Overview

• BSR conducted a mapping of locations and key characteristics of 3T smelters in PRC, Japan, Republic of Korea, Indonesia, and Malaysia.
• Also, interviews with smelters participating through iTSCi in pilot implementation of the OECD Due Diligence Guidance to better understand the smelters’ successes, obstacles, and learnings in implementation.
• Translation of the Easy to Use version of the OECD Due Diligence Guidance and the Implementation Questionnaire into Mandarin in order to facilitate further dissemination in China.

Key Findings

• A total of 219 smelters were mapped
  – Including: 157 across 5 countries
  – Including: 20 gold smelters
• The smelters interviewed (3 out of 4 participating in the pilot) seem to be taking a “compliance” approach, and to be focused exclusively on meeting stated requirements.
• They appear to be open to using tools when provided, such as the EICC & GeSI calls and materials, however are not investing time or resources in developing new approaches or validating third-party information.
Asia Smelters - Mapping

• Total of 219 smelters were mapped worldwide – with 40% China.
• China is key in 3T trade. The DRC, Rwanda, Tanzania, Zambia, and Burundi represented approx. 25% of China’s total ore imports in 2010 (Rwanda alone, 20%), according to UN Group of Experts.

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Asia Smelters – Interviews

• The three smelters completing the interviews all demonstrated an awareness of, and attempt to implement, the *OECD Due Diligence Guidance* but with a narrow focus, relying mainly on a minerals policy; including it in their supplier contracts; and limited public reporting.

• The interview results suggest the critical role that collaborative, multi-sector initiatives can play—and in some cases, are playing—in promoting wider adoption of the *OECD Due Diligence Guidance*.

• The key challenge here is the perceived lack of coordination among iTSCi, CFS, and OECD initiatives, as well as insufficient harmonisation of requirements, protocols, and support. The smelters and traders feel overburdened by requests from multiple sources.

• It appears that in many cases, smelters rely on a simple letter from their suppliers declaring that minerals do not come from the DRC or the Great Lake Region. This is not what is expected in the *OECD Due Diligence Guidance*, and suggests a critical area of opportunity for improvement in how smelters are managing due diligence challenges right now.
Asia Smelters – Recommendations

• Adopt a multi-stakeholder approach: A collaborative (vs. competitive) process is required to align interests and incentives from many different actors. More than a mandate, a consensus will likely be needed.

• Harmonise certification and auditing schemes: The current situation results in duplication of efforts, overlapping audits, and reduced effectiveness. The smelters are eager for a “harmonisation” of schemes.

• Develop a “two speed” approach: Many of the smelters are small, informal operations without the resources to implement an international certification and auditing scheme. A supplement that addresses the challenges particular to small enterprises would be helpful.

• Partner with industry: Industry associations are key to dissemination and implementation. The smelter industry is highly competitive, with low trust and transparency, and is concerned about the reality or appearance of “government mandates” vs. mutually agreed, multi-stakeholder approaches.

• Actively engage government (particularly China): China presents a particular challenge due to the difficulty of reaching numerous small smelters. One approach could be through the large smelters, many of which are state-owned enterprises and maintain close connections with government and strong industry associations.