



東京大学
THE UNIVERSITY OF TOKYO



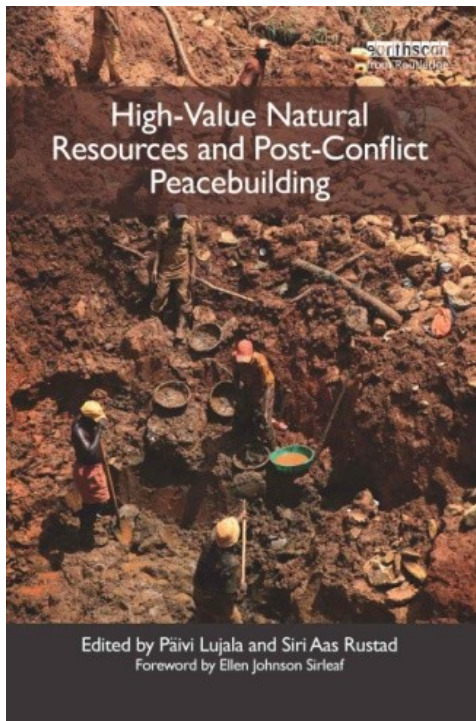
McGill



PRIO

This chapter first appeared in *High-Value Natural Resources and Peacebuilding*, edited by P. Lujala and S. A. Rustad. It is one of 6 edited books on Post-Conflict Peacebuilding and Natural Resource Management (for more information, see www.environmentalpeacebuilding.org). The full book can be ordered from Routledge at <http://www.routledge.com/books/details/9781849712309/>.

© 2012. Environmental Law Institute and United Nations Environment Programme.



Part 1: Extraction and extractive industries: Introduction

Päivi Lujala and Siri Aas Rustad^a

^aNorwegian University of Science and Technology (NTNU)

Online publication date: June 2012

Suggested citation: P. Lujala, S. Rustad. 2012. Part 1: Extraction and extractive industries: Introduction. In *High-Value Natural Resources and Peacebuilding*, ed. P. Lujala and S. A. Rustad. London: Earthscan.

Terms of use: This chapter may be used free of charge for educational and non-commercial purposes. The views expressed herein are those of the author(s) only, and do not necessarily represent those of the sponsoring organizations.

PART 1

Extraction and extractive industries

Introduction

In post-conflict countries, proper management of high-value natural resources can yield the necessary revenues to put the economy back on track and allow recovery from conflict. But such resources can also be a source of tension and even violence: for example, former belligerents who are unsatisfied with the terms of the peace agreement may seek opportunities to finance a new uprising; extractive companies may attempt to take advantage of disarray to secure lucrative resource concessions; and corrupt government officials may seek opportunities to enrich themselves and their constituencies. Local populations, meanwhile, are desperate to rebuild their homes and their lives; often depend on natural resources for their livelihoods; and may be suffering not only from the effects of conflict, but also from the negative side effects of resource extraction.

It is imperative, in post-conflict settings, to curtail potential peace spoilers' access to resources that have previously financed conflict or that could be used to finance renewed conflict. At the same time, to avoid exacerbating old grievances or creating new ones, it is important to minimize the harmful social and environmental consequences of extraction, to ensure that local residents participate in decision making about extraction projects, and to maximize benefits to local communities. Finally, it is essential to ensure that contracts for large-scale resource extraction are fair, and that the state receives a fair share of revenues. Each of the six chapters in part 1 approaches these issues from different angles.

In most post-conflict countries, peace is fragile at first, and some groups may actively seek to destabilize it. Whatever the motivations for such actions, they can be financed by readily extractable resources; curtailing these groups' access to resources may thus be crucial to promoting peace. In "Bankrupting Peace Spoilers: Can Peacekeepers Curtail Belligerents' Access to Resource Revenues?" Philippe Le Billon evaluates United Nations initiatives designed to prevent peace spoilers from gaining access to resource revenues. Drawing on examples from eight countries, Le Billon concludes that the UN should mandate peacekeeping missions to engage more directly with resources that could finance conflict, both at extraction points and along transit routes, and that such efforts should be backed up by targeted commodity sanctions and careful monitoring.

Foreign direct investment in the natural resource sector is common in resource-rich countries, and post-conflict countries are no exception. From a peacebuilding perspective, foreign direct investment is important because it brings private sector resources to bear on the reconstruction of post-conflict economies and societies. While it is often in a company's best interest to act responsibly—whether to enhance its reputation, secure financing, or avoid costly conflicts with local populations and host governments—firms sometimes need to be compelled to adhere to corporate social responsibility standards. In other cases, companies may have the will but may lack understanding of the particular challenges posed

22 High-value natural resources and post-conflict peacebuilding

by resource extraction in post-conflict situations. The voluntary standards outlined in Jill Shankleman's chapter, "Mitigating Risks and Realizing Opportunities: Environmental and Social Standards for Foreign Direct Investment in High-Value Natural Resources," are designed to help extractive companies engage in responsible natural resource exploitation. Although the standards were not developed specifically for post-conflict settings, they are relevant to peacebuilding because, among other requirements, they call for investors to evaluate, monitor, and respond to risks to the environment, land rights, migration, employment, and security. The chapter describes the standards, illustrates their application in post-conflict countries, and evaluates their strengths and weaknesses with respect to peacebuilding.

The phrase *odious contracts* is used to refer to contracts that grant extractive companies unduly high profit margins, generous tax exemptions, or other benefits; that are signed under conditions that lack transparency and accountability; that are not approved by local communities; or that fail to stipulate appropriate environmental and social standards. Such contracts can not only lead to significant losses of public revenues, but can also generate grievances and conflict. In "Contract Renegotiation and Asset Recovery in Post-Conflict Settings," Philippe Le Billon uses two case examples—Liberia and the Democratic Republic of the Congo—to consider the challenges involved in reviewing such contracts. The chapter also examines the theft of revenues during conflict, either by rebels or corrupt government officials. Le Billon argues that although asset recovery (which involves tracking, freezing, and repatriating stolen revenues) has a mixed record, it is an important means of signaling an end to impunity for war profiteering.

The topics of transparency, accountability, participation, and environmental and social responsibility are further developed in "Reopening and Developing Mines in Post-Conflict Situations: The Challenge of Company-Community Relations," by Volker Boege and Daniel M. Franks. Many post-conflict governments are weak—and, in some regions, virtually absent. Where state institutions lack capacity and effectiveness, local populations may adhere to local traditions and customary laws, under which resource concessions granted by the central government lack legitimacy. In such cases, company-community relations become crucial in obtaining local consent for extraction projects. Focusing on case examples from Papua New Guinea and Guatemala, Boege and Franks illustrate the importance of dialogue, consultation, and public participation in efforts to gain legitimacy in the eyes of the population. The chapter also examines the role of company-community relations in finding solutions that are not only beneficial for extractive firms, local communities, and host governments, but that also contribute to peace.

Company-community relations are explored further in Kazumi Kawamoto's "Diamonds in War, Diamonds for Peace: Diamond Sector Management and Kimberlite Mining in Sierra Leone." The first portion of this chapter traces the history of the relationship between diamonds and conflict in Sierra Leone. The second focuses on an industrial diamond-mining site where forced relocations, contention over promised amenities, and failure to take local communities'

concerns into account led to a violent riot. Although this one incident does not seem to have jeopardized long-term peace, Kawamoto's chapter provides a cautionary tale about the importance of taking grievances seriously and including local residents in decisions about extraction. When such incidents are allowed to proliferate, they may not only create serious tensions, but may also divert attention and revenues from other pressing issues, and thereby prolong or even destabilize peacebuilding.

In the final chapter of part 1, "Assigned Corporate Social Responsibility in a Rentier State: The Case of Angola," Arne Wiig and Ivar Kolstad discuss the responsibility of international oil companies in a nation where the government has failed to meet the socioeconomic needs of the population. Wiig and Kolstad argue, on the basis of the assigned-responsibility model, that because the government has failed to meet its responsibility, and the international community and civil society have failed (or were unable) to take secondary responsibility, the large multinational oil companies doing business in Angola are morally obligated to step into the breach and advocate improved governance. This obligation is especially strong because the companies have been financing the country's patronage system, have benefited from the dysfunctional institutions that are in place, and have sufficient power to push for improved governance.

Taken together, the chapters in part 1 focus on the ways in which governments, extractive industries, the international community, and civil society can strengthen the management of high-value resource extraction to promote peace. The principal areas of focus are preventing potential peace spoilers from obtaining access to resources, reviewing and addressing contracts signed by previous governments, developing conflict-sensitive extraction projects, and ensuring community participation in decision making about extraction projects.