



# Natural Resources and Conflict

Hollywood depicted it in graphic fashion: the film “Blood Diamond” tells the story of the battle for control of the diamond mines in the West African country of Sierra Leone and its brutal consequences for its people. The diamond trade's role in financing the wars in Angola, Liberia and Sierra Leone led to international condemnation of the trade in “conflict diamonds” and the launch of the Kimberley Process.

The links between conflict and the extraction of a given resource are not always so clear-cut, however, and a country's resource wealth does not necessarily lead to violent conflict, as the examples of Norway and Canada, but also Botswana and Chile show. Yet resource-rich countries do appear to be more susceptible to conflict than the resource-poor. This risk seems to be greatest when resource extraction accounts for a substantial proportion (around 30%) of GDP<sup>1</sup>: in other words, in countries which are largely dependent on the export of primary commodities such as metal ores, oil and gas. This does not apply to countries with major oil fields and a small population, such as Brunei, Dubai and Kuwait, which can use the substantial revenues generated by their oil exports to purchase social peace.

Yet in most resource dependent economically poor countries in Africa, Latin America and Asia, resource extraction is linked to conflict. So the question is this: which role do natural resources play in conflicts?

Picture: Rough diamonds found around Mbuji-Mayi. Democratic Republic of Congo (Photo: VISUM)

## Conflicts over resource extraction

One cause of conflict lies in the way in which resources are extracted, how revenues from this sector are distributed, and how the local population is involved in decisions on the development of the affected region. In Peru, environmental standards were flouted for decades by the mining industry, and the interests of the local population disregarded in the industry's decision-making. A broad-based popular movement against the mining industry has now developed in the country, comprising the communities – mainly the indigenous populations of the Andes – which are most affected by the industry's activities, and this movement has obstructed the expansion of existing mines and the establishment of new ones. A similar development can be observed in the Philippines. These conflicts can escalate from social unrest into open war, as the example of Bougainville shows.

In November 1989, the owners of the massive “Panguna” copper and gold mine – which had generated almost 50% of Papua New Guinea's export revenue for 20 years – refused the demands for compensation brought by the inhabitants of the island of Bougainville. Farmers in the region had demanded compensation for the environmental damage caused by the mine, which was refused by the mine operators on the ground that the demands were not backed by scientific evidence. The local communities' rage was vented in acts of sabotage against the mine. The mine was forced to close, and repression and a government blockade of the island quickly escalated the conflict into open war in which more than 10,000 people lost their lives.<sup>2</sup>

The war in Bougainville was not just about the mine. Mining had become emblematic of the island's dependence on Papua New Guinea, which was not recognized by many Bougainvilleans. The dispute over the mine was a catalyst for the simmering conflict which escalated when the extractive industry ignored the interests of local people.

Existing social and ethnic tensions may thus be exacerbated by poor implementation and bad governance of extractive industry projects.

## Control over resources and resource trade

Natural resources have been targets or instruments of warfare in the past and will remain so in the future. Warring parties need money and they take it wherever they can find it. Yet the character of a resource can certainly influence the prosecution of a war. Le Billon (2003) illustrates this with reference to Angola: here, the rebel organization UNITA drew its funding from sources as diverse as financial aid from China and several Western industrialized countries and from the trade in gold, timber, wild animals and diamonds. After the end of the Cold War, oil and diamonds came to dominate the war economy. The government had access to the major oilfields in the coastal region, while UNITA funded its war from the revenue from the diamond mines in the areas under its control. During the 26 years of civil war, both sides profited from unhindered access to the revenues from the extractive industries which, although not the cause of the war, played a key role in funding it.

Three of the world's worst wars of recent years took place in Sierra Leone, Liberia and the Democratic Republic of Congo (DRC), resulting in around five million deaths and the almost complete destruction of these countries' infrastructures. In consequence, the international community has had to provide and fund amongst the three most expensive UN peace-keeping operations of all time: the bill for UNAMSILs<sup>3</sup> presence in Sierra Leone totalled US\$2.8 billion and cost the lives of 196 peacekeepers<sup>4</sup>; in 2007 UNMIL<sup>5</sup> in Liberia will cost US\$745 million<sup>6</sup> whilst in DRC, MONUC's 05/06 budget came to US\$1.13 billion<sup>7</sup>. On top of this are the massive costs of reconstruction and aid.

The following examples highlight the importance that the trade in natural resources plays in sustaining armed conflicts.

### Conflict diamonds and timber in Liberia

The civil war in Liberia, during which over a quarter of a million people died, provides perhaps the starkest example of military-political entrepreneurship driven by natural resource exploitation. It also illustrates how international action, in the form of UN sanctions, played a critical role in ending the war, but also how it took very long to happen; two years in fact. Warlord Charles Taylor financed his armed insurrection in 1989 by using revenue generated by the sale of timber and diamonds. After gaining



Cartridge belts of ammunition are prepared by fighters from the Liberians United for Reconciliation and Democracy (LURD) rebel faction in Tubmanburg, Bomi County, Liberia before the 2003 assault on the country's capital. (Photo: Tim A. Hetherington/Agentur Fokus)

power in 1997, he then proceeded to sponsor the infamous Revolutionary United Front (RUF) in its struggle in Sierra Leone, supplying arms and matériel in exchange for diamonds from the rich Sierra Leonean diamond fields.

As a result of UN sanctions on diamonds in 2001, Taylor's government was forced to rely solely on timber trade, and to a lesser extent on revenues from Liberia's shipping registry<sup>8</sup>, with timber generating a minimum US\$100 million off-budget in 2000 alone<sup>9</sup>, whilst logging companies close to Taylor smuggled arms into the country in violation of the UN arms embargo, and provided armed militias for use by Taylor. It took two years after timber was first identified as a key conflict resource, by NGOs, before the UN Security Council imposed sanctions on timber in May 2003. Within weeks, with his funding cut off, Charles Taylor was forced into exile in Calabar, Nigeria, and the war was over.

### Conflict resources in the Democratic Republic of Congo

In terms of human casualties, the war that ripped apart the Democratic Republic of Congo (DRC) was the worst since World War II, resulting in over four million deaths, and is perhaps the greatest example of a resource-fuelled war. The armies and proxy militias of six different countries as well as those of the Congolese government and numerous rebel groups plundered and looted the country's vast natural resource wealth, including coltan, gold, cassiterite, copper, cobalt, timber, diamonds and other precious stones. DRC's neighbours, Rwanda and Uganda, played an active role in the exploitation of the country's natural resources throughout the conflict.

**Alex Vines, Chatham House, London**

“The rebels, or whatever you want to call irregular groups, will use whatever resources they can get their hands on to bankroll their wars. Abductions and extortion are often major sources of financing. In Sierra Leone, the rebels levied “war taxes” on the transport of resources – the taxes were imposed on the trucks, not the goods, the natural resources. Warlord Charles Taylor in Liberia earned substantial amounts of money through ship registration.

I simply want to make it clear that the focus on resources limits the debate that is necessary if the international community is to cut the financing of civil wars. Natural resources play an important role if they are available, but warring parties use any opportunity to get money.

Nonetheless, some resources are more susceptible to tensions than others. Oil, for example – here, the revenues are extremely high, offering a source of easy money through rent-seeking and corruption.”

Table 1 Resource accessibility by rebel forces

Resource	Exploitation	Theft	Extortion
Alluvial gems and minerals	High	High	High
Timber	Medium	Medium	High
Agricultural commodities	Medium	Medium	Medium
On-shore oil	Low	Medium	High
Kimberlite diamonds	Low	Medium	Medium
Deep-shaft minerals	Low	Low	Medium
Offshore oil	Low	Low	Low

The ability of parties to a conflict to exploit natural resources depends to a great extent on their access to external markets. Policy-makers must therefore find a way of curbing the access to international trade. Until now the international community has utterly failed to address this problem effectively and systematically.

## The industry's role

The extractive industry is embroiled in conflicts more often than other sectors. Resources are location-dependent and are often found in remote regions, forming an “island of wealth” in the midst of abject poverty. Companies can thus worsen conflicts in the following ways:

- by widening existing social inequalities,
- by ignoring the concerns of local communities, e.g. by failing to comply with environmental standards,
- by attempting to evade official taxes and reinforcing corrupt power structures through bribery and a lack of transparency,
- by supporting authoritarian regimes to safeguard their own interests.<sup>10</sup>

When mining and oil companies are confronted with violent conflict or even civil war, they often decide to continue their operations<sup>11</sup> and protect their installations with armed security

forces, and as a further means of defending their interests, they make payments to whoever happens to hold power in the region. The ELN<sup>12</sup> in Colombia extorted protection money from companies by threatening to blow up pipelines unless they paid up.

**Mark Taylor, Fafo Institute for Applied International Studies, Oslo**

“Industry needs guidance on how to behave in conflict areas. Currently there is no such framework. States need to do much more to explain to companies what the liability risks are. And there are real risks of ending up in court. States must also take their responsibilities seriously, including the responsibility to investigate complaints that companies are committing international crimes in war zones or assisting others to commit those crimes. Where they find violations, governments are going to have to prosecute.

Ultimately, some sort of multilateral instrument will be needed to create a common understanding of what economic activities are unacceptable in conflict zones. It could be an additional protocol, or a Security Council resolution, for example, specifying what is illicit commerce in armed conflict.

In going down that road we should be clear from the start that the objective must be to define and condemn unacceptable activities. We should not try to regulate business as such but rather business actions that participate in international crimes. This is what law does best: it identifies the violation and then goes after the perpetrator. The challenge at the moment is how to apply existing laws governing armed conflict to businesses.”

## Conflict prevention and conflict resolution

A key element of conflict prevention is to ensure that the wealth generated through resource extraction is utilized to improve living conditions for communities in the affected regions and countries. This necessitates transparent and equitable distribution of revenues from the resource sector<sup>13</sup>, socially and environmentally responsible corporate governance, transparent and responsible tax policies, and government policies which not only defend the interests of companies but also those of the local populations. This requires democratic institution-building and diversification of the economy.

These factors are especially important in countries coming out of conflicts where natural resources have played a key role, such as Liberia, Sierra Leone and DRC. If these resources played a key role in the war, then they must play a key role in the peace and become peace assets.

The newly created Peacebuilding Commission should include natural resources in its strategies in countries where they have played a role in conflict. This would be a crucial element in ensuring a comprehensive and effective approach to peacebuilding by the UN and build on its recognition of the importance of natural resources in conflict and post-conflict reconstruction.

# Existing mechanisms and solutions

## Voluntary Principles on Security and Human Rights

The Voluntary Principles on Security and Human Rights were established in 2000, following meetings between representatives from the US Department of State and the UK Foreign and Commonwealth Office, oil, mining and energy companies, and human rights, labour and corporate responsibility groups. The process aims to maintain the safety and security of extractive operations whilst ensuring that human rights and fundamental freedoms are respected.

The Voluntary Principles are designed to provide practical guidance that will strengthen human rights safeguards in company security arrangements and address three areas of mutual concern to both companies and non-governmental organizations:

- Engagement with private security
- Engagement with public security
- Risk assessment supporting security arrangements consistent with human rights.

The Voluntary Principles have been criticized by various NGOs as they are not transparently managed and lack any monitoring mechanism.

## The Kimberley Process

The Kimberley Process Certification Scheme (KP) is the only significant international response to the conflict resource issue. The KP is an international government-led scheme that was set up to prevent the trade in conflict diamonds. Negotiated by governments, civil society organizations and the diamond industry in response to civil society campaigns, the KP currently comprises 71 participants: 46 countries<sup>14</sup> and the European Union. Launched

in January 2003, and endorsed by the UN General Assembly and the UN Security Council, the scheme requires governments to certify the origin of shipments of rough diamonds to ensure they are not from conflict zones. Countries that participate must pass legislation to enforce the Kimberley Process and set up control systems for the import and export of rough diamonds.

In 2006 there was a formal three-year review to assess its effectiveness and make recommendations to strengthen the scheme, presenting a crucial opportunity to close serious loopholes. Despite some progress, there are still significant outstanding issues to be addressed to ensure the KP is credible and effective in practice.

The Kimberley Process needs to develop a suspension mechanism for participants who are not complying with the scheme and to make the baseline standards to ensure the traceability of diamonds from the mine to export compulsory. The diamond industry committed itself to a voluntary system of warranties to ensure conflict diamonds do not enter the legitimate trade, but they have consistently failed to implement the system in a credible and effective way.

There are serious shortcomings related to the definition of conflict diamonds by the Kimberley Process as it only applies to diamonds traded by rebel groups. Human rights abuses committed by governments are not considered to give rise to “conflict diamonds”.

The Kimberly Process is definitely no “one size fits all” solution. Other certification or tracing schemes might provide a partial solution but it is not feasible to set up a certification scheme for every single natural resource.

Neither the Voluntary Principles nor certification schemes of single commodities will provide a consistent answer of the international community to the problem of conflict resource.



Red Cross tracing posters of Liberian children whose parents are missing (Photo: EyeUbiquitous/Hutchison)



## Links

BICC (Bonn International Center for Conversion):

<http://www.bicc.de/>

Fafo (Institute for Applied International Studies):

<http://www.fafo.no/indexenglish.htm>

Global Policy Forum:

<http://www.globalpolicy.org/security/docs/minindx.htm>

Global Witness: [www.globalwitness.org](http://www.globalwitness.org)

Heinrich Böll Stiftung: [www.boell.de/resource\\_governance](http://www.boell.de/resource_governance)

Kimberley Process: <http://www.kimberleyprocess.com/>

International Alert: <http://www.international-alert.org/>

International Peace Academy: <http://www.ipacademy.org>

World Bank: [www.worldbank.org/conflict](http://www.worldbank.org/conflict)

## Further Reading

Bannon, Ian; Collier, Paul (ed.) (2003) *Natural Resources and Violent Conflict*, World Bank, Washington D.C.

Bonn International Center for Conversion (2006) *Who's minding the store? The business of private, public and civil actors in zones of conflict*, Bonn

Global Witness (2007) *The Sinews of War – Eliminating the Trade in Conflict Resources*, London

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International Alert (2005) *Conflict-Sensitive Business Practice: Guidance for Extractive Industries*, London

Le Billon, Philippe (2003) *Fuelling war: Natural Resources and Armed Conflicts*, Adelphi Paper 357, Oxford University Press, New York

Lunde, Leiv; Taylor, Mark (2003) *Commerce or Crime? Regulating Economies of Conflict*, FaFo 424, Oslo

Swanson, Philip (2002) *Fuelling Conflict, the Oil Industry and Armed Conflict*, FaFo report, 378, Oslo

UNCTAD (2007) *World Investment Report – Transnational Corporations, Extractive Industries and Development*, United Nations Conference on Trade and Development, New York, Geneva

Wagner, Markus (2007) *Certified Trading Chains in Mineral Production*, Bundesanstalt für Geowissenschaften und Rohstoffe, Hannover, Germany

### Memorandum

#### To Have and Have Not

#### Resource Governance in the 21st Century

„To Have And Have Not“ is a Heinrich Böll Foundation Memorandum dealing with the challenges of Resource Governance in the 21st Century, focussing on the oil and gas, mining and forest sector. It came about during the German G8 Presidency 2007 through an international civil society networking, strategy and dialogue process. The authors of the Memorandum are key civil society activists from Brazil, Cameroon, Germany, Hong Kong, India, Liberia, Mexico, the UK and USA. It aims to strengthen civil society positions and networks on governance issues in the extractive industries and serve as a handbook and capacity building tool for policy development and action.

To download the Memorandum and other background papers and material go to our webdossier at [www.boell.de/resource\\_governance](http://www.boell.de/resource_governance)

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“ «To Have and Have Not» is an important document, not only because of what it says, but because of who said it. Drafted by activists from Europe, the United States, Africa, Asia, and Latin America, this report demonstrates the diversity and vitality of the global civil society coalition calling for more equitable governance of natural resources. I applaud the G8 for inviting this contribution to the debate, and hope the leaders of the most powerful countries will listen to this collective effort to deepen the debate on natural resource governance.”

George Soros, Open Society Institute