

RAID

Rights & Accountability in Development

MEDIA ADVISORY

RAID Welcomes International Development Committee's Recommendations on UK Businesses Operating in Conflict Zones

The Committee Finds Serious Deficiencies in the Government's Approach

(25 October 2006) Today the House of Common's International Development Committee (IDC) released its report, "Conflict and Development: Peacebuilding and Post-Conflict Reconstruction". The Committee "highlighted the fact that trade in conflict resources can intensify and prolong conflicts and criticises the UK Government for failing to take adequate action to deter UK companies from engaging in such activities".

RAID welcomes the Committee's recommendation that the Government "demonstrate that it takes the OECD [Guidelines for Multinational Enterprises] seriously, in practice as well as in theory, by drawing up practical measures to ensure their implementation". The OECD Guidelines are recommendations on corporate conduct addressed directly to companies, which are implemented by adhering governments through National Contact Points (NCPs).

Following allegations by a UN Panel of Experts in October 2003 that several British companies had violated the *OECD Guidelines for Multinational Enterprises* for their roles in illegal exploitation of natural resources in the Democratic Republic of the Congo (DRC), RAID has pressed the UK National Contact Point (NCP) for the OECD Guidelines to examine the Panel's allegations.

In June 2004, RAID submitted to the British Government its report, "Unanswered questions: companies, conflict and the Democratic Republic of Congo", which analysed the Panel's allegations and set the companies' conduct in the framework of the OECD Guidelines. RAID filed complaints under the OECD Guidelines and offered to provide the UK NCP with additional documentation on specific UK companies referred to in the UN Panel reports, but the UK NCP refused initially to allow RAID to act. The British Government's failure to draw a line between acceptable and unacceptable corporate behaviour encouraged some companies to continue to exploit the Congo's natural resources in ways that the UN had deemed to be highly unethical.

The IDC considered the UK Government's handling of a number of complaints about British companies operating in the Congo, including the case of the Merseyside-based assaying company, Alfred H. Knight International, which has had a long term relationship with the German operated Lueshe Mine in North Kivu. The Committee notes:

The UK Government has not sought to pursue investigations into the activities of Alfred Knight even though RAID told us they had sent information to the Crown Prosecution Service in 2004, to the Metropolitan Police, and to DTI's Companies Investigative Branch. We have subsequently received written evidence from Thomas Eggenburg of the Krall Metal company in the DRC which alleges that Alfred Knight is involved in activities which contribute to the fuelling of war in the DRC. Mr Eggenburg states that Alfred Knight plays a key role in the rare metal business in the DRC and that their assaying services are key in determining the purchase price of minerals such as coltan. In addition, he maintains that if Alfred Knight had refused to provide its assaying services to coltan from the DRC the coltan mining business in the DRC would have collapsed. Subsequent to our evidence session we also received written evidence from Alfred Knight which seeks to explain their role in the DRC and states that they have not been in violation of OECD guidelines. We are not in a position to verify the claims of either of these companies. However they do raise concerns about the UN process of putting companies into the 'resolved' category, and about how

vigorously the UK seeks to ensure that OECD guidelines are adhered to by British companies operating in conflict zones. **We are surprised and disappointed that the DTI did not... investigate the activities of Alfred Knight in relation to the DRC. We believe the DTI could do more to promote the EITI [Extractive Industries Transparency Initiative] and to resolve issues surrounding conflict resources.** (IDC Report, p. 39, para. 116.)

In its recommendations, the Committee calls on the Government to strengthen the implementation of the OECD Guidelines, particularly in conflict-prone or conflict-affected (CPCA) countries.

There is a serious deficiency in the manner in which the Government approaches the actions of UK companies abroad, and in particular in CPCA countries. The Government does not send out a strong message to UK companies about the significance it attaches to OECD Guidelines. Given the number of UK companies originally listed by the UN and, given the human rights abuses which we know accompanied the war, and continue to be perpetrated, the Government response should have been more thorough. The Government needs to demonstrate that it takes the OECD guidelines seriously, in practice as well as in theory, by drawing up practical measures to ensure their implementation. (IDC Report, p. 56, para. 22.)

The Committee will also follow up with ministers to ensure that DTI's approach to the way British companies operate abroad is consistent with the Government's policies for conflict resolution, peace-building and sustainable development.

Tools are of little use if they do not change behaviour. The Government has a responsibility to make UK Companies aware of the OECD guidelines and to offer them appropriate advice. There is a pressing need for the UK Government to consider ways to ensure that the approach of the DTI is not at odds with other aspects of Government policy in CPCA states. Without such coherence the Government cannot hope to have the impact it seeks through DFID's new strategy of engagement in fragile states. We intend to take evidence from DTI ministers on these important issues. (IDC Report, p. 56, para. 23.)

The Department of Trade and Industry (DTI) has taken the lead in running the UK NCP, but in the light of widespread dissatisfaction with its performance and criticism from the All Party Parliamentary Group on the Great Lakes Region, the Government has recently proposed changes to its structure. The UK NCP is now composed of officials from DTI, the Foreign Office and the Department for International Development.

Despite the proposed reforms to the NCP, it remains to be seen whether DTI is prepared to play an effective part in scrutinising the conduct of British companies overseas and in arriving at a clear determination about whether they are in compliance with the OECD Guidelines.

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Further information:

- The IDC's report is available at: <http://www.publications.parliament.uk/pa/cm/cmintdev.htm>
- Key sections concerning the DRC, the UN Panel of Experts and the Government's handling of these cases are paragraphs 27-29; 103-115; 119 and Recommendations 20-22.
- RAID's web page for the UN Panel of Experts on illegal exploitation of natural resources in the DRC: <http://www.dti.gov.uk/files/file32038.pdf>
- The UK Government adopts reforms on the promotion and implementation of the OECD Guidelines: <http://www.dti.gov.uk/files/file32038.pdf>