



# NATURAL RESOURCES AND CONFLICT: A NEW SECURITY CHALLENGE FOR THE EUROPEAN UNION

NICHOLAS GARRETT AND ANNA PICCINNI

## INTRODUCTION

Complex and far-reaching shifts in the global economic order over recent years have created a fundamentally new configuration of natural resource markets and trading relationships.<sup>1</sup> 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 increased protectionism in the context of scarce natural resources, 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 and the relative under-development of natural resource alternatives. Forming 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.<sup>2</sup>

These changes, as well as the rediscovery of the role of natural resource development in poverty reduction in developing countries, 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. 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 resource supplies. Energy imports from key suppliers in Russia, North Africa and the Middle East are expected to account for 75 per cent of the EU's consumption by 2030.<sup>3</sup> The EU thus has an interest in preventing interstate tensions and conflicts related to intensified

<sup>2</sup> RIA Novosti, 'Russian military intelligence expects struggle for resources to intensify', Johnson's Russia List, 2 Nov. 2011, <<http://www.russialist.com/russia-russian-military-intelligence-expects-competition-over-resources-to-intensify-718.php>>.

<sup>3</sup> European Council, 'Report on the implementation of the European Security Strategy: providing security in a changing world', 11 Dec. 2008, <[http://www.eu-un.europa.eu/documents/en/081211\\_EU\\_Security\\_Strategy.pdf](http://www.eu-un.europa.eu/documents/en/081211_EU_Security_Strategy.pdf)>.

<sup>1</sup> Natural resources are defined here 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>>.

## SUMMARY

● Conflict over natural resources is likely to pose significant threats to European security, and the European Union therefore needs to elaborate a comprehensive strategy to meet and overcome these threats. This strategy should combine existing instruments and approaches more effectively, while also finding new ways to balance the imperatives of access to natural resources, regulation of markets and conflict prevention, mitigation and resolution.

Such an approach requires a better understanding of natural resource-related security and conflict challenges, as well as an analysis of how current policies affect these challenges. The strategy should therefore be based on comprehensive research into the connection between natural resources and conflict financing; the shifting nature of state effectiveness in the context of natural resource agreements; the link between resource conflict and climate change; and the impact of conflict over natural resources on the multipolar global economy.

## ABOUT THE AUTHORS

**Nicholas Garrett** (United Kingdom) is a Director of Resource Consulting Services, <<http://www.resourceglobal.co.uk>>.

**Anna Piccinni** (Italy) is a Programme Analyst for UNDP Burundi. She was previously a Research Analyst with Resource Consulting Services.



competition for access to and control of natural resources in countries and regions neighbouring the EU and further afield.<sup>4</sup>

Natural resource-related security and conflict challenges will have an impact on the EU's efforts to prevent, mitigate and resolve conflicts through crisis management operations and support for regional security organizations such as the African Union (AU). Today the EU either supports or implements stabilization and democratization programmes in several regions where natural resource-related

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security and conflict challenges are particularly pronounced or emerging, including in North and Central Africa and in the wider Caspian region.<sup>5</sup> This 'securitization' of natural resources is a strategic challenge for the EU and is likely to affect the EU's security agenda in at least four distinct ways.

First, while the debate around how natural resources contribute to conflict financing is gaining prominence, the fact that principal EU-supported policy responses—for example, natural resource trade control mechanisms, such as the Kimberley Process Certification Scheme (KPCS) for diamonds—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 develop complementary approaches that can be implemented in difficult environments.

Second, the question of state effectiveness features heavily in discussions about natural resource governance and conflict. State capture and mismanagement of natural resource revenues can be related to intrastate conflict and instability. Systemic corruption is a malaise affecting many natural resource-rich countries. The EU has endorsed and is actively promoting the Extractive Industries Transparency Initiative (EITI), which requires the annual disclosure of company payments and government revenues in implementing countries. This means many stakeholders in natural resource sectors are now more optimistic that natural resource-related corruption and the associated potential for grievance-based conflict can be prevented, mitigated or resolved. The lack of progress on the part of governments in many natural resource-rich countries in implementing expenditure transparency—a part of the value chain unaddressed by the EITI—suggests that future policies must be better aligned with implementing governments' incentive structures. In practice, the EU's role as a normative international actor requires it to conduct due diligence on its trading partners and assess both the interplay between natural resource revenues, corruption and domestic conflict potential, and the risks for the EU emanating from this interplay.

Third, climate change and demographic pressures may aggravate natural resource scarcity

<sup>4</sup> Klare, M. T., *Resource Wars: The New Landscape of Global Conflict* (Metropolitan Books: New York, 2001).

<sup>5</sup> The EU's energy supply chain is particularly exposed to instability in these regions. European Commission, Eurostat, 'Extra-EU trade in primary goods', <[http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Extra-EU\\_trade\\_in\\_primary\\_goods#Raw\\_materials](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Extra-EU_trade_in_primary_goods#Raw_materials)>.



and perpetuate and accelerate migratory movements. This increases the potential for local and regional conflict in natural resource-exporting countries. The risk from such developments for the EU may come from the increased complexity and expense of natural resource development and trade. However, they may also induce conflict symptoms within the EU and along its borders, for example in the form of increased refugee migration.<sup>6</sup> The importance that scientists, voters and other constituencies attach to climate change shows that it will be important to understand its interrelationship with natural resource-related security and conflict challenges, and to put in place effective mitigation strategies that will help deliver stability and long-term access to natural resources.

Fourth, the impact of natural resource-related security and conflict challenges in an increasingly multipolar global economy—as demonstrated by the continued ascent of the BRICS countries and other emerging economies—remains 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.

## EUROPEAN UNION RESPONSES

The multi-dimensionality of the EU's natural resource-related security and conflict challenges means they are difficult to manage

<sup>6</sup> Black, R., 'Climate change "grave threat" to security and health', BBC News, 17 Oct. 2011, <<http://www.bbc.co.uk/news/science-environment-15342682>>. See also European Council, 'A secure Europe in a better world: European Security Strategy', Brussels, 12 Dec. 2003, <<http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf>>.

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 diplomacy, trade and development strategies and instruments deployed by the EU to achieve access to natural resources, particularly by managing its relationships with natural resource-exporting countries and competing natural resource-importing countries (where such a distinction is possible) and promoting a level playing field in global natural resource sectors. These actions are of particular relevance in the context of unfair competition, or protectionist policies adopted by natural resource-exporting countries. The second category includes security strategies and instruments and the third category includes strategies and instruments to fight climate change.

In fact, the EU's responses are sometimes disjointed and compartmentalized, which undermines their overall effectiveness, jeopardizes reaching strategic objectives and risks setting strategies and instruments against each other.<sup>7</sup> Action should be taken to align and coordinate available strategies and instruments to ensure that they effectively reinforce each other. The urgency of this task is underlined by cases where EU development priorities and trade objectives contradict each other, for example in the context of the EU's opposition to export taxation by

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<sup>7</sup> See e.g. European Council (note 3).



African natural resource-exporting countries.<sup>8</sup>

In 2008 the EU issued the Raw Materials Initiative (RMI), a policy document that prioritizes access to natural resources and the regulation of international markets.<sup>9</sup> 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

RMI policy paper bases 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 towards defining and implementing a strategic framework on natural resources. However, natural resource-related security and conflict challenges remain imperfectly addressed.

As a result, the EU needs to formulate a practical natural resource policy proposal 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), with a 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.<sup>10</sup>

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 interactions between natural resources and security and conflict challenges. Integrating EU responses within a strategic framework will help 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.

## THE FUTURE ROLE OF THE EUROPEAN UNION

The four principal ways in which natural resources interact with security and conflict challenges have all developed significantly over the past two decades and further changes are inevitable. The initial task for the EU is to clarify the actual challenges that natural resources pose to its Common Foreign and Security Policy (CFSP).

<sup>8</sup> Lazzeri, T., 'EPAs and the European Raw Materials Initiative', Africa-Europe Faith and Justice Network, 2011, <<http://www.aefjn.org/index.php/352/articles/epas-and-the-european-raw-materials-initiative.html>>.

<sup>9</sup> European Commission, 'The Raw Materials Initiative: meeting our critical needs for growth and jobs in Europe', Communication to the European Parliament and Council, COM(2008) 699 final, 4 Nov. 2008, <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0699:FIN:en:PDF>>.

<sup>10</sup> Andersson, J. et al., *European Security Strategy: Reinvigorate, Revise or Reinvent?*, Occasional Swedish Institute of International Affairs (UI) Papers no. 7 (UI: Stockholm, 2011), p. 13.

*Now is an opportune moment to suggest a strategy under which the EU could speak with a single voice*



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.<sup>11</sup>

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. These challenges often emerge in grey areas where strategies and instruments 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 Commission will need to be resolved.<sup>12</sup>

## RESEARCH AND POLICY QUESTIONS

In order to advance 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 modify existing EU approaches. A first set of questions relates to natural resource security in general. A 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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### General research and policy questions

First, given the differences between EU member country priorities, can the EU develop a broadly supported and practically applicable natural resource policy? EU member states apply different approaches to energy needs and raw materials supply.<sup>13</sup> For example, not all members view the EU's security role in Africa as a priority. There is thus a risk of security free-riding among member states, which can translate into a lack of political support to put the

<sup>12</sup> 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. 'Meanwhile on planet Brussels', *The Economist*, 18 Oct. 2011.

<sup>13</sup> Lesourne, J., 'Le changement du paysage géopolitique de l'énergie' [Changes in the geopolitical landscape of energy], *Actuelles de l'Institut français des relations internationales (IFRI)*, Aug. 2011, <<http://www.ifri.org/?page=detail-contribution&id=6719>>.

<sup>11</sup> De Vasconcelos, A. (ed.), *A Strategy for EU Foreign Policy*, European Union Institute for Security Studies (ISS) Report no. 7 (ISS: Paris, 2010), p. 22.



EU's crisis management ambitions into action.<sup>14</sup> It is therefore necessary to map the key priorities of member countries and reflect this mapping exercise in concrete policy proposals.

Second, is it feasible to develop a globally integrated policy framework for natural resource management? The EU has in fact been taking steps to increase multilateralism as part of its security

strategy, as well as of its raw materials strategy.<sup>15</sup> 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.

Third, should EU natural resource 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.<sup>16</sup>

Fourth, how can the EU better integrate natural resource issues within the European Security Strategy? The EU's crisis-management operations would prove more effective if the role that natural resources play in influencing a security environment was more effectively taken into account.

This point was emphasized in the European Parliament's July 2011 report on the RMI.<sup>17</sup>

### **Natural resources and conflict financing**

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

Some schemes have been successful in making a number of companies more responsive to transparency and sustainability issues, largely due to consumer demands for more ethically sourced products. However, they have also been criticized for causing economic hardship and political tensions in natural resource-exporting countries. Considering the level of financial and political support that some natural resource trade-control mechanisms enjoy, their ability

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

<sup>14</sup> Lirong, L., *The EU and China's Engagement in Africa: The Dilemma of Socialisation*, European Union Institute for Security Studies (ISS) Occasional Paper no. 93 (ISS: Paris, Aug. 2011), p. 15; and Helly, D., 'R2P, Africa and the EU: towards pragmatic international subsidiarity', European Union Institute for Security Studies, Nov. 2008, <<http://www.iss.europa.eu/fr/publications/detail-page/article/r2p-africa-and-the-eu-towards-pragmatic-international-subsidiarity/>>, p. 2.

<sup>15</sup> Roger, C. et al., *Guide to the European Security and Defence Policy* (French Delegation to the European Union: Brussels, Nov. 2008).

<sup>16</sup> European Parliament, Committee on Industry, Research and Energy, 'Report on an effective raw materials strategy for Europe', 2011/2056(INI), 25 July 2011, <<http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A7-2011-0288&language=EN>>.

<sup>17</sup> European Parliament (note 16).



to bring about positive outcomes requires further research.

In areas such as eastern Democratic Republic of the Congo, 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 been reduced. Natural resource management (NRM) and security sector reform (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, the interaction between remittances from European Union-based diaspora communities and natural resource-related security and conflict challenges is an area that remains under-researched.

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.<sup>18</sup> Research must therefore focus on how to best align NRM and SSR interventions so that they mutually reinforce each other.

Natural resources play a critical role in financing conflict, but also in creating strategic incentives for peace-supporting action. Peace agreements must create conditions under which belligerents are incentivized to engage in regular, formalized and peaceful economic activities, rather than remaining in the shadow economy. How such conditions can be created remains under-researched. Transforming

<sup>18</sup> Garrett, N. and Mitchell, H., *Trading Conflict for Development: Utilising the Trade in Minerals from Eastern DR Congo for Development* (Resource Consulting Services: London, 2009).

conflict-financing trade into legal trade should therefore be a key research focus.<sup>19</sup>

### **Natural resources and state effectiveness**

The security merits of investing in community development and sustainability performance schemes in areas affected by natural resource development in producer countries should be explored. 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 developing and sourcing natural resources.

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.<sup>20</sup> 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

*The EU needs to know what it can offer to avoid losing its leverage, particularly in Africa*

<sup>19</sup> Sunman, H. and Bates, N., *Trading for Peace: Achieving Security and Poverty Reduction Through Trade in Natural Resources in the Great Lakes Area* (Department for International Development: London, Oct. 2007). See also De Koning, R., *Conflict Minerals in the Democratic Republic of the Congo: Aligning Trade and Security Interventions*, SIPRI Policy Paper no. 27 (SIPRI: Stockholm, June 2011).

<sup>20</sup> See Ramdoo, I., *Shopping for Raw Materials: Should Africa be Worried about EU Raw Materials Initiative?*, European Centre for Development Policy Management (ECDPM) Discussion Paper no. 105 (ECDPM: Maastricht, Feb. 2011).

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PEACE RESEARCH INSTITUTE**

Signalistgatan 9  
SE-169 70 Solna, Sweden  
Telephone: +46 8 655 97 00  
Fax: +46 8 655 97 33  
Email: sipri@sipri.org  
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its leverage, particularly in Africa, while also maintaining an effective dialogue on domestic reforms and economic development.

## Natural resources and climate change

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 country-specific institutional and stakeholder assessments and, based on this knowledge, develop an effective long-term engagement strategy that will help to mitigate climate change and natural resource-related security and conflict challenges.

## Conflict over natural resources in a multipolar global economy

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 potential partners, which can subsequently guide EU actions.

Finally, the EU should investigate how trade and diplomacy tools could be better aligned with respect to securing access to natural resources. The European Parliament's Committee on International Trade 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.

## CONCLUSIONS

To date, the EU has sought to respond to natural resource-related security and conflict challenges through a set of initiatives designed to ensure access to natural resources, fight climate change and, more recently, ensure stability in natural resource markets. Nevertheless, current EU policy underestimates the multidimensionality of the issues related to natural resources and has consequently struggled to align and coordinate mechanisms to address them. Even though natural resource–security links have been recognized in the development of EU policy instruments such as trade and aid tools, the security dimension is often overlooked.

For example, there is a realization that using trade policy to intervene in natural resource sectors—as the EU has been doing through the RMI—risks overlooking potentially related security challenges. In fact, the EU may be securing favourable terms of trade to access resources at the expense of efforts that it is deploying in other fields through development and security interventions. These contradictions will also have ramifications for the EU's credibility as a normative power committed to the pursuit of an international order based on good governance, democracy, the rule of law and the protection of human rights.