposing it. There are already enough barriers to investment in poor countries without misguided advocacy campaigns adding to them.

Yours sincerely



Paul Mitchell
President

³ Paul Collier, op. cit., p. 34

⁴ See <http://www.icmm.com/uploads/1469ICMM-BHR-2ndsubmissionFINAL.pdf>