Natural Resources and Conflict
A New Security Challenge for the European Union

A Report for SIPRI by Resource Consulting Services

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Summary

The interrelationship between natural resources and conflict is becoming a security challenge for the European Union (EU). This report suggests the EU needs to elaborate and apply an effective strategy to meet and overcome this challenge. This strategy should combine existing policy tools more effectively, while also finding new ways to balance the imperatives of securing access to natural resources and preventing and resolving conflict. Such an approach requires a better understanding of natural resource-related security and conflict challenges, as well as an analysis of how current EU strategies and policy tools affect this challenge.

The debate around how natural resources contribute to conflict financing is prominent, but the fact that the principal policy responses to the issue—for example, natural resources trade control mechanisms, such as the Kimberley Process Certification Scheme—have been unable to fully meet their intended objectives demonstrates that more work needs to be done. There is an urgent need to better understand the issue of conflict financing, to tweak existing responses and, if necessary, develop complementary responses that are implementable in difficult environments.

The question of state effectiveness features heavily in discussions about natural resources governance and conflict. With the introduction of the Extractive Industries Transparency Initiative (EITI), many stakeholders in the natural resources sectors have become more optimistic that natural resource-related corruption and the associated potential for grievances-based conflict can be prevented or mitigated. The lack of or slow progress governments in many natural resource-rich countries are making with the implementation of more expenditure transparency—a part of the value chain unaddressed by the EITI—suggests that future policies have to be better aligned with implementing governments’ incentive structures. These, in turn, need to be researched in more depth.

Climate change is a particularly under-researched dimension of natural resource-related security and conflict challenges, partly because some of the anticipated symptoms are not yet a reality. The importance that scientists, voters and other constituencies attach to climate change shows that it will be important to make more significant inroads into understanding the interrelationship of climate change and natural resource-related security and conflict challenges, so as to put in place effective mitigation strategies that will help the EU deliver stability and long-term access to natural resources.

The move towards a multi-polar global economy is an ongoing process, particularly with the continued ascent of Brazil, Russia, India, China and South Africa (the BRICS countries) and other emerging economies. In the context of an increasingly multi-polar global economy, actual and potential natural resource-related security and conflict challenges remain under-researched. The EU must define its role in the future global economy and adapt its strategies accordingly. This strategy should be based on solid research and analysis.

At present, the EU draws on a broad but often inconsistent and insufficiently coordinated range of strategies and instruments to manage natural resource-related security and conflict challenges. The urgency for coordination and alignment is underlined by cases where EU development priorities and trade objectives contradict each other, for example in the context of export taxation by African natural resource-exporting countries.

The consequences of these contradictions may undermine the EU’s credibility as a normative global power committed to the pursuit of an international order based on good governance, democracy, the rule of law and the protection of human rights.
As a result, the EU should now formulate a practical policy proposal on natural resources that creates a framework aligning its various trade, security, diplomatic, climate change and development instruments. This proposal should define a set of strategic objectives for the EU with the overarching goal of addressing the EU’s natural resource-related security and conflict challenges, whilst ensuring sustainable access to natural resources. This proposal would then serve as a strategic framework for rationalizing EU responses and avoiding contradictory actions.

Such a policy proposal might best fit within a process of reviewing the European Security Strategy (ESS), which should focus on common security goals rather than identifying common threats; this would help to promote consensus among EU member states on how to respond to future crises.¹

In order to help the EU formulate a coherent framework, further research should focus on how the EU can generate a stronger understanding of the ways in which natural resources and security and conflict challenges relate and interact. This report elaborates some guiding research themes and questions to this effect. They include questions related to natural resources security in general; conflict financing; state effectiveness; climate change; and conflict over natural resources in a multipolar global economy.

Integrating EU responses to natural resource-related security and conflict challenges in a strategic framework will help to guarantee a more secure international arena and will transform the EU from a security and policy actor with great potential into a player able to credibly align and effectively apply its available policy instruments and resources.

1. Introduction

Complex and far-reaching shifts in the global economic order over recent years have created a fundamentally new configuration of natural resources markets and trading relationships. Accelerated economic growth in emerging market economies such as Brazil, Russia, India, China and South Africa (the BRICS countries) has provided the European Union (EU) with tangible competition for access to natural resources, but has also led to perceived natural resources scarcities, such as in the case of rare earth metals. These trends look set to continue in the future and may even accelerate as a result of increasing demographic pressures, with the world’s population forecast to reach 9.3 billion by 2050. Developing effective responses to the challenges created by the more strategic role of natural resources in the fast-changing global political economy is a priority for governments around the world.

These developments, as well as the rediscovery of natural resources development as a potential path to achieve growth and poverty reduction, help explain why many governments now consider natural resources to be a security issue. The growing awareness of the interrelationships between natural resources and conflict has reinforced this perspective. This ‘securitization’ of natural resources is a strategic challenge for the EU, which is one of the world’s largest markets for natural resources, and is likely to affect the EU’s security agenda in four distinct ways.

First, as a major trading bloc, the EU is vulnerable to instability created by natural resource-related conflict, as it is increasingly dependent on external natural resources supplies. Energy imports, for example, are expected to account for 75 per cent of the EU’s consumption by 2030, with key suppliers in Russia, North Africa and the Middle East. The EU thus has an interest in preventing interstate tensions and conflicts related to intensified competition for access to and control of natural resources.

Second, state capture and mismanagement of natural resources revenues can be related to natural resources development. Systemic corruption is a malaise affecting many natural resource-rich countries. The EU’s continued role as a moral actor would require it to conduct solid due diligence on its trading partners and assess the interplay between natural resources revenues, corruption and conflict.

Third, climate change and demographic pressures may aggravate natural resources scarcity and perpetuate and accelerate migratory movements. This increases the potential for local and regional conflict in natural resource-exporting countries. The risk to the EU from such developments may be limited to the issues of natural resources development and trade simply becoming more complex and expensive; however, it may also induce conflict symptoms.

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2 For the purposes of this report, natural resources are defined as natural assets (raw materials) occurring in nature that can be used for economic production or consumption. Organisation for Economic Co-operation and Development, ‘Glossary of statistical terms: natural resources’, <http://stats.oecd.org/glossary/detail.asp?ID=1740>.


4 E.g. on 1 Nov. 2011, the Russian General Staff issued a warning about the emergence of new global challenges and threats relating to the struggle for natural resources, alongside more traditional conflict issues, as a major challenge to international security. ‘Russian military intelligence expects struggle for resources to intensify’, RIA Novosti, 2 Nov. 2011, <http://www.cdi.org/russia/johnson/russia-russian-military-intelligence-expects-competition-over-resource-to-intensify-718.cfm>.


within the EU and along its borders, for example in the form of increased refugee migration, which will require careful management.7

Fourth, natural resource-related security and conflict challenges in countries and regions neighbouring the EU and further afield will have an impact on the EU’s efforts to prevent, manage and resolve conflicts—notably in Africa—through crisis management operations and support for regional security organizations such as the African Union (AU). For example, since 2003 the EU has been involved in crisis management operations in the natural resource-rich Democratic Republic of the Congo (DRC).8 Today the EU either supports or implements stabilization and democratization programmes in several regions where natural resource-related security and conflict challenges are particularly pronounced or emerging, including in North and Central Africa and in the wider Caspian region.9

Increasing awareness of these natural resource-related security and conflict challenges has intensified a debate within the EU that transcends traditional stakeholder groups in the natural resources sectors, and focuses on how the EU should best respond to these challenges.

In 2008 the EU established the Raw Materials Initiative (RMI), a policy document that prioritizes the EU’s access to natural resources and the regulation of international markets.10 The RMI’s main objective is to devise an integrated strategy for securing reliable and undistorted access to raw materials in order to maintain the EU’s competitiveness, and thus allow for growth and job creation. The EU’s RMI policy paper bases the strategy and policy response on three pillars: (a) ensuring access to raw materials, (b) setting the right framework of conditions and (c) reducing the EU’s consumption of raw materials.

The elaboration of the RMI is an important step for the EU towards defining and implementing a strategic framework on natural resources, as well as aligning its various trade, security, diplomatic, climate change and development instruments. Despite the development of the RMI, however, natural resource-related security and conflict challenges remain imperfectly addressed in these instruments. As a result, responses are sometimes disjointed and compartmentalized, which undermines their overall effectiveness, jeopardizes reaching strategic objectives, and risks setting the EU’s instruments against each other.11

This report outlines key themes and questions for further research to help the EU formulate clear and coherent approaches to overcome natural resource-related security and conflict challenges.

Chapter 2 explains how natural resources and conflict are set to become a more prominent security challenge for the EU. It elaborates implications of natural resource-related security and conflict challenges for the European Security Strategy (ESS). The ESS identifies strategic security challenges that are then reflected in the Common Foreign and Security Policy (CFSP) and put in place through the European Security and Defence Policy (ESDP).12 Four sets of natural resource-related security and conflict challenges are discussed: conflict

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11 See e.g. European Council (note 5).

financing; state effectiveness; climate change; and conflict over natural resources in an increasingly multipolar global economy.\(^\text{13}\) The analysis highlights the need to better understand the linkages between natural resource supply security and supranational security issues as a first step to building the EU’s strategic response.

Chapter 3 provides an overview of the mechanisms through which the EU currently addresses natural resource-related security and conflict challenges, analysing their successes and shortcomings in areas as diverse as natural resource-based conflicts and distorted access to natural resources due to increased multipolar competition. The need to strategically align and better coordinate the EU’s wide range of policies and tools is highlighted, as is the need for the mainstreaming security responses in the suggested EU policy framework on natural resources.

Chapter 4 recommends key themes and questions for further research that the EU should investigate in order to develop and apply a more effective and integrated response to its natural resource-related security and conflict challenges, whilst also ensuring sustainable access to natural resources. This will involve the development of flexible tools that address the linkages between natural resources and conflict while remaining adaptable to a fast-changing geopolitical context.

2. The linkages between natural resources and conflict

While the last two decades have seen significant advances in understanding the linkages between security issues and natural resources, the influence of these linkages on conflict remains under-researched and incompletely reflected in EU policy. Better understanding these issues and developing a corresponding policy framework, which integrates traditional policies and coordinates cross-sector tools, should thus be a strategic priority for the EU. Since the mid-1990s, researchers have enhanced the understanding of key conflict dynamics and have unearthed a more direct interrelationship between natural resources development, trade and conflict. Some authors have focused on civil and localized conflict and the ways in which they are funded, while others have examined how natural resources can help to ease tensions and kick-start local economic development. Besides explaining how natural resources can contribute to conflict and development solutions at a local level, this research situates natural resources in the context of contemporary conflict, arguing for their treatment as a salient issue in international security, and as a contributor to interstate tensions.

I. Natural resources and conflict financing

A principal finding of research over the past twenty years into the political economy of armed conflict suggests that the ability of non-state combatants to mobilize economic resources depends either on external support, or else on gaining control of locally available economic resources. With the decline of external support by superpowers for numerous armed movements following the end of the cold war, predation on civilians and exploitation of and trade in natural resources emerged as significant financing vehicles (along with diaspora remittances) of largely self-financing conflicts in the late 1990s. As a result of a new sensitivity to the economic dimensions of conflict, intrastate conflicts in natural resource-rich countries progressively became understood as ‘resource wars’, and the local economic systems from which combatants mobilized their resources defined as ‘war economies’. Weak state structures, endemic corruption and the illegal international arms trade are seen as facilitating such economic transactions. The role of natural resources in such local conflicts is not only of importance for the directly affected countries, but can also have larger

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15 Melvin and De Koning (note 13).


ramifications for the EU, particularly in the context of its security strategy and its commitment to promoting global peace and security.

The EU has engaged militarily on a number of occasions to manage conflicts in which natural resources have played a key role. For example, the first military operation launched by decision of the European Council within the framework of the Common Security and Defense Policy (CSDP, then called ESDP), was in DRC, where natural resources have played important and diverse roles in evolving conflict complexes since the final years of the Mobutu regime.\textsuperscript{18} More recently the EU has launched civilian and military crisis management operations within the framework of the CSDP in other countries where natural resources are closely linked to conflicts. Examples are Moldova and Ukraine in 2005 (EUBAM), Iraq in the same year (EUJUST LEX), Georgia in 2008 (EUMM) and Libya in 2011 (EUFOR).\textsuperscript{19}

While natural resources and conflict dynamics directly interact in these countries, there are also less direct impacts to consider. War economies, for example, are a fertile business environment for international criminal networks and arms traffickers, who seek to exchange arms and other inputs in return for access to natural resource revenues or commercialization opportunities provided by high-value commodities such as drugs and gold. The business opportunities that war economies provide to international criminal networks, which may on occasion be linked to terrorist financing, are a particularly pertinent example of the complexity of the EU’s natural resource-related security and conflict challenges.

II. Natural resources and state effectiveness

A second set of findings on the interrelationship of natural resources and conflict highlights the importance of indirect mechanisms, such as elevated rent-seeking behaviour in natural resources rich countries and related adverse effects on the quality and effectiveness of governance.\textsuperscript{20} These can readily translate into grievances—and potentially grievances-based conflict—over a lack of equitable growth and socioeconomic development. There are a number of ways through which institutional effectiveness can be weakened in natural resource-rich countries, yet the extent to which this happens seems to depend on the initial strength of the respective institutions.\textsuperscript{21} Linkages between natural resources and the integrity of state institutions work in two directions: on the one hand, the development of natural resources and subsequent substantial increases in fiscal revenue can undermine institutions. On the other hand, compromised institutions can weaken economic performance, which negatively affects future natural resources revenues. In other words, state capture and

\textsuperscript{18} Operation Artemis was launched in DRC in the summer of 2003. European External Action Service, ‘Completed EU operations’, \texttt{<http://www.consilium.europa.eu/eeas/security-defence/eu-operations/completed-eu-operations>}.\

\textsuperscript{19} EUBAM is an advisory and technical body with the mission to control border traffic in the secessionist region of Transnistria, along the border between Moldova and Ukraine. This region is strategically important due to gas transiting from Russia to the EU, and a range of illicit cross-border activities and smuggling had been reported. See Ashton, C., ‘Statement on Moldova/Transnistria’, 17 May 2010, \texttt{<http://eeas.europa.eu/delegation/ukraine/press_corner/all_news/news/2010/2010_05_17_2_en.htm>}.\


mismanagement of natural resources revenues can be consequences of natural resources development. These dynamics reduce the accountability of governments, as the state is less dependent on individuals’ taxes and there is less of an incentive for governments to deliver state services.\(^\text{22}\) This in turn can expose governments to political opposition from those with legitimate grievances protesting against their exclusion, or from criminal networks and insurgents aiming to capture power by violent means.\(^\text{23}\) For example, some communities living in the Niger Delta are said to have supported local armed groups.\(^\text{24}\) This has been interpreted as a form of protest against an unresponsive government.\(^\text{25}\) In extreme cases, mismanagement and systemic misappropriation of natural resources can reach a level where the state becomes the arena in which criminal groups compete, as illustrated by the drug trade-related coup in Guinea Bissau in 2010.\(^\text{26}\) In addition, the lure of potentially lucrative access to natural resources revenues can become the principal motivation for coups d’etat, as was alleged in Equatorial Guinea in 2004.\(^\text{27}\) These circumstances provide fertile ground for very high-risk taking investors to secure lucrative natural resources deals. It is thus in the interest of the EU to work towards levelling the playing field in such countries through initiatives that improve security, governance, trade and development and provide EU investors, who have to adhere to more stringent regulations than their competitors from further afield, with fairer and more conducive business environments.

### III. Climate change dimensions of natural resource-related conflict

In the early 2000s, research on the role of climate change and conflict risks grew in prominence.\(^\text{28}\) Research published in 2011 suggests that climate change is perceived as the third major security issue on the agenda of EU leaders, and that EU citizens perceive global warming as the second most important threat likely to affect them in the next decade, after energy dependence.\(^\text{29}\) A 2008 EU assessment in this context noted conflict risks in the climate change context and interrelated with natural resources issues, particularly natural resources scarcity, including land and fresh water.\(^\text{30}\) Scarcity can trigger conflicts in a number of ways. Environmental degradation can affect human security and livelihoods. A sudden drop in crop


\(^\text{23}\) Melvin and De Koning (note 13).

\(^\text{24}\) The most important of these groups is the Movement for the Emancipation of the Niger Delta (MEND).

\(^\text{25}\) Melvin and De Koning (note 13).

\(^\text{26}\) Guinea–Bissau has been identified as a significant transit point for narcotics smuggled from South America to Europe. The USA has recently accused generals there of acting as drug lords. ‘US warns Guinea–Bissau over drug barons in the military’, BBC Online, 25 June 2010, <http://www.bbc.co.uk/news/10412654/>.

\(^\text{27}\) In 2004 an alleged coup attempt against President Obiang Nguema was meant to serve the interests of western oil corporations affiliated with those involved in the coup. ‘Q&A: Equatorial Guinea coup plot’, BBC Online, 3 Nov. 2009, <http://news.bbc.co.uk/2/hi/africa/3597450.stm>.

\(^\text{28}\) Melvin and De Koning (note 13).


yields can, for example, trigger unmanaged population movements, which can in turn result in conflict.\textsuperscript{31}

Climate change is increasingly construed as a security challenge for the EU, due to its potential contribution to global instability. The security risks directly related to the consequences of climate change, however, seem most salient outside of the EU, such as in Africa and Asia, with the EU most likely to be more indirectly affected.\textsuperscript{32} Energy security is the issue via which climate change-related conflict risks could emerge as a particular concern for the EU, as it could become more difficult and expensive to access natural resources in or transport and trade energy supplies through countries affected by climate change-related conflict.\textsuperscript{33}

IV. Conflict over natural resources in a multipolar global economy

The fourth interrelationship between natural resources and conflict concerns the growing international competition over access to natural resources. In an increasingly multipolar global economy, increased competition over access to natural resources has become a source of interstate tensions and could in the future become a more prominent conflict driver.\textsuperscript{34} The economic rise of Brazil, Russia, India, China and South Africa (known as the BRICS countries) over recent years has led to a re-examination of the role of natural resources in international relations, particularly in the context of the increasing scale and frequency of various forms of export restrictions and restrictions on access to natural resources.\textsuperscript{35} The World Trade Organization’s (WTO) World Trade Report 2010 notes, ‘in a world where scarce natural resources endowments must be nurtured and managed with care, uncooperative trade outcomes will fuel international tension and have a deleterious effect on global welfare’.\textsuperscript{36} The EU’s competitiveness is directly affected by these developments, with reportedly as many as 30 million jobs in the EU potentially at risk as a result of the EU’s currently insufficient access to natural resources.\textsuperscript{37}

The possible conflict risks associated with international competition over natural resources have given rise to a resource geopolitics framework, in which access to natural resources becomes a primary objective of national security strategies and competition over access to

\textsuperscript{33} See Jagen, M., in Mérand, Irondelle and Foucault (note 29) and Black (note 7).
\textsuperscript{34} Melvin and De Koning (note 13).
natural resources is considered to potentially fuel instability.\textsuperscript{38} Conflict is expected to emerge between established industrialized countries and rising global powers as a result of their respective appetite for natural resources, as well as between natural resource-exporting countries and natural resource-importing countries, particularly over terms of trade.\textsuperscript{39} The resource geopolitics framework emphasizes competition in the energy sector. Uncertainty over access to, as well as pricing and scarcity of natural resources, is presented as reshaping relationships between natural resource-exporting and natural resource-importing countries. In particular, the nationalization of oil and gas reserves in natural resource-exporting countries has been viewed in some cases as distorting supply and undermining the market mechanism. Increased global demand driven by the emerging economies is forecast to further increase pressure on known reserves. While oil reserves may not run out by 2050, as some have forecast, market destabilizing price volatility and a longer-term upward price trend are likely outcomes. Many EU member states are concerned about these developments and have elaborated national strategies in response. For example, in 2010 the United Kingdom reviewed threats related to global natural resources shortages, Germany unveiled its raw materials strategy, and France created a specialized agency for critical resources in February 2011.\textsuperscript{40}

Two dimensions of natural resource-related conflict are often analysed within the resources geopolitics framework. The first is potential conflict between natural resource-exporting and natural resource-importing countries. The second is conflict between natural resource-importing countries. The two dimensions have various subcategories and the following sections analyse these in turn.

**Conflict between natural resource-exporting countries and natural resource-importing countries**

Natural resource-exporting countries can restrict access to their production through non-market interventions such as export restriction, pricing pressure or supply cut-offs, often in the name of political and national security ends. The WTO has noted these developments with alarm, suggesting ‘inadequate or contested rules risk stocking the fires of natural resource asymmetry across countries and beggar-thy-neighbour motivations dominating trade policy’.\textsuperscript{41} Strained relations between natural resource exporting- and importing countries over supply could even lead to military interventions to secure control over reserves.\textsuperscript{42} In the following sections, we examine the different ways for natural resources to become a contested issue between natural resource-exporting countries and natural resource-importing countries.

\textsuperscript{38} Melvin and De Koning (note 13).
\textsuperscript{39} Klare (note 6).
\textsuperscript{41} World Trade Organization (note 36).
Export restrictions

The export policies of some natural resource-exporting countries can be driven by resource nationalism and infant industry arguments, reserving all or parts of current and future production for domestic value addition to support domestic industry. China’s suspension of rare earth metal exports (see box 3.3) is a relevant example. Natural resources also have been used as tools in bilateral disputes where natural resource-importing countries find their suppliers trying to influence national policy with the threat of interrupting or cutting off supplies. The 2008 gas crisis in Ukraine is an example, where Russia responded to a dispute over gas pricing by cutting off natural gas supplies. As a natural resource import dependent trading block, export restrictions are a pertinent risk that could result in conflict with its natural resource suppliers.

Instability in the European Union’s natural resources supplying countries and regions

The presence of natural resources in the context of weak governance, and incomplete political reform in particular, could in the future lead to intra- or interstate conflicts, possibly requiring the deployment of the EU’s military instruments. The EU has particularly exposed natural resource supply chains, in some sectors originating in countries like Russia, Libya and Algeria, where natural resource-related security risks could escalate. Critical escalation could force the EU to engage in conflict prevention and management to maintain security. The North Atlantic Treaty Organization (NATO)’s involvement in Libya in 2011, for example, has been cited as an intervention to secure and make more predictable long-term energy supplies. Reports suggested that France signed a deal with Libya’s National Transitional Council (NTC) ‘to assign 35 per cent of crude oil to France in exchange for its total support of the Council’. While France categorically denies the existence of such an agreement, analysts forecast that the French oil company Total and the Italian oil company Eni will benefit significantly in the post-Gaddafi era, by virtue of France and Italy’s strong support for the NTC. Energy geopolitics also played a key role in the Russia–Georgia crisis of 2008. The EU’s engagement became important to secure peace, as ‘EU deployment ensured that the ceasefire between Georgia and Russia held, when no other international actor could intervene’.

These examples suggest natural resource dependence is becoming an increasingly important indicator for evaluating the regions in which the EU may have to take a more

45 Andersson et al. (note 1), p. 24.
assertive security stance in the future. Accordingly, more strategic alignment between the EU’s security policy and the RMI (see next chapter for a more detailed discussion) would enhance the capacity of the EU to coordinate such action more effectively. The presence of strategic natural resources should be a guiding criterion in the adoption of regional security sub-strategies, as has been the case, for example, for the Sahel and the Horn of Africa.\(^{51}\)

**Increasing bargaining power of natural resource-exporting countries**

The political bargaining power of natural resource-exporting countries is increasing, both as a result of scarcity and the geographical location of reserves. In other words, natural resources are increasingly becoming a geopolitical bargaining tool, helping natural resource-exporting countries to promote and sometimes enforce their political, economic and security interests, or at least influence more effectively international forums, like the United Nations or the Group of Twenty (G20).\(^{52}\)

The EU is losing leverage with key natural resource-exporting countries in the context of trade negotiations. This is as a result of many natural resource-exporting countries having reached the Heavily Indebted Poor Countries Initiative completion point and also as a result of emerging powers tabling lucrative proposals with fewer strings attached. For example, in December 2007 only 15 of 76 target countries agreed to enter into Economic Partnership Agreements (EPAs) with the EU. Abdoulaye Wade, then President of Senegal, said at the time: ‘China’s approach is winning more friends; Europe is close to losing the battle of competition in Africa’.\(^{53}\)

Natural resource-rich African countries now play a more strategic role in international affairs, and global players who understand this and develop greater diplomatic and trade relations with these countries stand to gain.\(^{54}\) This increased bargaining power also manifests itself at national and regional levels. Contract revisions, raising royalty payments and increased export taxation are three recent examples of African states seeking to increase their share of natural resources revenues.\(^{55}\)

The Africa Mining Vision, adopted by African Heads of State at the February 2009 AU summit, recognizes that stronger regional cooperation could further strengthen African natural resource-exporting countries’ bargaining power and also reduce regional conflict potential.\(^{56}\) However, corruption and other governance issues, insufficient capacity and the challenges of building the necessary solidarity and cooperation often continue to undermine

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\(^{51}\) Andersson et al. (note 45), p.10.


\(^{55}\) For example DRC established an inter-ministerial commission in May 2007 to reread approximately 60–63 contracts between state–owned enterprises and private companies. It was established to follow up on the commitment made by the Government during the election process to review the mining contracts. Garrett, N. and Lintzer, M., ‘Democratic Republic of Congo growth with governance in the mining sector’, Resource Consulting Services, 2008. The third largest gold producer in Africa, Tanzania, has attracted significant investment in the mining sector over the past decade and was planning to conclude negotiations with mining companies in September 2011 to allow the Tanzanian Government to raise royalty payments on gold exports from 3 per cent on net income to 4 per cent of gross export value. ‘Tanzania raises royalty fee on gold exports’, *East Africa Business Week*, 28 Aug. 2011.

cooperative regional initiatives on natural resources management. An example is the failed regional energy integration project in West Africa, within the framework of the Organisation de mise en valeur du fleuve Sénégal (OMVS). Rather than improving diplomatic relations and sharing the potential of regional water resources to generate electricity, the project is said to have increased tensions between neighbouring countries.\textsuperscript{57}

**Conflict between natural resource-importing countries**

Increasing competition over access to natural resources increases the likelihood of tensions between natural resource-importing countries, despite suggestions that increasing global economic interdependence can help mitigate the risk of violent interstate conflict.\textsuperscript{58}

**Uncooperative behaviour in multilateral forums**

Natural resource-related disputes can strain relations between consumer countries and translate into uncooperative behaviour in multilateral forums, such as the UN, the WTO or during environmental negotiations, like those at the 2012 Rio+20 summit in Brazil. In the context of environmental negotiations, clashes of priorities over the use of natural resources have been evident since the adoption of the United Nations Framework Convention on Climate Change in 1997. Canada withdrew from the convention in 2011, citing compliance costs and the fact that the world’s largest polluters, China and the United States, were not covered by the protocol.\textsuperscript{59} On the other hand, there was an encouraging sign in the result of the December 2011 climate conference in Durban, South Africa, which agreed that by 2015 governments would finalize a ‘protocol, legal instrument or an agreed outcome with legal force’ that would impose targets on all major emitters, rich and poor. If finalized, it will probably enter into force by 2020, when existing voluntary targets end—even though this is not part of the official deal.\textsuperscript{60}

**Exacerbation of existing tensions and conflicts**

Natural resource geopolitics can have security implications, particularly when applied in areas already subject to tensions and conflicts and if not accompanied by adequate conflict prevention and management mechanisms. Natural resource-importing countries’ access strategies, particularly if implemented in areas characterized by protracted territorial and sectarian disputes, may trigger violence both in the region and within the natural-resource-importing countries.\textsuperscript{61} Without adopting a particular position on the issue, it is fair to say that

\textsuperscript{57} ‘Intégration Energétique: Kaléta, un enjeu régional entre les mains de la Guinée’ [Energy integration: Kaléta, a regional issue for Guinea], Guinée Conakry Info, 7 Sep. 2011, <http://www.guineeconakry.info/index.php?id=118&tx_ttnews%5Btt_news%5D=10170&cHash=35b7c38342cd8b06e9ce5398a894ca342>.


\textsuperscript{61} E.g. competition between Russia, EU, Iran and Turkey for access to the natural reserves of the Caspian region might have security implications for an area already subject to armed conflicts. Melvin and De Koning (note 13). More recently access to Cyprus’s gas reserves reignited existing conflicts between the Cypriot and Turkish authorities. ‘EU urges Turkey to avoid threats in Cyprus gas row’, AFP, 19 Sep. 2011, <http://blogs.voaenglish.com/breakingnews/2011/09/19/un-eu-call-for-restraint-in-turkey-cyprus-gas-dispute/>.
the security and political endeavours of industrial powers in the Middle East and the Gulf, as well as various forms of violent responses both in the region and at home, are often viewed in these terms.  

**Competition for access to African natural resources**

Previously unchallenged in their quest to gain access to African natural resources, companies from industrialized countries now face competition from the BRICS countries, South Korea and others.63 This has potentially far-reaching consequences for the EU’s security, its global influence and the sustainability of its preferential trade agreements with African countries.64

Already Africa's largest trade partner, China's economic cooperation with the continent has increased in recent years, with Africa–China trade surging to a record US$114.8 billion in 2010.65 China’s presence in Africa is not only strengthening African countries’ position in EPA negotiations, but is also helping to lift African governments into a position where they can negotiate with several natural resource-importing countries, not just the EU countries, and choose what they consider to be the most favourable proposal.66 This is an enormous opportunity for African governments to drive the development of their countries and of the continent as a whole.

On the other hand, Chinese companies work effectively with African partners even in the absence of good governance in what has been branded a ‘no-strings-attached’ policy. The latter can undermine natural resources governance and further weaken already frail institutions in African natural resource-exporting countries. In these cases, the vision of equitable growth from natural resources development, as elaborated in the Africa Mining Vision, may never be achieved. If natural resources revenue is used to finance military expenditure it may also undermine regional security, as in Sudan, and jeopardize the EU’s longstanding efforts to support regional stability. The consequences for the EU are manifold and may include internal EU security threats, regional instability in Africa and natural resource-rich African economies’ long-term dependence on aid.

Compared to China, Organization for Economic Co-operation and Development (OECD) member states have been accused of being ‘slow in recognizing Africa's changing role, and remaining fixated on purely humanitarian and developmental perspectives’.


65 Kermeliotis (note 63).


67 Chatham House (note 54).
The linkages between natural resources and conflict

In response, the EU is working as a matter of priority towards levelling the playing field between emerging and established natural resource-importing countries. Whether this strategy will be successful remains to be seen; the EU’s and China’s contrasting approaches over values and interests in Africa will continue to evolve. Competition for African natural resources—according to some observers—may become an example of the EU’s long-term economic interests compelling it to compromise on the normative basis of its CFSP, as set out in the Treaty of Lisbon.

That said, the EU’s values and principles on the one hand, and a more pragmatic attitude when securing access to natural resources in developing countries on the other hand, do not have to be mutually exclusive. This is particularly the case if a strategic vision for improving access and long-term stability in natural resource-exporting countries is developed, agreed upon and implemented. In fact, more recently there have been first steps towards proposing collaborative schemes between Africa, China and the EU. An example is the Trilateral EU, Africa and China Cooperation proposed in October 2008. This initiative was supposed to generate a ‘win-win-win’ scenario based on mutual benefits for China, Africa and the EU from a development and humanitarian perspective, as well as in investment and trade activities in Africa. So far this cooperative mechanism has not yielded significant and tangible results and doubts remain whether conflict over norms and interests between the EU and China can be prevented or mitigated over the medium-to-long term.

68 Stahl (note 64).
At the same time, there are signs of Chinese investors becoming more risk conscious towards countries with weak democratic credentials or questionable integrity and uncertain long-term stability. Conflict in these countries would put China on the frontline and it is realizing that it might no longer be able to keep a low military profile in Africa. Similarly to the EU, it also needs to reflect security and conflict challenges more effectively in its strategy to access natural resources.\(^\text{72}\)

Natural resource-related security and conflict challenges are particularly pertinent if commitments are long-term and deals include large upfront infrastructure developments, which are part of concessional loans backed with future natural resource development rights, as China has negotiated in DRC, for example. As with European companies in the past, Chinese companies have begun to experience and confront security risks in Africa: Chinese operators have been the object of attacks and threats, for example by the Movement for the Emancipation of the Niger Delta (MEND) in Nigeria.\(^\text{73}\) Recognizing its new security challenges, China is contributing to UN peacekeeping operations, with about 75 per cent of Chinese peacekeepers serving in Africa. Part of this strategy may well be to project a positive image of China’s ‘harmonious society’ in order to balance Western influence.

These developments might represent an opportunity for more effective cooperation and also for closer aligned operating standards for Chinese and European companies in Africa. This would have to be an incremental process; China is highly unlikely to adopt the same normative approach underlying the EU’s CFSP. Its current approach is simply too successful in providing China with access to natural resources to merit a more fundamental shift.\(^\text{74}\)

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\(^{73}\) Since 2006 China’s state oil firm, SIPEC, has been awarded four oil exploration licences in the Niger Delta and controls a $2.2 billion stake in an oil field in the region. The company struck crude in 2009. The Movement for the Emancipation of the Niger Delta has threatened to kidnap Chinese operators in oil installations, along with other foreign-born oil workers operating in the region. Timberg, C., ‘Militants warn China over Oil in Niger Delta’, \textit{Washington Post}, 1 May 2006, \(<\text{http://www.washingtonpost.com/wp-dyn/content/article/2006/04/30/AR2006043001022.html}>\).

\(^{74}\) Lirong (note 71).
3. European Union responses to natural resource-related security and conflict challenges

The multi-dimensionality of the EU’s natural resource-related security and conflict challenges means they are difficult to manage without integrating different sets of instruments for diplomacy and trade, as well as for climate change, development and security. The EU’s current strategies and instruments can be grouped into three broad categories.

The first category includes the EU’s strategies to achieve access to natural resources, particularly by managing its relationships with both natural resource-exporting countries and competing natural resource-importing countries and promoting a level playing field in the global natural resources sectors. These actions are of particular relevance to avoid unfair competition and protectionist policies adopted by natural resource-exporting countries.

The second category includes the EU’s security strategies and instruments and the third category includes the EU’s strategies and instruments to fight climate change.

These strategies and instruments are often employed independently of the EU’s diplomatic, trade and development strategies and instruments. This disconnect undermines the effectiveness of the EU’s current responses to natural resource-related security and conflict challenges and action should be taken to align available strategies and instruments to ensure they effectively reinforce each other.

I. European Union strategies and instruments for achieving access to resources

Diplomatic strategies and instruments

Diplomatic instruments can help decrease dependency by diversifying the number of natural resource suppliers and thereby reduce the EU’s exposure to natural resource-related security and conflict challenges. The EU not only employs its diplomatic instruments with natural resource-exporting countries, but also leverages its diplomatic relationships with natural resource-importing countries on bilateral, regional and multilateral levels, with the intention to improve cooperative natural resource management at the global level ‘on the basis of mutual interest’. The RMI, launched in 2008 by the European Commission, calls for enhancing the EU’s Raw Material Diplomacy.

Diplomatic engagement with natural resource-exporting countries

In line with the EU’s Raw Material Diplomacy strategy, diplomatic relations and platforms for dialogue are an opportunity for the EU to strengthen bilateral agreements on access to natural resources, particularly with natural resource-exporting countries. The EU has

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diplomatic relations with nearly all countries in the world, maintained through a network of 136 EU delegations and these are frequently used to engage countries on natural resources questions. During a landmark visit in June 2011, the European Commissioner for Industry, Antonio Tajani, promoted raw materials cooperation with Argentina, Brazil and Chile, all of which are major natural resource exporters. The EU–South Africa summit and the EU–Russia Strategic Partnership, launched in 1999, are further platforms for dialogue on strategic issues, particularly around natural resources. These are dynamic relationships that continue to evolve. For example, the EU–Russia Strategic Partnership promotes democracy and stability, and assists European countries to gain access to Russian natural resources, particularly in the energy sector. However, the Russian–Ukrainian gas crisis of 2008–2009 cast doubts over Russia’s longer-term reliability as a natural resource exporter to the EU. As a consequence, the EU is looking to diversify its energy supplies (see box 3.1.).

As part of its bilateral agreements with potentially less stable natural resource-exporting countries, the EU has established programmes to enhance democratization and stabilization. In the framework of the European Neighbourhood Policy with southern Mediterranean countries, policy instruments have worked hand in hand with trade tools to support democratic transition and address specific country situations that followed the Arab Spring. Since March 2011 the EU has launched dialogues with Tunisia, Morocco, Algeria, Libya and Egypt to implement the ‘Partnership for Democracy and Shared Prosperity’. The partnership provides incentives, such as upgraded economic and trade relations, to partners committed to democratic transition. Future trade agreements, such as the Deep and Comprehensive Free Trade Areas (DCFTAs), also include provisions on investment protection and further liberalization.

While this shows that the EU is actively pursuing diplomatic opportunities, the success of this strategy needs to be evaluated on a case-by-case basis.

**Diplomatic engagement with regional blocs representing natural resource-exporting countries**

The EU has opted for regional dialogues and partnerships with other regional blocs that include natural resource-exporting countries. Dialogues and partnerships seek to promote economic integration, sometimes through the establishment of free trade agreements (FTAs) and the promotion of political dialogue on energy security. This is the case for the EU-Eastern Partnership, for example, which includes Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Security and stability in this region are particularly relevant for the EU in the context of its efforts to diversify and secure its long-term energy supplies (see box 3.1).

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Box 3.1. The EU and gas pipeline geopolitics

Currently the EU relies on Russia for 40 per cent of its gas imports. The EU is using diplomatic tools to diversify its access to energy resources by securing alternative gas supplies. For example, it supports the proposed Nabucco pipeline, transporting natural gas from the Caucasus through the Caspian region to European markets. Following a decision of the European Council, the European Commission in September 2011 started negotiations with Azerbaijan and Turkmenistan over access to gas deposits to fill the Nabucco pipeline. Along with Iraq, these two countries are expected to be the main suppliers. Analysts are sceptical about the viability of the Nabucco project due to high costs and difficulties in finding sufficient supplies in the region. Analysts consider the Nabucco project a rival to the Russia-backed South Stream project. Russia suggests South Stream’s gas is secure and will reduce costs by avoiding transit tolls by bypassing Ukraine. While this would also reduce future conflict potential with Ukraine, the costs of laying a pipeline under the Black Sea are significant. The shareholder agreement reached in September 2011 to implement the South Stream project should allow for the construction of the first branch, to be launched in December 2015, with the other three expected to be commissioned every twelve months until 2018. Both gas pipeline projects compete for funding and future market share.


87 The South Stream project plans to carry 63 billion cubic metres of Russian natural gas per year through the Black Sea to Bulgaria, Italy, Hungary and Austria. The shareholders in the project’s offshore section are Gazprom (50 per cent), Eni (20 per cent), and Wintershall Holding and EDF (15 per cent each).
Energy infrastructure projects such as gas pipelines, or oil and gas exploration endeavours are particularly vulnerable to geopolitical developments. For example, Cyprus’s announcement in September 2011 that it would begin exploration for oil and gas off its coast sparked a reaction from Turkey, which does not officially recognize the island. Turkey, which would host part of the Nabucco pipeline, announced that it would in turn start oil and gas exploration in the eastern Mediterranean under the protection of the Turkish navy. It also warned that it would freeze diplomatic relations with the EU if Cyprus assumes the rotating EU Presidency in 2012 before a solution is reached on the divided island. This raised additional concerns about the future of the Nabucco project. On 19 September 2011, the EU called on Turkey to refrain from making threats in the context of the oil and gas dispute with Cyprus.90 These are important developments that underline the sensitivity of the subject area and demonstrate the close interrelationship of natural resources and conflict and security challenges for the EU.

Since 2003, the EU has also negotiated a FTA with the Gulf Cooperation Council (GCC) that includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.91 Oil represented 73.4 per cent of total EU imports from this region in 2009. FTA negotiations covered sensitive issues including human rights, illegal immigration and terrorism. However, the longer-term effectiveness of the EU’s political dialogue within the FTA framework remains to be tested—for example, in light of the Bahraini Government’s crackdown on demonstrators calling for greater political freedoms in February 2011.

The EU also has existing regional cooperation agreements on raw materials with the AU. During the annual AU–EU summit held in November 2011, delegates reviewed the potential for further cooperation on raw materials in 2012 and 2013 (see box 3.2).92

Diplomatic engagement through multilateral platforms

In the context of an increasingly multipolar global economy the EU also employs diplomatic engagement through multilateral platforms to secure access to natural resources. For example, the EU proposed ‘the establishment of an international regulatory platform, ensuring access to and supply of raw materials, ensuring open global markets and promoting international cooperation on sustainable extraction of raw materials and an efficient use of natural resources based on mutual interest’.93 The European Commission identified the G20 ‘as the most appropriate forum for bringing together both producer and consumer countries and called for coordinated international action on commodities price volatility and growth in demand for raw materials’.94 The final declaration of the November 2011 G20 Cannes Summit encouraged effective management of natural resources in developing countries and called upon multinational enterprises to improve transparency and full compliance with applicable tax laws. It also made provisions to improve transfer-pricing legislation in developing countries and encouraged all countries to join the Global Forum on Transparency and Exchange of Information on Tax Purposes.95

93 European Parliament (note 76).
94 Barroso (note 37).
Box 3.2. AU–EU cooperation on raw materials

At the Addis Ababa meeting in June 2010, the AU and EU agreed various aspects of raw materials cooperation, fully taking into account the Africa Mining Vision of February 2009 and the EU RMI of December 2008.96 For the EU, this process is an opportunity to improve its access to natural resources and to engage African countries as strategic partners, rather than as aid recipients. The AU’s aims for the process are a stronger contribution of member states’ natural resources sectors to growth and progress towards achieving the Millennium Development Goals (MDGs). The cooperation agreement focuses on a range of issues including capacity building, governance, infrastructure and investment, as well as geological knowledge and skills.97 The proceedings from the meeting suggest African partners still need to agree on common goals for cooperation in specific areas and the AU and EU also still need to identify available instruments through which the EU can support most effectively the African countries’ work in those areas.98

On careful reading, the priorities of the EU and AU seem to diverge on key issues and this may undermine the effectiveness of future cooperation. For example, the EU emphasizes the importance of—and its willingness to provide assistance to—improving fiscal regimes, allowing African countries to maximize natural resources revenues. In many African countries fiscal regimes require improvement, but EU calls to remove mineral export taxes are opposed by the AU. In June 2010 the AU presented a paper to the European Commission to this effect, stating, ‘the EC’s proposal to prohibit the use of export taxes and quantitative restrictions under the EPA is an unnecessary WTO-plus requirement that would limit the policy space to use these measures for value-addition, diversification, infant industry promotion, food security, revenue and environmental considerations’.99 This suggests there is insufficient alignment between the EU’s development and security policies and its trade policy to secure access to raw materials. This is confirmed, for example, by a 2011 EU Parliamentary committee, which criticized the RMI for being inconsistent with the EU’s commitments to development and human security.100 An EU Parliamentary Report noted, ‘the EU’s opposition to export taxes, that informed FTA and EPAs, should be balanced by employing a differentiated approach for developing countries.’101 The EU should promote investment agreements that are mutually beneficial and fair, and which can in turn underlie long-term trade partnerships that will allow developing countries to diversify and industrialize their economies, while also supplying the EU with natural resources.

This was an opportunity for the EU to take the lead in a key multilateral platform to promote regulation of the global natural resources markets.102 The EU’s actions underline its willingness to work through multilateral platforms, but also suggest there is a need to move beyond bilateral agreements on natural resources, particularly in the context of global regulatory matters.

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101 European Parliament (note 76).

102 Barroso (note 37).
Investment-related strategies and instruments

Investment facilitation in natural resource-exporting countries

The EU also employs investment facilitation strategies and tools to achieve access to natural resources by taking steps to help improve the business climate, facilitating mergers and acquisitions and promoting investment, including the following.

1. Negotiation of investment agreements (Bilateral Investment Treaties (BITs)). These facilitate Foreign Direct Investment (FDI) in producer countries and protect EU investors.

2. Inclusion of investment chapters in EPAs. These can contain strong provisions to promote European FDI in Africa. The EU has increased its efforts to secure pre- and post-investment rights for European investors in non-service sectors by proposing EPAs that would cover market access for European investors. This would remove restrictions on European companies wishing to open subsidiaries in Africa to develop raw materials.

3. Facilitation of investments in the natural resource sectors in cooperation with European Financial Institutions. The European Commission (a) assesses the feasibility of increasing lending (which may include grant-loan elements) to industry, including mining and refining projects and in particular post-extractive industries and (b) investigates the possibility of promoting financial instruments that reduce risk for operators on the basis of guarantees supported by the EU, including by the European Development Fund.

The European Investment Bank (EIB) is engaged in financing cooperation and private sector projects in Africa through the Africa Financing Partnership, which includes eight development finance institutions. Through its operations in the industrial sector, the EIB aims to optimize natural resources development and encourage productivity gains. On behalf on the EU–Africa Infrastructure Fund, it has been lending to mining projects and geological surveys. This is aligned with priorities identified in the AU–EU raw materials cooperation.

The European Commission also supports private investments that promote local economic diversification through value addition and infrastructures accessible to local industry in non-mining sectors. For example, the EU Economic Development Fund supported a United Nations Industrial Development Organization (UNIDO) initiative to help design more effective investment promotion policies. The Africa Investment Monitoring Platform illustrates how data from investor surveys in 20 African countries can support private investors and local institutions.


107 European Commission (note 105).


Improving natural resources governance

To improve access to natural resources and to level the playing field between the EU and other natural resource-importing companies, the EU is placing emphasis on improving natural resources governance, particularly through increasing transparency and accountability. Key initiatives include the following.

1. The Extractive Industries Transparency Initiative (EITI). The EU has endorsed and is actively promoting the EITI, which requires the annual disclosure of company payments and government revenues in implementing countries. The published EITI reports reconcile audited government receipts and companies’ audited accounts, exposing discrepancies, which can then be investigated. The results are independently validated and provide civil society organizations and other interested parties in natural resource-exporting countries with access to information on natural resources revenues. This information can help to hold governments and companies to account. While improving revenue transparency, issues related to revenue expenditure remain largely unaddressed. Expenditure transparency can have transformative power in terms of conflict prevention, mitigation and resolution, as well as poverty reduction and growth, since long-term economic development objectives depend on how natural resource rents are utilized. While the EITI is a fundamentally important step towards a greater contribution of natural resources revenue to economic growth and development, this very objective is being undermined by a persistent gap in governments’ expenditure transparency and accountability.

2. The Public Expenditure and Financial Accountability Initiative (PEFA). The EU supports the establishment and strengthening of institutional and regulatory frameworks in natural resource-exporting countries. The objective is to improve different dimensions of natural resources governance, such as domestic fiscal and economic policy-making, as well as economic and public financial management (PFM). The latter includes guidance and capacity building support in the context of equitable benefit-sharing and economic diversification.

In the absence of a sound PFM system expenditure effectiveness is undermined and rent-seeking opportunities arise. This is why the EU supports the multilateral Public Expenditure and Financial Accountability Initiative (PEFA). It supports integrated and harmonized approaches to reform in the field of public expenditure, procurement and financial accountability. However, despite many years of technical assistance, PFM systems remain weak in many natural resource-exporting countries. This shows the difficulty for donors to...
engage effectively in this area and highlights the need to design reform initiatives in alignment with the incentives structures of the implementing governments.\textsuperscript{115}

3. \textit{Conditional budget support}. The EU uses budget support as a privileged aid modality, but often delivers aid on the condition of policy reforms. In recipient countries, the EU and other donors establish Performance Assessment Frameworks (PAFs) to monitor improvements in implementing institutional reform and PFM. Capacity building and good governance are also pursued within the framework of the AU–EU raw materials cooperation, as mentioned above.\textsuperscript{116} These initiatives have been successful to the extent that the EU has negotiated the inclusion of the implementation of NRM activities in recipients’ national priorities.\textsuperscript{117} It is the implementation of the NRM activities that some recipient countries still struggle with.

\textit{Natural resource management-related strategies and instruments}\n
The EU is investing in NRM initiatives, some of which aim to address natural resource-related conflicts and improve sustainable access to natural resources.\textsuperscript{118} The EU’s natural resource management initiatives are sometimes disconnected from central development cooperation issues, such as human development, rural development, social cohesion and employment, and water and sanitation.\textsuperscript{119} This distance undermines the EU’s effectiveness in terms of harnessing natural resources for growth and development, and in the worst-case scenario, makes the implementation of NRM activities in conflict-affected regions potentially more harmful than beneficial.\textsuperscript{120}

\textit{Natural resource trade formalization schemes}\n
1. The Forest Law Enforcement, Governance and Trade Initiative (FLEGT) is an EU-supported initiative that aims to resolve natural resource-related conflict and counter illegal logging and the trade in associated timber products. FLEGT is based on the development of Voluntary Partnership Agreements (VPA) to promote good governance in natural resource-exporting countries and to support the legal timber trade. The EU has signed FLEGT VPAs with Cameroon, Ghana and DRC. The programme has also supported the drafting of legislation, known as the EU Timber Regulation, to ban illegally produced wood products from the EU market.\textsuperscript{121} According to secondary sources, at the time of writing, the

\textsuperscript{116} Grice (note 53).
\textsuperscript{117} Ramdoo (note 66).
\textsuperscript{119} Feil, M., Klein, D. and Westerkamp, M., ‘Regional cooperation on environment, economy and natural resource management: how can it contribute to peacebuilding?’, Initiative for Peacebuilding, Apr. 2009, \textlangle http://www.initiativeforpeacebuilding.eu/pdf/SynthesisREGIONALCOOPERATIONONENVIRONMENTECONOMYANDNATURALRESOURCEMANAGEMENT.pdf\textrangle.
\textsuperscript{120} As the European Security Strategy and the 2005 Consensus on Development have acknowledged, there cannot be sustainable development without peace and security, and without development and poverty eradication there will be no sustainable peace. European Council (note 5), p.8.
\textsuperscript{121} Forest Law Enforcement, Governance and Trade Initiative, ‘Voluntary Partnership Agreements’, \textlangle http://www.euflegt.efi.int/portal\textrangle.
implementing regulations were still being designed, which means it is too early to judge the long-term success of FLEGT. 122

2. The EU also supports the Kimberley Process Certification Scheme (KPCS), which seeks to eliminate conflict diamonds from the world diamond trade. The KPCS is undermined by its inability to control sub-national trading chains, particularly in artisanal diamond-producing countries, due to insufficient monitoring capacity. This means the KPCS currently cannot guarantee that all KPCS-certified diamonds are ‘conflict-free’. In response to criticism, during the EC chair of the KPCS in 2007, important reform pledges were made, though with limited success in terms of implementation. They included pledges to strengthen the implementation of the peer review system, increase the transparency and accuracy of statistics, promote research into the traceability of diamonds, and broaden the involvement of governments and civil society. 123 In December 2011, Global Witness, an advocacy group and a co-founder of the KPCS, left the process, saying ‘the scheme has failed…and has become an accomplice to diamond laundering’. 124

Promoting free trade strategies and instruments

The EU is concerned about the impact of direct and indirect strategies by non-European countries to limit access to natural resources at reasonable prices and on the basis of equitable market conditions. According to the European Commission, negotiating with one voice will increase the EU’s chances to achieve and maintain ‘a level playing field in natural resources markets where the risks are optimally distributed and the prices are effectively decided thus preventing regulatory arbitrages’. 125 Increasing free trade is therefore a key cornerstone of the EU’s endeavours to gain access to natural resources. As discussed above, as part of the Raw Materials Initiative, for example, the EU is seeking ‘sufficient market access to raw materials at fair and undistorted prices and on non-discriminatory terms’. 126 The European Commission suggests an active approach in trade agreement negotiations and a proactive policy of enforcing existing trade rules. The following paragraphs provide key examples.

Bilateral and multilateral trade negotiations

The EU seeks to convince its trading partners to abolish trade and investment policy instruments that limit free trade and investment in natural resource sectors. 127 It does so by including what are termed ‘discipline tools’ on natural resource export restrictions (including bans, quotas, duties and non-automatic export licenses). This is the case for the FTAs with the Republic of Korea and India, and for provisions on export duties on several raw materials in the context of Russia's WTO accession. 128 Since 2008, the EU also has tried to eliminate restrictions on natural resources exports in the context of EPA negotiations. 129

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125 Barroso (note 37).
126 European Commission (note 105); and European Commission (note 77).
127 Ramdoo (note 66).
128 European Commission (note 105).
129 Since 2002 most African countries have entered into EPAs that transform preferential agreements into reciprocal free trade agreements. Ramdoo (note 66).
**Box 3.3. Can trade control schemes stem natural resource-related conflict?**

The development and trade of natural resources are often understood to cause conflict or to be a ‘root cause’ of conflict. In response, the EU, among other international donors, supports a number of natural resources trade control schemes that seek to prevent the development and trade of natural resources from fuelling conflict. In the minerals and metals sectors, evidence on the ground suggests trade control schemes are unlikely to prevent, mitigate, or resolve conflict, unless they are implemented in alignment with effective security sector and governance reform initiatives. In fact, depending on how trade control schemes are implemented, they may even exacerbate conflict.130

Research suggests that it is impossible to completely formalize the trade in high value and low volume metals, such as gold, in countries with low sub-national implementation and monitoring capacity—even in the absence of armed groups preying on mining and trade. In these countries, networks of local traders with good territorial knowledge will always manage to smuggle goods across borders. Even in developed countries it is impossible to completely stop smuggling, as the cocaine trade from Mexico into the US suggests.131 At the same time, not all mineral and metal trading chains are entirely informal. In eastern DRC, a prominent case that features frequently in the media, the artisanal gold trading chain is almost entirely informal, while trading chains in high volume minerals, such as tin ore (cassiterite), formalize to a significant degree at the point of export.132

These trading chains—whether formalized or informal—generate the necessary hard currency to finance and sustain what, in the context of eastern DRC, is an import-dependent local economy. Trade control schemes introduced with the idea to prevent armed groups from profiting from the development and trade of natural resources, such as traceability schemes, can therefore have negative externalities in the short to medium term. They can reduce the overall trade in high volume minerals (that are more difficult to smuggle) causing local conflicts due to population movements from mining areas rich in high volume minerals (tin-ore) into mining areas rich in low volume metals (such as gold). The schemes rarely affect the mining and trade in low-volume metals, as they are too easily concealed and transported, to effectively control them in the context of weak state enforcement capacity.133 This suggests the promotion of natural resources trade control schemes may not have the desired effect on the ground—at least in the short to medium term.

As part of the WTO’s on-going Doha round of negotiations, the EU has proposed to strengthen the discipline on export restrictions.134 Accordingly, the EU has turned to counter-strategies, including calling on the WTO’s dispute settlement body, where natural resource-exporting countries employ export restrictions on natural resources.135 In the 2011 Communication on the RMI, the EU also presented several proposals to promote free trade in natural resources, including: (a) pursuing the establishment of a monitoring mechanism for export restrictions that hampers the sustainable supply of raw materials, and tackling barriers distorting the raw materials or downstream markets with dialogue as the preferred approach, but using dispute settlement where justified; (b) encouraging the inclusion of relevant non-OECD members in the work on raw materials, and exploring further multilateral and plurilateral disciplines, including consideration of best practices; and (c) using competition policy instruments to ensure that supply of raw materials is not distorted by anti-competitive agreements, mergers or unilateral actions by the companies involved.136

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133 Garrett and Mitchell (note 132).

134 Ramdoo (note 66).

135 European Commission (note 105).

136 European Commission (note 105).
Box 3.4. The rare earths case
China announced in September 2009 that it would start to apply export quotas on rare earth metals of which it is the world’s largest supplier (95 per cent for rare earth concentrates). The Chinese Government is said to use its power over rare earth production also to enforce bilateral issues. In September 2010, the Chinese Government apparently blocked the export of rare earth metals to Japan—a move the Chinese Government denies—over a maritime dispute.

Since 2010, the EC has challenged the legality of export restrictions on rare earth metals, as it considers them to threaten EU industries. In March 2012 the EU, the US and Japan together launched a WTO case against Chinese rare earth export restrictions. By collaborating in this way, Brussels, Washington and Tokyo hope to avoid retaliation from China such as the cuts in rare earth exports to Japan in 2010.

This case demonstrates how access to resources is becoming fiercely contentious and observers are suggesting, ‘the world economies need clear rules to avoid competition that could spark new trade wars’.

However, the European Commission also seems to recognize that the unilateral approach ‘has not been well received by other countries’ and it therefore increasingly emphasizes strengthening multilateral platforms to counter export restrictions. For example, there has been a call from the European Parliament for the setting up of a Raw Materials and Rare Earths Stability Board in the G20.

Regulatory strategies and instruments
Recent discussions within the EU have highlighted the need for the right level of regulation of natural resources sectors in order to achieve a level playing field and a better growth and development performance of the natural resources sectors. Currently, the EU supports a number of voluntary, industry self-regulatory codes. These codes have different scopes and can include issues ranging from broader environmental sustainability to financial transparency and human rights. Industry self-regulation can help to avoid market distortions, as long as it includes credible monitoring mechanisms. More importantly, industry self-regulation monitoring mechanisms must have universal application to truly contribute to levelling the playing field. The EU is focusing on five areas in particular.

1. Traceability and certification. These types of schemes can contribute both to securing access to natural resources and creating a level playing field. However the effectiveness of the schemes depends on their real-world applicability: too weak and companies can get away with transgressions; too draconian, and companies are likely to only sign up on paper or ignore them.

2. Financial disclosure. In 2011, the European Commission proposed to introduce a system of Country-by-Country Reporting (CBCR). This system would apply to EU privately owned

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137 Ramdoo (note 66).
142 European Parliament (note 76), p.15.
large companies or companies listed in the EU that are active in the oil, gas, mining or logging sectors. CBCR is a different concept from regular financial reporting as it presents financial information for every country that a company operates in rather than a single set of information at a global level. Reporting taxes, royalties and bonuses that a multinational pays to a host government will show a company's financial impact in host countries. This more transparent approach would encourage more sustainable businesses and also level the playing field for companies operational in key natural resource-exporting countries. In order to cover the various types of companies active in these industries under the CBCR system, the Commission is proposing to revise both the Transparency Directive to cover listed companies and the Accounting Directives to cover large non-listed companies.\textsuperscript{144}

If and when the Council of Ministers adopts the Directive, it will become operational on a voluntary basis until each member state adopts it into national law.

3. Anti-corruption. The EU has ratified the United Nations Convention Against Corruption (UNCAC) and supports its implementation. UNCAC is the first treaty that tackles international corruption with preventative and punitive measures. About three-quarters of the world’s countries (140 countries) are bound by the terms of UNCAC, which has now reached critical implementation stage.\textsuperscript{145} In spite of the Convention’s comprehensiveness there are some areas that need developing. In order to be more effective, the convention should take a stronger stance in tackling political corruption (transparency in political financing is a mere recommendation). Further, the review mechanism that was incorporated into the convention in 2010 has very basic requirements and so relies heavily on the goodwill of counterparts to make the most of the review process. It must be noted that the UNCAC is not a blueprint for anticorruption reform and it does not constitute an end in itself.

Article 29 of the Treaty on European Union lists prevention and combating of corruption as one objective enabling the creation of a European area. To this end, the EU Commission recommended that the European Community adhere to the Council of Europe’s conventions on corruption and participate in its monitoring mechanism, Group of States Against Corruption (GRECO).\textsuperscript{146} This mechanism urges countries to agree on a common definition of offences and common penalties regarding corruption. Nevertheless, EU countries reportedly are still not implementing GRECO.\textsuperscript{147}

Europol’s mandate has been extended to deal with almost all cases of money laundering, which is of relevance particularly if high-value natural resources, like gold and diamonds, are used in money laundering activities.\textsuperscript{148} Also, article 86 of the Treaty on the Functioning of the EU by the Treaty of Lisbon inserted the Public Prosecutor post, which had as its main role the responsibility for investigating, prosecuting and bringing to judgment the offences against the EU’s financial interests.\textsuperscript{149}


\textsuperscript{146} The Council of Europe is not part of the EU, although it contains EU member states.


\textsuperscript{149} Treaty of Lisbon (note 69).
4. Human rights. The Council of Europe proposed in 2010 to establish a regulatory framework to ensure that European firms fully respect human rights standards, by introducing laws to protect individuals from abuses, and setting up the Council of Europe ‘label’ for assessing the best business in terms of social responsibility practices. The latter would aim to provide consumers with consistent and independent information on companies’ human rights records. Such a scheme has yet to be implemented.

5. Sustainability. The performance standards of the International Finance Corporation (IFC) must be met by any project prior to the granting of IFC funding. The standards include a broad range of sustainability standards, including leading edge environmental standards, and have been adopted by the European Development Finance Institutions as best practice. These principles specifically relate to conflict as, contrary to other standards, they include mechanisms to avoid conflict between, for example, local communities and multinational (including European) companies. The IFC standard has become the most widely accepted framework for managing environmental and social risks. This might be due to its flexibility, enabling it to introduce improvements easily or to the fact that enforcement takes place when there is a mishap. However, the narrow timeframe for improvement (a maximum of 60 days) and the amount of flexibility act against the IFC Performance Standards’ full effectiveness.

While individual EU member states have endorsed further standards and the OECD is active in drafting and promoting voluntary good practice standards and implementation guidelines, we have limited this section to regulatory tools that the EU itself is actively involved in.

II. Security responses

The Treaty of Lisbon amends the EU’s CFSP institutions established in the Treaty of Rome and the Maastricht Treaty. With the signing of the Treaty of Lisbon, Europe has affirmed its ambition to emerge as a coherent foreign policy actor. Within the much broader framework of CFSP, the CSDP is an international crisis management policy, which expands the framework of military and civilian crisis management operations to include ‘deterring, reducing and preventing intra-state conflict in a broad sense, whether it be a result of public disorder or of mass persecution’. In the CSDP, the EU affirms its commitment to

expanding its defence capacities and to building on its status as a credible security actor on the global stage.\textsuperscript{157}

Despite the EU’s commitments, it has frequently found it difficult to live up to these ambitions. These difficulties are reflected in the contents of the often vague and unspecified European Security Strategy (ESS) drafted in 2003.\textsuperscript{158} Despite evolutions in security and defence tools, the strategy lacked an overarching strategic framework and did not stipulate specific conditions for applying security tools.\textsuperscript{159}

A 2008 review led to an implementation report that was more an inventory of existing security tools and resources than a revision of the ESS. A key reason for this was member states’ concerns that revision would imply ‘securitizing’ a number of EU policies, such as in the energy sector.\textsuperscript{160}

In its 2008 review of the ESS, the EU listed a number of natural resource-related issues as EU security and conflict challenges. First, the review referred to ‘an array of security challenges’ associated with energy dependence on a limited number of countries ‘many of which face threats to stability’. Second, it identified climate change as a ‘threat multiplier’ leading to increased competition for natural resources, potentially resulting in conflict. Third, it suggests, ‘ruthless exploitation of natural resources is often an underlying cause of conflict’.\textsuperscript{161}

While the ESS of 2003 mentions enhancing conflict prevention, crisis management and post-conflict stabilization and reconstruction capacities as the most relevant in the security field of action, its analysis and early warning capacities are still to be improved.\textsuperscript{162} The EU’s capacities in these fields encapsulate a number of specific tools that, within broader contexts and if they are slightly adapted, could be directed to address natural resource-related security and conflict challenges, as identified in the 2008 review of the ESS.

\textbf{The European Union’s crisis management operations}

The EU seeks to play its full role on the international stage through ‘effective EU-led crisis management’.\textsuperscript{163} This has been viewed as an important element of the EU’s role as a strong political actor and is considered integral to the maintenance of its ‘normative power’.\textsuperscript{164} The EU runs military, political and civilian missions to help build and secure peace in a number of countries in Europe, as well as in Africa and beyond.\textsuperscript{165}

In the past, EU involvement in African security was seen as a sort of testing ground for what was then the ESDP. This was due to a variety of reasons, including historical factors


\textsuperscript{158} European Council (note 5).


\textsuperscript{160} Andresson et al. (note 1), p. 23.

\textsuperscript{161} European Council (note 5).

\textsuperscript{162} European Council (note 5), p. 6.


\textsuperscript{164} Many authors argue the EU role in international relations has primarily been normative, rather than civilian or military. See e.g. Manners, I., ‘Normative power Europe: the international role of the EU’, Archive of European Integration, unpublished report, 2001, <http://aeci.pitt.edu/7263/>.

\textsuperscript{165} European Union External Action (note 82).
that create strong links between, for example, the UK and France and various Anglophone and Francophone African countries; the pressing conflict-related problems some African countries were experiencing; and the effects these produced within the EU, particularly given Africa’s close proximity to the EU’s borders (for example human trafficking and illegal immigration). Based on the concept of human security, European experts and scholars have defined the security and stability of African countries as a global public good. This argument suggests that EU involvement in crisis-management operations in Africa is driven, at least in part, by the EU’s objective of guaranteeing its member states’ security and stability.

**Security Sector Reform**

Since 2005, security sector reform (SSR) has been a significant component of EU missions, starting with the EU advisory and assistance mission for SSR in DRC. The EU considers SSR to be ‘a holistic, multi-sector approach that seeks to find linkages between existing local security actors when carrying out reform activities, rather than concentrating on one or a very limited number of actors, often independent of each other, as previous donor actions have tended to do’. Disarmament, demobilization and reintegration (DDR) activities are an important part of the EU’s SSR work.

A number of studies have highlighted that where natural resources are related to conflict, NRM interventions by themselves cannot be effective conflict resolution tools, unless they are integrated and aligned with SSR initiatives. The effectiveness of SSR missions, in turn, is enhanced when a holistic approach is implemented to strengthen the civilian authorities under which the security sector should operate. This includes strengthening civilian rule consistent with democratic norms and principles of good governance, transparency and the rule of law.

Within the framework of the CSDP, the EU has conducted three dedicated SSR missions (namely EUPOL RD Congo on police reform; EUSEC RD Congo on defence reform; and EU SSR Guinea Bissau, closed in September 2010), encompassing the defence, police and justice sectors. However, the extent to which these SSR missions have incorporated NRM initiatives in their design, particularly those in DRC where the natural resource-conflict link is strong, is limited. This suggests that alignment of the EU’s SSR and NRM work can be improved.

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167 Human security has been defined as ‘in ethical terms … both a “system” and a systemic practice that promotes and sustains stability, security and progressive integration of individuals within their relationships to their states, societies and regions. In abstract but understandable terms, human security allows the individuals the pursuit of life, liberty and both happiness and justice.’ Liotta, P. H. and Owen, T., ‘Why human security?’, Whitehead Journal of Diplomacy and International Relations (Winter/Spring, 2006), pp. 37–54.

168 Collantes Celador (note 166), p. 156.


170 Garrett and Mitchell (note 132).

The European Union–African Union Partnership on Peace and Security

In 2007, the EU established the EU–AU Partnership on Peace and Security as part of the Joint Africa–EU strategy, adopted in the same year. The Partnership has two principal objectives: (a) Promotion of peace, security and stability in Africa and Europe through dialogue and information sharing; and (b) Coordination of action to address common and global peace and security challenges, such as transnational organized crime, international terrorism, mercenary activities, human and drug trafficking, illicit trade in natural resources, illicit proliferation, accumulation and trafficking of small arms and light weapons, proliferation of weapons of mass destruction, as well as climate change and conflict.

The EU is a major financial partner both in military and non-military assistance to the AU, but it is aware of increasing Chinese involvement in African security, particularly through China’s contribution to UN operations, which increases the importance the EU assigns to the Partnership. So far the Partnership has focused on visible outcomes, such as the establishment of the African Peace and Security Architecture (APSA), and contributing funding towards AU-led peace operations through the African Peace Facility (APF), which was originally established in 2004. Support for APSA has come in the form of trilateral agreements, support to coherent agendas on African training centres, operationalization of the Continental Early Warning systems and support for the first Pan African initiative on the control of illicit arms trafficking. There are a number of challenges for the consolidation of the partnerships; greater political dialogue between the EU and AU is required as a need for more effective consultation processes. There is also a real need to strengthen coordination of positions on conflict and crisis situations that the AU can be affected by and to respond to these in a concerted manner. The objectives of the partnership may in the end only be complete once cooperation between Addis Ababa and Brussels improves and EU financial support is expanded.

III. Climate change responses

Despite the correlation between climate change and conflict, which has been studied since the 1980s, the key event for the development of a European policy recognizing this connexion was the presentation of a document by the High Representative for Common Foreign and Security Policy and the European Commission to the European Council in 2008. In particular, this document officially recognized that ‘climate change will fuel existing conflicts


174 Lirong (note 71); and Stahl (note 64).


over depleting resources’, which raised the subject’s profile in the EU’s domestic and foreign policy agendas.\textsuperscript{178}

Furthermore, under the Treaty of Lisbon, the EU developed a new inter-sectorial strategy of high level protection and improvement of the quality of the environment at the national, regional and international levels. In this way, the EU reinforced its legislative regulations at the domestic level, while also working to promote a more effective global response to climate change in international forums and in its bilateral relations with third countries.

At the domestic level, the European Commission strengthened its legislative efforts in order to develop a climate and energy package that was adopted in 2009, providing a binding greenhouse gas reduction target for 2020 and a set of policies to achieve the 20-20-20 targets.\textsuperscript{179} As part of a longer-term strategy, the Commission set up a new Roadmap in March 2011. The Roadmap provides guidance for EU countries to move towards a low-carbon and resource-efficient economy through national and regional strategies for the reduction of greenhouse gas emission. This new EU plan proposes a cut of the EU’s greenhouse emission by 80 per cent by 2050 (compared with 1990 levels). This strategy would have several benefits for the whole EU, notably by decreasing European dependence on oil and gas imports, and consequently improving Europe’s energy security. Thanks to this ambitious policy, the EU is currently the leading supranational organisation in the fight against climate change.

The EU is a very active player in international climate change negotiations. Since 1992 it has supported the UN Framework Convention on Climate Change (UNFCCC). Further, since the signing of the Kyoto Protocol in 2007, several negotiations have been under way to agree on further climate action, resulting in the three key conferences held in Copenhagen (2009), Cancún (2010) and Durban (2011). During these conferences, for example, the EU committed to providing €7.2 billion (8.97 billion dollars) to strengthen developing countries’ resilience to climate change over the period 2010–2012 and helped launch negotiations on a global legal framework applicable to all countries.

Moreover, the EU’s engagement is reflected in the development of initiatives such as the Global Climate Change Alliance (GCCA), a technical and financial cooperation aimed at the promotion of dialogue and exchange of experiences for innovative and effective approaches to delivering climate change finance. From 2008 to 2011, the GCCA allocated more than €200 million (249 million dollars) for support to 31 programmes around the world.\textsuperscript{180}

Recognising the potentially significant security implications associated with climate change, and as the largest contributor of climate finance flows to developing countries affected by climate change, the EU is collaborating on a regional basis with its partners for shaping adaptation policies and mitigating the risk of climate change-related violent conflicts. To achieve more effective cooperation in this regard, the EU has promoted and financed new


studies and initiatives on a region-by-region basis to in order to investigate the correlation between climate change and natural-resource related conflict.

An example is the Initiative for Peacebuilding–Early Warning to Action (IfP–EW), a consortium led by International Alert and funded by the European Commission. One of IfP—EW’s main clusters of investigation is the inter-relationship between climate change and conflict. This research aims at understanding how these issues could be addressed, as well as improving political will and trust in order to convince partners that climate change actions and more effective approaches to resource management are vital to sustainable development.\footnote{Ruettinger, L. et al., ‘Water, Crisis and Climate Change Assessment Framework (WACCAF)’, Initiative for Peacebuilding–Early Warning Analysis to Action, June 2011, <www.ifp-ew.eu/pdf/201106IfPEWWACCAF.pdf>.

\footnote{Mwitubani, D. A., and Van Wyk, J., ‘Climate change and natural resources conflicts in Africa’, Institute for Security Studies Monograph no. 170, 2010.}} The EU also is engaged in several regional initiatives, such as the climate change regional cooperation programme, EUROCLIMA, which addresses complex multisectoral issues including policy dialogue in Latin America and ClimDev Africa, a programme aiming at facilitating the development of effective climate change policies in Africa.\footnote{Mwitubani, D. A., and Van Wyk, J., ‘Climate change and natural resources conflicts in Africa’, Institute for Security Studies Monograph no. 170, 2010.}

In this more comprehensive approach adopted by the EU, actions against climate change are also key priorities in its poverty reduction strategy. Examples include the European Community Humanitarian Office’s provision of humanitarian assistance in cases of climate change-related natural disasters such as floods, drought or food crisis, and the financing by the Development and Cooperation Directorate–General (EuropeAid) of projects supporting biodiversity, resources and energy management.
4. Conclusions and questions for further research

I. Conclusions

The four principal dimensions of the interaction between natural resources and security and conflict challenges have all developed significantly over the past two decades and further changes are inevitable.

The debate around how natural resources contribute to conflict financing is prominent, but the fact that the principal policy responses to the issue—for example, natural resources trade control mechanisms such as the Kimberley Process Certification Scheme—have been unable to fully meet their intended objectives demonstrates that more work needs to be done. There is an urgent need to better understand the issue of conflict financing and also to tweak existing responses or else develop complementary responses that are implementable in difficult environments.

The question of state effectiveness features heavily in discussions about natural resources governance and conflict. With the introduction of the Extractive Industries Transparency Initiative (EITI), many stakeholders in the natural resources sectors have become more optimistic that natural resource-related corruption and the associated potential for grievance-based conflict can be prevented and/or mitigated. The lack of or slow progress governments in many natural resource-rich countries are making with the implementation of more expenditure transparency—a part of the value chain unaddressed by the EITI—suggests that future policies have to be better aligned with implementing governments’ incentive structures. These, in turn, need to be researched in more depth.

Climate change is a particularly under-researched dimension of natural resource-related security and conflict challenges, partly because some of the anticipated symptoms are not yet a reality. The importance that scientists, voters and other constituencies attach to climate change shows that it will be important to make more significant inroads into understanding the interrelationship of climate change and natural resource-related security and conflict challenges, particularly so to put in place effective mitigation strategies that will help the EU to deliver stability and long-term access to natural resources.

The move towards a multipolar global economy is an ongoing process, particularly with the continued ascent of the BRICS and other emerging economies. Actual and potential natural resource-related security and conflict challenges, in the context of an increasingly multi-polar global economy, remain under-researched. The EU has to define its role in the future global economy and adapt its strategies accordingly. This strategy should be based on solid research and analysis.

The EU draws on a broad but often inconsistent and insufficiently coordinated range of tools to manage natural resource-related security and conflict challenges. The urgency for coordination and alignment is underlined by cases where EU development priorities and trade objectives contradict each other, for example in the context of export taxation by African natural resource-exporting countries.

The European Union now needs to elaborate a comprehensive strategy to overcome the challenge that natural resources pose to the future security of its region. The EU should formulate a practical policy proposal on natural resources that creates a framework aligning its various trade, security, diplomatic, climate change and development strategies and instruments. The proposal should define a set of strategic objectives for the EU with the
overarching goal of addressing the EU’s natural resource-related security and conflict challenges, whilst ensuring sustainable access to natural resources and respecting the EU’s development priorities. This proposal would then serve as a strategic framework for rationalizing EU responses and avoiding contradictory actions. This will help enhance its ability to engage effectively with the strategic challenges emerging in this area and, thereby, maintain its own security and enhance international peace and stability. In other words, developing and implementing an integrated strategy would help the EU to transform itself from a security and policy actor with great potential into a more effective actor with strategically focused policy instruments and resources.\(^{183}\)

The initial task for the EU is to clarify the actual challenges that natural resources pose to the CFSP. The analysis in this report is only the first step to achieving the required level of understanding to build a coherent EU policy. The EU should therefore establish a commission to prepare a working document that will identify and analyse, in a forward-looking way, key natural resource-related security and conflict challenges and trends. This task is particularly important considering the dynamic and evolving nature of natural resource-related conflict and security challenges. In fact, now is an opportune moment to suggest a strategy under which the EU could speak with a single voice. After years of institutional fatigue following the failure of the Constitutional Treaty project, the EU needs to focus on strategic priorities on which European member states can act together. However, unless institutional challenges are also attended to, the EU’s capacity to perform beyond the dimensions of its traditional trade- and aid-related external policies will be hindered.\(^{184}\)

Therefore, it is crucial to determine which institutional framework will most effectively champion cross-sector policy proposals addressing natural resource-related security and conflict challenges. The reason is that these challenges often emerge in grey areas where trade, foreign affairs security and development policies overlap. The question of who should speak on this subject—whether it is member states, the European External Action Service or the various Commission directorates general—will need to be answered. Similarly, the question of whether this entity should speak on behalf of member states, the EU as a whole, or a body, such as the EC, will need to be resolved.\(^{185}\) Such a policy proposal might best fit within a process of reviewing the ESS, which should focus on common security goals rather than identifying common threats; this would help to promote consensus among EU member states around how to respond to future crises.\(^{186}\)

In order to progress this agenda, there is a need for additional research and analysis in the area of natural resource-related security and conflict challenges to identify new approaches, or else modify existing EU approaches. The following section outlines a series of research and policy questions that the EU should consider. The first set of questions relates to natural resources security in general; the second set covers four key areas: conflict financing, state effectiveness, climate change and conflict over natural resources in a multipolar global economy.

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\(^{183}\) Giegerich (note 157).

\(^{184}\) De Vasconcelos (note 50), pp. 21–31.

\(^{185}\) In this regard, recent developments—including the British Foreign Office’s warning that it would resist any attempt by the EU to encroach on British foreign policy rights—should be taken into consideration. See ‘Meanwhile on planet Brussels’, The Economist, 18 Oct. 2011.

\(^{186}\) Andersson et al. (note 1), p. 13.
II. Research and policy questions

**General research and policy questions**

*Given the differences between EU member country priorities, can the EU develop a broadly supported and practically applicable natural resources policy?*

EU member states apply different approaches to energy needs and raw materials supply.187 Some member states seek access to natural resources through established relationships, such as through former colonial relationships; for example, France has been relying on Algeria for its gas supply and Italy on Libya.

Not all members view the EU’s security role in Africa as a priority. Member states directly affected by terrorism, piracy, organized crime and migration, and those with strong business links to Africa, emphasize the importance of minimizing security risks stemming from Africa. Central European member states, on the other hand, tend to be more interested in the issue of Eurasian energy security, for example.

There is thus a risk of security free-riding among member states, which can translate into a lack of political support to put the EU’s crisis management ambitions into action.188 It is therefore necessary to map the key priorities of member countries and reflect this mapping exercise in concrete policy proposals.

**How feasible is a globally integrated natural resources management policy framework?**

The EU should investigate the feasibility of defining a globally integrated and multilateral natural resources management policy framework to address conflict and security challenges. The EU has in fact been taking steps to increase multilateralism as part of its security strategy, as well as its raw material strategy.189 Such a framework would offer the EU an opportunity to address natural resource-related security and conflict challenges through a holistic approach that integrates regulation, transparency and more effective development policies.

Drawing from the experience of different industry self-regulatory tools, the feasibility of setting mandatory minimum standards for industry should also be investigated, using the EU–UN Extractive Industries and Conflict Initiative as a starting point.190

Potential proposals to be formulated within such a framework might include:

- Incorporating the EU’s emphasis on accountability within an internationally binding code for investments;

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189 As part of the ESS, the EU is looking for partnerships that contribute to more effective multilateralism. See Roger (note 159). In the field of security the EU has been collaborating closely with the UN, supporting all UN peacekeeping operations. Moreover, within the framework of the Joint Africa–EU Strategy, the EU has enhanced African capacities in crisis management and early warning. Also within the framework of the RMI, the EU has been calling for a multilateral approach recognising that ‘only by integrating regulation, transparency and more effective development policies will the responses to natural resources related challenges be effective.’ Barroso (note 37).

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- Developing an international anti-bribery act;
- Establishing compliance mechanisms at the international level; or
- Complementing investments in extractive industries with investments in other sectors, such as manufacturing, telecommunications, services and infrastructure.¹⁹¹

Should EU natural resources strategies focus more on conflict prevention?

The vast majority of the EU’s policy tools are reactive. A greater emphasis on conflict prevention, with a focus on interventions designed to prevent natural resource-related security and conflict challenges, requires formulation of integrated security and economic preventive measures. For example, efforts to establish early warning and conflict prevention systems should allow a timely identification of natural resources as drivers of certain conflicts.¹⁹²

Another initiative could include identifying effective mechanisms through which the EC can monitor international agreements made by natural resource-rich countries with non-EU member states.

How can the EU integrate natural resource issues within the European Security Strategy?

Currently, the ESS is not successfully addressing natural resource-related security and conflict challenges. The EU’s crisis-management operations would prove more effective if the role that natural resources play in influencing a security environment were more effectively taken into account. This point was emphasized in the European Parliament’s July 2011 Report on the Raw Materials Initiative: ‘the question of access to natural resources should be integrated successively into peace building and conflict prevention policy measures, as a substantial number of conflicts have re-emerged in certain regions’.¹⁹³

Natural resources and conflict financing

What are the economic, political and social impacts of natural resources trade control mechanisms?

Technical interventions to control the trade in natural resources and break the link between natural resources development and trade and conflict financing, such as the KPCS, often miss their intended objective. These control mechanisms are more suited to achieving greater formalization and professionalization of the trade in natural resources, than preventing natural resource-related conflict financing.

Some schemes have been successful in making a number of OECD-based companies more responsive to transparency and sustainability issues, largely due to consumer demands for more ethically sourced products. However, they also have been severely criticized for having caused economic hardship, political tensions and social fault lines in natural resource-exporting countries. Considering the level of financial and political support that some natural resources trade-control mechanisms enjoy, their ability to bring about positive outcomes requires further research.

¹⁹¹ An example is India’s strategy to secure raw materials in Africa while also developing opportunities in a wide array of sectors where the subcontinent has a strategic interest. In South Africa, from where India sources raw materials, the Tata Group has also opened a vehicle assembly plant. See Kermeliotis (note 63).
¹⁹² European Parliament (note 76).
¹⁹³ European Parliament (note 76).
How do remittances from European Union-based diaspora communities interact with natural resource-related security and conflict challenges?

In areas such as eastern DRC, diaspora remittances have become an important revenue stream for non-state armed groups whose access to revenues from the development and trade of natural resources has reduced. NRM and SSR schemes aimed at breaking the linkage between natural resources and conflict may therefore need to be complemented by more stringent controls over diaspora remittances. However, diaspora remittances control is an area that remains under-researched.

How can natural resources management and security sector reform be integrated effectively?

A number of studies have highlighted the fact that NRM interventions by themselves cannot be effective conflict-resolution tools unless they are integrated and aligned with SSR initiatives.194 Research must therefore focus on how to best align NRM and SSR interventions so that they mutually reinforce each other.

What is the role of natural resources in conflict resolution?

Natural resources play a critical role in financing conflict, but also in creating strategic incentives for peace-supporting action. Peace agreements have to create conditions in which belligerents have more of an incentive to become part of a peace economy than to remain in the shadow economy. How such conditions can be created remains under-researched. In order to achieve security in resource-rich regions, such as the Great Lakes, ‘trade is the only way to realize the value of the natural resources and so provides the means for poverty reduction’.195 Transforming conflict-financing trade into legal trade should therefore be a key research focus.

Natural resources and state effectiveness

What are the security merits of investing in people affected by natural resources development in producer countries?

The EU should commission research into the security merits of investing in people living in natural resource-exporting countries, to determine whether or not to prioritize such investments in its development policy.196 Two sets of tools—development programmes and sustainability performance schemes at sites where natural resource development takes place—aim at the same results: preventing conflict related to resources by reducing poverty, and creating sustainable conditions for sourcing natural resources.

194 Garrett and Mitchell (note 132).
196 E.g. there is ample scope to establish long-term strategies to address the particular needs of artisanal mining communities in terms of sanitation, water and schools, or to establish specific programmes to support entrepreneurialism and economic diversification in local communities, including through infrastructure and agricultural development or by supporting reforms in the employment-generating mining sector. Garrett and Mitchell (note 132).
What kinds of credible partnership offers can be made to natural resource-rich developing countries?

By placing great emphasis on promoting its values and principles—for example by attaching conditions to partnerships—the EU risks losing some of its political and economic influence with resource-rich countries and emerging economies. African states are aware of the political bargaining power that control over natural resources provides. The EU needs to know what it can offer to avoid losing its economic influence in Africa, while also maintaining an effective dialogue on domestic reforms and economic development.

Natural resources and climate change

Which resource-rich areas will be most affected by climate change and how can the EU best respond to the associated conflict and security challenges while maintaining access to resources?

Some key natural resource-rich countries, particularly in the tropics, will be relatively more affected by climate change-related conflict and security challenges than others. The EU should commission a mapping exercise as well as a country-specific institutional and stakeholder assessment and, based on this knowledge, develop an effective long-term engagement strategy that will help to mitigate natural resource-related security and conflict challenges.

Conflict over natural resources in a multipolar global economy

What are the BRICS countries’ strategies for accessing natural resources and how can the EU compete going forward?

The EU should understand and address the BRICS countries’—and in particular China’s—growing influence on EU access to natural resources. This will help the EU to formulate a position on the character of its relationship with these strategic competitors and potentially partners, which can subsequently guide EU actions.

Does the trade diplomacy approach bear scrutiny?

The EU should investigate whether and how trade and diplomacy tools should be better aligned with respect to securing access to natural resources. The European Parliament’s International Trade Committee has called on the EU to create synergies between all European policies and stakeholders, for example by setting up national strategic metals committees. While these proposals have evident merits, they may also contain pitfalls and their usefulness should therefore be further researched.

197 The EU offers little in the way of incentives for producer countries to sign up to its agenda. There is, therefore, a need to define a true Africa–EU partnership. China’s success on the African continent with respect to securing access to resources is largely due to the attractive and more partnership-orientated terms of China’s proposals, which respond to African countries’ immediate needs and include combinations of preferential loans, credit, infrastructure development and development assistance with few apparent and immediate strings attached. Ramdoo (note 66).

198 ‘The EU’s strategy on raw materials should include targeted diplomacy towards strategic supplier countries based on their industrial and agricultural policy agenda and in line with its development and environmental policy’. European Parliament (note 76).