

Beyond the resource curse, new dynamics in the management of natural resources: new actors and concepts

Exploratory Workshop

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At the Charles Léopold Mayer Foundation for the Progress of Mankind
38, Rue Saint Sabin, 75011 Paris

The issue

The workshop will explore the new international and national power relations that result from a recent increase of demand by China and India for raw materials. It will analyse the impact of the arrival of new players on international agreements and on state-society relations in raw material exporting countries. It asks what the impact is of rising raw material demand and international monitoring on neo-patrimonial networks and governance in the producing countries and what successful instruments have been to curb the “resource curse”. How to devise ways and means in which increasing income from raw material exports can be channelled in such a way that not only a small elite in the producing countries can benefit from it, but the large majority of their people?

Keywords: Resource conflicts; new players, new international relations; state-society relations; rentier economies and neopatrimonialism; new conflicts

Objectives

The objective of the workshop is to research new power relations at the international as well as the national level as the result of the emergence of new players, the contribution of the new stakeholders in international forums, and the impact of changing power relations on living conditions in the raw material producing countries.

Despite budgetary restraints and a focus on European research, the workshop aims to associate researchers based in countries that are strongly affected by the resource curse or are important actors in the exploitation of natural resources.

Outcomes

The workshop will design a research programme on additional and improved measures by all stakeholders that can contribute to a reduction of the negative side-effects of raw material production and exports, and improve the spending of raw material income to the benefit of the majority of people in the producing countries.

The research which goes into the preparation of the workshop and which will be triggered by it should help to broaden the range of options which stakeholders at all levels have to influence raw material production and the resulting financial flows in such a way that it contributes to more equitable benefits.

A final outcome of this academic exchange is to bridge the knowledge created by academic research and the need for knowledge of those responsible for or affected by the exploitation and

management of natural resources. They can be working for mining companies, in the agro-industry, for ministries of mines or land or they can live in the areas that are affected by these activities. One specific way of creating this link is use the outcomes of the workshop as input for the online course on "Transforming Resource Conflicts".

Topic

New players, changing international relations, new conflicts

The fast pace of economic growth in China, India and other Asian countries has led to a boost of demand for raw materials. Economic insecurity and the recurrent crises in the financial world which have made financial assets much less attractive have contributed to the run on raw materials and land. Political turmoil in some large oil exporting countries, especially in the Middle East, has led to a feverish exploration of alternative sources. Oil reservoirs discovered in countries like Cambodia, Ghana, Cameroon and Uganda will make these countries soon oil exporters, in many cases without having the institutional framework yet to assure that the income from oil exports contribute to a better life of the general population.

Question: Which institutions have been set up in these countries to regulate this sector, which forces have influenced the specific form of institution building, how have these institutions started to function, and what are the (expected) results for the population at large?

The internal struggle over the distribution of export incomes has led to violent conflicts in many countries – with astonishingly different results of the share of national and local governments in the revenues – varying from about 70 % in the case of Aceh in Indonesia to a meager 3 % for the local communities in Sudan.

Question: Which factors have led to the specific distribution of income from the exploitation of mineral resources, and which actors are – as a result – protagonists of more transparency regarding this income and its use?

In a number of countries, rising raw material prices stimulate separatist movements in producing regions, which do not accept that most of the export income would accrue to the national government, leaving little to the region where the deposits are found and produced (which often is worse off than before, because of environmental damage, displacement of population, conflicts with foreign workers, and rising crime rates.) The Katanga War in the 1950s and the Biafra war in the 1970s were some of the first examples of such separatist movements.

Question: In which countries do conflicts over the distribution of income from raw material export stimulate separatist movements, and under which conditions do raw material producing companies conclude agreements with such movements, - and at which conditions?

Rising raw material prices increase the opportunities for rebel groups to finance their struggle, if they can hold a small territory in which the natural resources are found which they can exploit. The large-scale "bunkering" of oil tapped from pipelines is a case in point. Such income can easily be used to arm rebel groups. The territories might be too small for separatist movements. But the extra income can lead to protracted conflicts which stay in the way of any constructive development.

Question: In which countries can we observe a kind of stalemate between rebel groups and government forces, which both profit from raw material related income (and share an interest in the continuation of armed conflict), and what have citizen groups tried to change such situations?

While Western companies are exposed to increasing pressure to "publish what they pay" and to demonstrate corporate responsibility, they are no longer the major players in many of the most contested regions. They have been replaced by (often government) companies from "emerging markets" that face less incentive to strive for more transparency. As newcomers in the countries

in question, they tend to offer more advantageous conditions to governments of exporting countries, with fewer strings attached.

Question: How do conditions differ which companies from emerging markets offer to raw material exporting countries? Has the bargaining position of exporting countries improved, and under which conditions do governments use their improved position to negotiate contracts with wider benefits to the general population?

An increase in income from the export of raw materials has in the past not only led to conflicts over its distribution. When governments banked on a boom and gave rise to high expectations, often borrowing money they would easily pay back with rising income, stagnation of the world economy and a concomitant decline of prices and income can lead to new domestic turmoil, because of a more limited leeway to buy off opposition, increased debt and resulting cuts in social expenditures.

Question: Has the volatility of the world economy and of raw material prices stimulated local conflicts, because "boom and bust" have discredited governments?

Rising demand and as a consequence rising prices trigger riots in many developing countries, because they form a much higher share of daily expenditures in countries where distances are large, the infrastructure is bad, and where, as a result, transport costs are high and have a much larger impact on prices of food and other necessities than in developed countries.

Question: What will be the impact of rising prices for transport and food for domestic conflicts in already unstable countries? Which countries will be most affected? How can the tensions be attenuated?

Rising welfare in many parts of the world, a fast growing world population, an expanding middle class in many countries with changing food consumption patterns, and shrinking agricultural land because of urbanization and ecological hazards have contributed to a looming world food crisis, which has increased the pressure on land. Large areas of (potential) agricultural land in Africa, Asia and Latin America have been bought by foreign companies to assure the future availability of food or to profit from rising food prices ("land grabbing"). Occupants of that land are often evicted at short notice. Forests are "cleared" for agricultural use, causing environmental damage.

Question: Land grabbing obviously gives rise to local resistance. Which coalitions confront each other in the rising conflicts about land use in those countries with still considerable reserves for agricultural production? Which measures have been taken to restrict land grabbing?

While the UN World Population Prospects according the latest revision envisages a world population of 10 billion people in 2100, the Club of Rome expects that there will be only 2 billion people on earth by that time – simply because there is not enough food.

Question: In how far do these different projections by themselves lead to conflicts in international forums, national governments, and NGOs – and which kind of conflicts might be expected if the forecast of the Club of Rome tends to be more realistic than the UN projections?

Natural resources as levers of power : the impact of international monitoring schemes on authoritarian regimes, based on rentier economies and neo-patrimonialism.

During this session, we would like to analyse the specific situation of authoritarian regimes based on rentier economies and/or neo-patrimonialism, starting from the following statements: The availability and exploitation of natural resources in strongly centralised states and authoritarian regimes are considered as resources of power: the ruling elite happens to be dependent on their revenues to maintain to power.

Question: The nature of the relationship between the political and the economic sphere:

- *How does the collusion of economic and political actors manifest itself and what are its effects?*
- *Is it possible to identify diverging interests within the ruling elite?*
- *Do the massive amounts of revenues from natural resources permit the government to purchase consent within the society?*

There are a number of international monitoring schemes in place that help to trace the flows of income and to analyse the impact of raw material exploration and production and sales in the producing countries. The stakeholders of these schemes try to influence national governments, the companies involved in the production and trade, and international organisations to devise mechanisms that make sure that the revenues of natural resources are shared more evenly. We are interested in the possible impact of such international monitoring schemes in contexts where control over natural resources is key to state power. Examples of initiatives include the Extractive Industries Transparency Initiative (EITI), the Tax Justice Network, the Global Financial Integrity Program, Transparency International, the Publish What you Pay Initiative, the Kimberley Process, the Stakeholder Democracy Network, Global Witness, the Revenue Watch Institute, Conservation International, and many other international, regional and local institutions.

Question: The social transformations that are potentially induced by international instruments which aim to include civil society actors in the governance framework of natural resources:

- *what are the chances for democracy to emerge?*
- *What are the unexpected effects of international instruments?*

The recent increase in demand for raw materials made middle range States more strategic in the international arena:

Question: which new discourses have come up in these institutions as a reaction to recent changes in the international markets (and politics) of natural resources. Does the rise of new stakeholders lead to new forms of governance, and which new policy initiatives have been taken on the basis of recent analysis and debate?

Changing state-society relations through tripartite governance of natural resources

Two phenomena have a negative impact on the human development in resource rich countries. The first is that state control over natural resources makes states less dependent on taxes and therefore allows them to be less accountable to the population. The second is that the availability of resources increases the stakes of state control. In cases where the state is weak, armed actors will compete with it, leading to conflict. Whether these conflicts are principally motivated by control over natural wealth or whether they merely serve to fund wars fought over political grievances has been the object of extensive academic discussion. Through a review of the different and sometimes contradictory studies that establish a correlation between natural resources and civil war it becomes clear that (Ross, 2004):

- States that rely heavily on the export of primary commodities face a higher risk of civil war than resource-poor states. (Collier and Hoeffler, 1998, 2001) ;
- Oil-exporting states are more likely to suffer from civil wars than non oil-exporting states. (Fearon and Laitin, 2002) and (de Soysa, 2002) ;
- The presence of certain types of resources (gemstones and narcotics) tends to make wars last longer. (Fearon, 2002) ;
- Civil wars are harder to end when they occur in countries that depend on primary commodity exports. (Doyle and Sambanis, 2001) ;

- The presence of mineral resources in a conflict zone tends to increase a conflict's geographical scope. (Buhaug and Gates, 2002) ;

Instead of opposing civil war and authoritarian leadership, we propose to consider all conflicts that use violence against civilians by armed forces that lack democratic control as armed conflicts, disregarding whether violence is used by state or non-state actors. Authoritarian leadership whose power relies on military force can therefore be seen as a form of armed conflict. The State de facto becomes a party to the conflict with civilians. We are interested in civil society initiatives that intend to reduce the link between the availability of strategic resources and armed conflict through civilian control over resource extraction and trade as well as the distribution of the wealth coming from it. The Kimberley process is such an example. It functions through local consultations and an international certification that diamonds are "conflict free" in combination with international regulation and control of these certificates.

Question: Even if it widely accepted that the scheme has several flaws, do people living in resource rich countries affected by armed conflict feel they have changed their lives?

The Kimberley process has been confronted with the difficult distinction between civil war and authoritarian leadership when Zimbabwe civil society actors have appealed to monitors of the Kimberley process to withdraw certification of the country's diamonds in relation to human rights violations. It has obliged the organisation to redefine "conflict diamonds". Beyond the Kimberley Process, we are more generally interested in case-studies in which the population has been able to demand greater accountability from those in charge of natural resource management.

Question: Which mechanisms are put in place to facilitate civilian control over natural resources, based on which levers of power? Special attention should be given to the interaction between local and international initiatives.

Methodology and form of the meeting

The meeting will last two days and will be divided into three sessions and conclude with a forward look session. Each participant will be asked to contribute prior to the workshop in the form of a short discussion paper (2-3 pages) explaining either a theoretical point of view, sharing outcomes of policy research or describing an interesting experience in natural resource management.

Organisers

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Modus Operandi

Modus Operandi (Modop) is an independent research and training institute. Its vocation is to disseminate a constructive approach to conflict. Modop is created in 2006 and is based in Grenoble, France. We work with a broad definition of conflict, from social to armed conflict, with a special focus on political crises. We approach conflict as an opening for social transformation. In order to untangle conflictive relationships and to establish lasting peace, a period of political transition needs to be accompanied by a political transformation of conflicts.

Modus operandi works with local stakeholders as well as international networks, with modes of

action such as face-to-face teaching, online training, meetings and rounds of dialogue as well as publications.

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