

Security, Development and Forest Conflict

**Reducing the trade in conflict resources
&
Fostering responsible business in fragile
states**

The Trade, Aid and Security Initiative

A research initiative that focus on the way in which trade in natural resources can contribute to violent conflict at the sub-state and international level, and on the role of foreign aid and trade liberalization – in tandem or in isolation – in accelerating or alleviating this downward spiral.

6 Policy Objectives

1. Designing conflict-sensitive trade policy
2. Developing conflict-sensitive aid policy
3. Promoting 'good governance'
4. Restricting the trade in conflict-resources
5. Fostering responsible business
6. Managing revenues from natural resources and aid



Restricting the trade in conflict resources

- Natural resource exploitation has played a prominent role in bankrolling conflict around the world
- The link between natural resources and conflict depends critically on the ability of their exploiters to access external markets.
- International markets don't discriminate between goods produced in different ways.
- Different resources affect conflict in different ways – distribution, value, portability
- How do you define a conflict resource?

“Natural resources whose systematic exploitation and trade in a context of violent conflict contribute to, benefit from, or result in the commission of serious violations of human rights, international humanitarian law or violations amounting to crimes under international law”

Restricting the trade in conflict resources

Tools

1. **'Smart' sanctions** – most effective when products come from a defined/ limited area. However: chequered history, diminishing political will for sanctions, unwillingness to impose secondary sanctions. Proxy strategy of UN Panels of experts to name and shame violating countries and companies – ad hoc, time consuming and inconsistent.
2. **Certification/ licensing systems** – most effective when a particular category of products – e.g. illegal produced products – from many countries are to be excluded. Problems with reliance on paper certificates, lack of independent verification, non-participation of key countries
3. **Public/ Private procurement** – building markets for verified legal products – positive incentives

Restricting trade in conflict resources

Recommendations

1. **Develop license systems that build on current initiatives with clear reporting guidelines, independent monitoring, ensured compatibility with WTO rules and broad membership.**
2. **Establish permanent professional capacity in Security Council to advise on and monitor sanctions.**
3. **Security Council to adopt a clear definition of what constitutes a conflict resource.**
4. **Improving natural resource management should be a central task of UN Peacekeeping missions and also part of the UN Peacebuilding Commission's mandate where natural resources have contributed to conflict.**
5. **Ensure that public procurement policies exclude illegal and conflict resources and install time-limited bans ('sin bins') on access to government procurement for companies that trade in illegal conflict resources.**

Fostering conflict sensitive business

- **At its best increased investment in fragile states can reduce conflict risk: raising economic growth and living standards.**
- **But little doubt that market actors investing in fragile states occasionally engage in self-regarding, even predatory, economic activities.**
- **Market actors operate in a web of incentives and risks. To focus only on business activity is to mistake the symptom for the disease.**
- **Current regulatory landscape – diverse and uneven patchwork of issue driven initiatives.**
- **The voluntary vs mandatory dichotomy obscures a number of promising hybrid initiatives (e.g. Kimberley Process)**
- **Efforts to promote conflict-sensitive business need to take advantage of the full spectrum of voluntary and regulatory options.**

Fostering conflict sensitive business

Tools

1. **Voluntary codes** – important guidance and a market niche for progressive companies – but self-selective and weakly enforced. Proliferation of codes – none with global reach. Voluntary efforts can be undercut by competitive pressure. Smaller companies and state owned enterprises insulated against ‘naming and shaming’
2. **Mandatory regulation** – level playing field – but no effect on conflict-promoting yet still legal market activities.
3. **Corporate liability** – still evolving – international and domestic spheres. Can help to clarify standards of acceptable behaviour in fragile states.
4. **Market inducements for best practice** – particularly important for the small prospecting companies that are typically the first to enter and last to leave fragile states.

Fostering responsible business in fragile states

Recommendations

1. **Develop international agreements that establish clear norms on the rights, responsibilities and liabilities of companies in fragile states.**
2. **Develop robust criminal and civil mechanisms to hold companies accountable when found complicit in violations of international law.**
3. **Increase the resources available for the investigation of corrupt practices under international agreements (UN and OECD)**
4. **Develop complementary public policies that increase the market rewards for companies that voluntarily adopt conflict-sensitive business practice – e.g. a ‘White list’ of companies that globalise best practice.**
5. **Promote the broad adoption of the *Voluntary Principles on Security and Human Rights* – clear criteria for participation, measurable performance and reporting obligations and provisions for suspending or expelling non-complying members.**

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