

## **We need raw material diplomacy, not conflict**

Trade in valuable minerals often fuels violent conflicts. The EU's new approach to raw material diplomacy could change that

*Read this article in German.*

While blood diamonds are certainly the most well-known 'conflict raw material', they are by no means the only one. The proceeds from their sale have, for example, been used to finance and prolong violent conflicts in Africa. But if the European Commission should get its way, the banning of such raw materials would be expanded to strategic ones – through a new EU regulation on conflict minerals.

Raw materials are an indispensable part of modern economies and geopolitical competition. Naturally, that leaves them in high demand. However, mining and exploiting them is often linked to high social and environmental costs in many countries of the Global South. Moreover, in many countries where there is an abundance of raw materials, their proceeds foment armed conflicts. With its regulation, the European Commission is now trying to open a new avenue in raw material diplomacy.

European importers of critical raw materials will have to take on more responsibility. Due diligence and obligations to provide supporting evidence will be made binding for companies through the regulation that came into force in January. The income generated by raw materials should no longer be used to finance violence and human rights violations. This way, Europe is pursuing an alternative path compared to major competitors on raw material markets such as China.

## **How demand for minerals begets conflict**

Currently, there are 20 raw materials classified as critical by the European

Commission. Coltan ore is a striking example of a raw material closely linked to conflict. It's used for the production of mobile phones. 80 per cent of all worldwide deposits lie in the province of Kivu in the Democratic Republic of Congo. The Coltan mines are located in areas under the control of armed militia. The militia use the proceeds to recruit fighters and acquire weapons. And so they keep a domestic conflict ticking along, which has already led to the loss of millions of lives.

In Colombia, on the other hand, acts of violence are still concentrated in those parts of the country where gold mines are being operated – despite the peace agreement with the biggest guerrilla group, the FARC, in 2016. Paramilitary forces, criminal organisations and (re-)armed guerrilla fighters extort fees from mine owners in small-scale mining as well as from big firms. They use it for their fight or for their own profits to preserve or extend territorial control. Representatives of indigenous organisations and civil society groups who resist often pay with their own lives.

*China's growing interest in ensuring worldwide access to raw materials has driven competition even further.*

Ensuring market access, motivated by security of supply arguments, often holds sway in importing countries. Governments' main goal is to overcome trade restrictions and to maintain the availability of strategic raw materials. Because of the development of new technologies and the energy transition, Europe's hunger for resources has grown again. Ensuring access to raw materials not used for energy production and the 'rare earths' has thus become a strategic external economic mission.

Metals that are crucial for certain technologies, such as lithium, are in high demand everywhere – be it for wind power plants, in LED screens, in mobile phones or in solar energy plants. They are essential in the production of high-tech equipment. At the same time, they are only mined in a few countries in the world. But the demand for traditional ores such as copper, gold and platinum is also high on international markets, even if growing amounts of these metals come from recycling.

## **The Chinese and the European approach**

China's growing interest in ensuring worldwide access to raw materials has driven competition even further. Beijing's raw material diplomacy uses the full range of external, economic and development policy instruments to reach supply contract agreements with countries that

produce raw materials. These deals are ‘sweetened’ with investments in infrastructure projects and social housing construction to arms shipments.

Chinese offers are attractive for producing countries and their political representatives because the trade is not tied to any conditions and quick ‘bonuses’ such as the swift implementation of investment projects are guaranteed. The perception of Chinese dominance in the raw materials trade has fuelled defensive strategies in many economic and political circles. In particular, they are directed against market distortions through the close connections between state policy and state-owned Chinese companies.

And yet access to raw materials is only one part of the equation. The question of sustainable development is precisely where the EU sees its role by promoting measures for the efficient use of resources in mining countries. European companies are often at a disadvantage vis-à-vis Chinese competitors – or at least see themselves that way. However, the EU is betting on higher due diligence from importers, and therefore also from their suppliers, through the Conflict Minerals Regulation.

## Who’s responsible?

Responsibility in the supply chain is the crucial issue. It should be ensured that proceeds from the sale of tin, tantalum, tungsten, their ores and gold neither flow into the financing of armed conflicts nor fuel conflicts in crisis-stricken or high risk countries. This should work by labelling the origin of the minerals, which also makes it possible to follow them from the mining to the processing phase.

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It’s not just transparency that will be demanded of companies that are active in conflict regions. They will also have to provide an indirect contribution to the improvement of socio-economic framework conditions in mining countries. Currently, 27 countries are listed: countries from Mali to eastern Congo to Libya as well as countries in the region of the African Great Lakes. Mexico, Columbia and Venezuela or India, Pakistan and Afghanistan are also included.

Instead of taking the extreme position of imposing a total ban on the import of raw materials from crisis regions, the EU is banking on a

cooperative strategy. This way, it's pursuing an alternative form of raw material diplomacy, giving European importers the duty to curtail failures to respect social, labour and environmental standards. At the same time, it's offering mining countries strategic partnerships and raw material dialogues, which are meant to nourish 'value-based and fair trade'.

## A new kind of diplomacy

This raw material diplomacy ties foreign policy instruments to the accountability of domestic political players such as companies. As such, it represents a new form of diplomacy. Through the Conflict Minerals Regulation, investment and trade policy now includes a social and environmental component. It must be robustly implemented if it's not to end up as merely decorative. Information about mining conditions must be disclosed. Audits are being introduced to check on company data. It will come down to strict criteria to ensure that the new regulation doesn't become a toothless tiger.

However, the new raw material diplomacy also has its limits. Hitherto, only four materials have been captured by the Conflict Minerals Regulation. The list needs to be expanded as minerals such as copper cannot be extracted without the risk of conflict. Moreover, there must be ongoing updates of the countries or regions affected to make the desired governance of company conduct measurable.

Nowadays, security of supply can no longer be the only target of active raw materials diplomacy. This form of diplomacy has to cover responsibility for mining conditions in relation to the extraction of the resources. This can lead to higher costs for importers in the short term. But it may develop positive effects in the mining countries themselves.



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