



Dodd-Frank Act's Conflict-Minerals Rules Backfire; Trump May Suspend

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The Dodd-Frank Act's conflict-minerals rules backfired, and caused malnutrition, violence, and misery in the Congo, a large country in the heart of Africa. Their intended purpose was to rein in violent militias in the eastern Congo, but they actually helped make militias more violent. Destabilizing a war-torn country that is a source of key minerals is certainly not in America's national security interest. So it is nice to learn that these harmful rules may be suspended.

Reuters reports:

“President Donald Trump is planning to issue a directive targeting a controversial Dodd-Frank rule that requires companies to disclose whether their products contain ‘conflict minerals’ from a war-torn part of Africa, according to sources familiar with the administration’s thinking.

“Reuters could not learn precisely when the directive would be issued or what the final version would say. However, a leaked draft that has been floating around Washington and was seen by Reuters on Wednesday calls for the rule to be temporarily suspended for two years ...

“The 2010 Dodd-Frank law explicitly gives the president authority to order the U.S. Securities and Exchange Commission (SEC) to temporarily suspend or revise the rule for two years if it is in the national security interest of the United States.”

The 2010 Dodd-Frank Act increased violence in the Democratic Republic of the Congo (DRC) by 143 percent, and looting by 291 percent, through its “conflict minerals” rule. So concludes a recent study by Dominic Parker of the University of Wisconsin and Bryan Vadheim of the London School of Economics:

“In economics terms, Parker says, conflict mineral regulations converted many of the DRC’s militia groups from ‘stationary’ bandits, which extract taxes from people but otherwise do little harm, into what are known as ‘roving’ bandits.

“This, it turns out, is much worse for the people on the ground.

“The roving bandit doesn’t have a long-run stake in the economic productivity of a place,” Parker says, “so he takes what he can get now with little regard for how his [ransacking and stealing] will affect future productivity.’

“Meanwhile, stationary bandits have every incentive not to hurt too many people.”

As noted earlier, Dodd-Frank conflict minerals regulations have also caused starvation in the Congo, harmed U.S. businesses, and resulted in increased smuggling—even as they punish peaceful neighboring countries in Africa just for being near the Congo, whose civil wars have killed millions over the last 21 years. They have inflicted great harm on a country that was just beginning to recover from years of mass killing and had the world’s lowest per capita income. A 2013 paper by St. Thomas University law professor Marcia Narine also criticized the conflict minerals rules for having dire consequences for the Congolese people.

These studies confirmed the firsthand observations of David Aronson in *The New York Times* in 2011. As he noted:

“The ‘Loi Obama’ or Obama Law—as the Dodd-Frank Wall Street reform act of 2010 has become known in the region ... has had unintended and devastating consequences ... The law has brought about a de facto embargo on the minerals mined in the region ... For locals ... the law has been a catastrophe. ... The pastor at one church told me that women were giving birth at home because they couldn’t afford the \$20 or so for the maternity clinic. Children are dropping out of school because parents can’t pay the fees ... Villagers who relied on their mining income to buy food when harvests failed are beginning to go hungry.”

In 2014, the *Washington Post*’s Sudarsan Raghavan wrote about how the Dodd-Frank Act’s conflict-minerals provisions “set off a chain of events that has propelled millions of [African] miners and their families deeper into poverty.” As they have lost access to their regular incomes, some of these miners have even enlisted with the warlord militias that were the law’s targets, notes the Cato Institute’s Walter Olson. He also discusses the benefits of suspending the conflict-minerals rules in his commentary, “Yes, Suspend — Then Repeal — Dodd-Frank’s Conflict Minerals Rules.”