

# **CONFERENCE ON SECURITY, DEVELOPMENT AND FOREST CONFLICT**

## **Addressing the links between conflicts and natural resources**

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My mandate for this session is to do two things. The first is to provide a brief summary of key findings and action points from the working groups.

The second is to more broadly recommend ways in which the links between natural resources and conflict can be addressed, with a focus on forest conflict.

At Crisis Group we believe in taking an expansive interpretation of mandates. And as this is the last, or next to last session, what I would like to do is first bring us back to where we started yesterday – with some general observations on the context of conflict prevention and resolution. Then I will move from the broad to the more specific, with some comments on the links between conflict and natural resources. And I will finish with the most specific – namely the summary of key findings and action points on forest conflict.

So first the context. Armed conflict is on the decline around the world. Forest conflict is a sub-set of armed conflict – and is showing the same trend decline. Last year's Human Security Report, put together by Andy Mack and his team at the University of British Columbia, documents statistics and trends for armed conflict. In 2003, the latest year for which we have figures, there were 29 armed conflicts in which a government was a party. This was down from 50 such conflicts in 1992, a more than 40% decline. The number of deaths per conflict is also showing a long term downward trend. There was an average of 600 battle deaths per conflict in 2002.

Why has there been a decline in conflict, and what lessons can we learn from these trends? The Human Security Report posits a number of causes, such as end of the Cold War leading to a reduction in proxy conflicts, and the growth in the number of democracies. But it attributes much of the reduction to a surge in international conflict prevention and resolution activities in the 1990's, led by a reinvigorated United Nations. The IFIs and donor governments and civil society have played a significant role with their efforts address the root causes of conflict. This conference is a concrete demonstration of that, bringing together as it does all of these groups in an effort to better understand and resolve forest conflict.

Now, in deciding how best to intervene to resolve forest conflict, it is important to understand that conflict is largely cyclical, and not linear. One of the most depressing statistics in this business is that almost half the countries that come out of conflict end up back there within 5 years. So to address conflict in all its stages we need effective prevention in the first place, usually in the form of long term peacebuilding initiatives. If that

doesn't work, then more immediate and direct conflict prevention measures, such as preventative diplomacy, become necessary. When prevention fails then there needs to be effective reaction, with the full panoply of measures available to the international community, including armed intervention as a last resort. And once the hostilities end, there is a need for effective post conflict peacebuilding if the whole cycle is not to repeat itself.

So how do we address the links between natural resources and armed conflict? It's a truism that all conflicts are different, so the key first step is always to obtain an in-depth understanding of the conflict in question, so that you can then decide what are the drivers, and how best to address them. This is the bread and butter work of NGOs such as Crisis Group and Global Witness.

As we have heard over the last couple of days natural resources impact on conflict in a number of ways:

1. They encourage large scale corruption, providing incentives for companies and politicians to do deals that benefit themselves at the expense of the country.
2. They fund parties to the conflict, sustaining governments and rebel movements alike. To take one notorious example, conflict diamonds sustained the UNITA rebels in Angola for many years, while oil funded the government.
3. The boom and bust nature of resource markets can destabilise economies and lead to periods of economic decline – a key conflict correlate in poor countries;

4. Central government efforts to exploit resources in the periphery can directly result in conflict – causing local communities to resist the intrusion of outsiders, and to fight for what they regard as their own resources and not those of the state. Right now in Balochistan we are seeing these dynamics play out as the Pakistan government seeks to exploit oil gas and copper reserves in that province, against the armed opposition of Balochi tribes.

So what are the solutions? As with the drivers of conflict, what needs to be done is generally well-understood. The problem, as always, is in adapting big picture solutions to specific circumstances, and implementing them.

Addressing resource-related conflict requires transparency, promotion of good governance, effective rule of law, accountability and empowerment of local communities.

Transparency undercuts corruption and supports efforts to promote good governance. It reduces incentives for illegality by devaluing the market for illicit products.

The international community is slowly getting better at promoting transparency, and at pressuring recalcitrant governments to at least pay lip-service to openness - but there is a way to go.

The initiatives here are more advanced for diamonds and oil than they are for timber. The Kimberly Process for conflict diamonds, and the Extractive Industries Transparency Initiative for oil, gas and minerals, both proceed on

the basis that secrecy and lack of data support corruption and illegality. The NGO campaign, Publish What You Pay, is predicated on the same reasoning.

Applied to the trade in conflict timber this means establishing open and competitive tender processes for the allocation of forest concessions and then enforcing those concessions. States need to publish the revenue they obtain from concessions. Producer countries must have a comprehensive and publicly available set of laws on forest use and logging.

Of course the developed world drives much of the demand for conflict resources. Greater transparency aids efforts by the North to ban the import and sale of conflict resources. One measure that would help on that front is clear definition of conflict resources, as proposed by Global Witness.

Consumers need ways of easily distinguishing between legal and illegal timber. One way to do this is certification of legal timber by forest monitors prior to export. A more comprehensive and effective means of distinction is provided by “chain of custody” tracking systems which track timber for export throughout the supply chain, ensuring even greater transparency. But this is expensive. The resources required for such tracking systems are substantial and must be a donor priority if such systems are to be realised. Both systems must remain subject to independent verification if they are to be truly useful.

The EU’s FLEGT (Forest Law Enforcement, Governance and Trade) initiative is an attempt by EU member countries to address the range of

conflict timber issues. Under this initiative the EU is studying ways to identify legal timber in producer countries and licensing it for export to the EU under voluntary partnership agreements. The feasibility of banning the importation of all unlicensed timber is also being explored. Implementation of FLEGT relies on voluntary agreements, so the crucial test will be whether key timber exporting countries sign up to the initiative and implement it effectively. The U.S. has also committed through a Presidential Initiative to helping provide the technology for monitoring forest activity and to help promote community-based forest management, though it remains to be seen how and where this will be implemented. Hopefully there is and will continue to be a high degree of cooperation between the EU and US on these initiatives.

Good governance and the rule of law means, among other things, addressing the incentives for corrupt behaviour. Post-conflict reconstruction in Liberia has been hampered by rampant corruption and misuse of funds. Under the terms of the Governance and Economic Management Assistance Programme (or GEMAP) being implemented by donor institutions and the Liberian government, strict controls are to be imposed on the collection and disbursement of government funds to ensure that this revenue reaches the central treasury. Transparency in the resources sector will be enhanced by subjecting the Forest Development Authority to regular auditing. In particular GEMAP seeks bring accountability to forest revenues by means of a “chain of custody” tracking system run by a management contractor to track timber “from stump to export” and draw up tax revenues accordingly.

Another way to undercut the trade in conflict resources is to prosecute those who fund and sustain conflict by commercially engaging in such trade. We have already heard about the Dutch prosecution of the Oriental Timber Company. When the Prosecutor of the International Criminal Court, Luis Moreno-Ocampo, announced he was looking into the conflict in the Congo, he made it clear that he considers the prosecution of illegal business practices fuelling conflict there to be within his remit. The Special Court for Sierra Leone has also made reference to the exploitation of blood diamonds as a relevant factor in some of its prosecutions of those who committed atrocity crimes.

So these are some of the tools that can and are being used to address the links between conflict and natural resources. But as always in this business the key issue is political will.

We need to persuade governments that exploit their resources in a way that contributes to conflict that the cost of doing so is greater than the benefits received. This is always a challenge. The most common way of doing so is by using conditionality in one of its myriad forms. We have seen this with the donor-imposed GEMAP in Liberia. But of course, conditionality has its limits – as we are now seeing in Chad where the Deby's government, having obtained its oil pipeline, is now tearing up its agreement with the World Bank.

Getting northern governments and donors and institutional institutions to do something means persuading them that spending their limited resources on this issue will bear greater fruit than focussing on the myriad of competing

demands. It also means convincing them that the cost of doing nothing is greater than the effort involved in addressing the problem. This is always a hard sell because it's usually difficult to establish that failure to act will have a defined cost – dependent as it is on events that may or may not eventuate.

However it can be and is being done in a number of ways. NGOs must continue researching and reporting on the problem. The media needs to bring the issue to a wider audience. Civil society needs to remain engaged. And donors need to mainstream conflict resolution into their development programs, so that issues such as forest conflict are automatically taken into account.

Hard data always helps, but getting such data on a hypothetical such as the benefit of conflict prevention is difficult. Paul Collier and Anke Hoeffler, the Oxford economists, have made a valiant attempt to do so. In a 2004 paper they looked at various conflict prevention interventions, including those relating to natural resources. They found that if the Kimberly Process could be extended to restrict rebels' access to other commodity markets, the global benefits could amount to some \$6 billion. The material, as opposed to political, cost is minimal, essentially amounting to the opportunity cost of collective goodwill. They also found that the EITI has benefits in reducing the risk of conflict starting in the first place, and in promoting faster economic growth. If applied to all extractive industries they calculate the benefits total \$89 billion, again for little material cost. There are obviously a number of grand assumptions here, but at very least Collier and Hoeffler's analysis does demonstrate that there is a substantial pay-off to dealing with

the downsides of conflict resources. And such analysis should be an important part of the debate.

In concluding, I want to end up where I started. We can continue to reduce the incidence of deadly conflict. We can do much better on forest conflict. To do so we need to keep on researching the drivers of conflict, and implement effective interventions. We need to inform, and persuade, and stay engaged. Above all we need political will. We all know that much more can be done to reduce conflict, and the costs of prevention are insignificant compared to the costs of conflict and rebuilding afterwards, but we are still a long way from institutionalising that understanding.

Thank you.