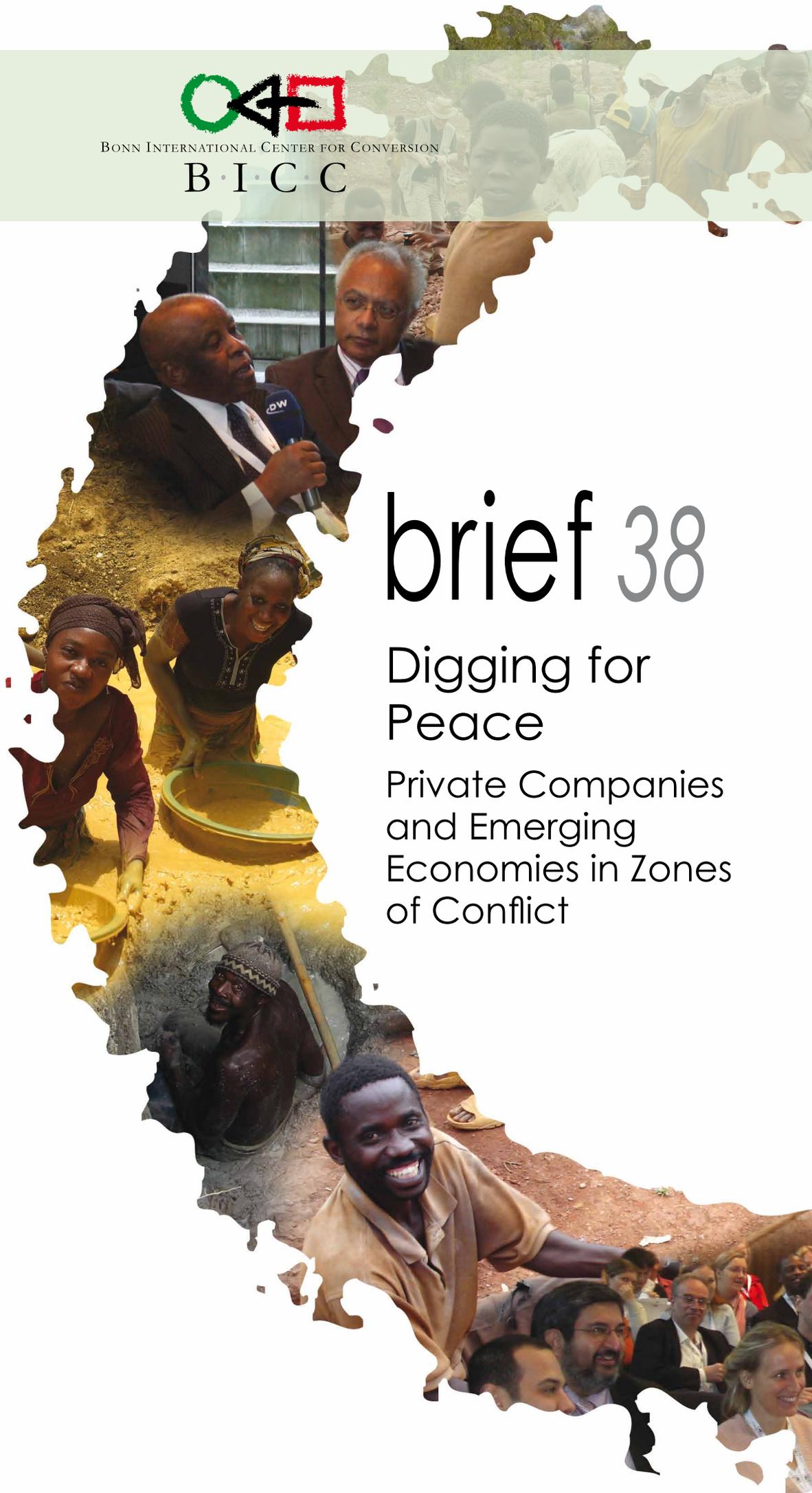




BONN INTERNATIONAL CENTER FOR CONVERSION

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brief 38

Digging for Peace

Private Companies and Emerging Economies in Zones of Conflict

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The conference homepage offers access to a detailed documentation of the conference: You can view PowerPoint presentations, the speakers' biographies as well as photographs of the event and listen to audiorecordings. Please access: <http://www.bicc.de/index.php/digging-for-peace>.



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brief 38

Digging for Peace Private Companies and Emerging Economies in Zones of Conflict

Report of the Fatal
Transactions Conference,
Bonn, 21–22 November 2008

Lena Guesnet, Jolien Schure,
and Wolf-Christian Paes (eds.)

Preface

The year 2009 marks the tenth anniversary of the Fatal Transactions advocacy network, an umbrella group of European and African non-governmental organizations which campaigns for the transformation of resource-related conflicts in Sub-Saharan Africa.

As one of the founding members of the network, our colleague Anne Jung of Medico International, said during the conference (see pp. 12–13 of this *brief*), Fatal Transactions began its work following reports of atrocities committed in Angola, the Democratic Republic of the Congo (DRC) and Sierra Leone. It soon became clear that natural resources, such as crude oil, diamonds and different minerals, were playing a crucial role in these, and other conflicts. It is the revenue from the production and sale of these resources, which allows both government forces and rebel groups to import arms and ammunition. Following the end of the Cold War, large parts of the African continent had begun to slide off the strategic map of the international powers (a trend, which was partially reversed after the terrorist attacks of 11 September 2001). The development contributed to the decline of political regimes from Monrovia to Kinshasa, as well as to the growing prominence of natural resources in African conflicts (often substituting for military aid from international patrons). Not only did conflict commodities play an important role in greasing the wheels of war economies across the continent, they also changed the way wars were being fought. Whereas previously the strategic goal had been to control territories and populations, ultimately aiming to capture political power, modern-day warlords are often content to occupy mines and transport corridors.

For the civilian population trapped between the front lines this strategic shift meant a prolonged misery. During the last decade, more than four million people died in the DRC according to estimates of some humanitarian agencies, most of them not from injuries sustained in fighting, but rather from malnutrition and preventable diseases as a result of being cut off from farms, markets and hospitals. A whole generation of young Angolans, Congolese and Liberians was marooned in a maelstrom of violence, rape and looting without much schooling, hardly any economic prospects or indeed hope for the future.

Wolf-Christian Paes is a Senior Program Manager at BICC, and leads the team of researchers at BICC who coordinate all Fatal Transactions activities in Germany.



When we met in Bonn in November 2008 at the annual Fatal Transactions conference to discuss the topic of private companies and emerging economies in zones of conflict, some of this had changed for the better. Following the death of UNITA leader Jonas Savimbi in February 2002, Angola has made great strides along the path to peace. Elsewhere in West Africa, the United Nations have overseen the transition from war to fragile peace in Liberia and Sierra Leone. Finally, the tireless work of civil society activists, diplomats and industry representatives has culminated in the Kimberley Process Certification Scheme (KPCS) for diamonds, creating for the first time a mandatory control regime for the international trade in precious stones. While KPCS is far from perfect and has still to prove its mettle in conflict prevention (the diamond-fueled conflicts in Angola, Liberia and Sierra Leone ended before the scheme became effective), it has boosted state revenues from the sector, reduced smuggling and, maybe most importantly, has increased public knowledge about production and trade statistics. And yet much remains to be done. Peter Eigen reminded us that resource-related violence continues in the East of the DRC with rebel forces loyal to General Laurent Nkunda (since arrested) threatening the regional capital Goma.

Elsewhere on the continent, resource-related conflicts continue to fester in Côte d'Ivoire, Chad, Nigeria, and Sudan—as discussed in Section three (see pp. 26–28) of this *brief*. It seems that the theater and the commodities in question have merely shifted, while the conflict dynamic remains much the same.

Different Dimensions of Resource-related Conflict

The international policy discussion on resource-related conflict is made more difficult because of the complexity of the issues at stake. For starters, attempts at the United Nations to draw up a definitive list of "conflict commodities" are doomed to fail. The experience of the last decade has shown that the list extends far beyond

oil and diamonds, the two natural resources which have mostly captured the imagination of policymakers (and the general public) when it comes to conflict. While the utility of different natural resources depends on their value, the degree of difficulty associated with their extraction and the nature of their specific markets, in principle all natural resources, that find a buyer can be used to finance violent conflict. Wars have been funded through the export of tropical timber (Cambodia, Liberia), coffee (DRC), cocoa (Côte d'Ivoire), gold (Liberia, DRC), coltan and cassiterite (DRC). All of these commodities are legal and can be traded on the global market unless international sanctions are in place¹; it is only the fact that conflict parties benefit from this trade, which makes them problematic. Industry-wide and mandatory regulation, such as the Kimberley Process, therefore cannot be replicated easily for other goods. Section four (pp. 29–32) of this *brief* describes some of the challenges facing private sector companies from the oil, diamond and cocoa sector operating in zones of conflict. Furthermore, resource-related violent conflicts exist on three different, but interrelated levels:

- **Revenue transparency and governance**

This dimension addresses the question on how revenues from the extraction of natural resources are being spent by the state. Most often discussed in relation to oil-rich countries such as Angola, Nigeria and Sudan but no less relevant for states depending on mineral exports, violence is often triggered by conflict between different groups over the distribution of revenues between political constituencies, leading to coup d'états at the center and/or attempts at secession in resource-rich areas.

- **Resource-fuelled violent conflict**

In contrast to the above, where resource rents are distributed by the state and therefore political power is the key to access, this includes violent conflicts where rebel groups are able to control natural resources on the periphery which can—like alluvial diamonds—be exploited with a minimum of capital and know-how². Where this is the case, political power might still be the ultimate aim of an armed group, but resource-exploitation during an ongoing conflict provides the necessary financial means to import goods such as arms, ammunition, food and fuel, while also providing financial incentives for the fighters.

¹ In Afghanistan and Colombia, similar war economies are fueled in large part by the export of illegal drugs such as heroin and cocaine, which makes regulation even more difficult.

² This does not necessarily imply that armed groups actually operate mines, plantations and logging concessions themselves. In many cases revenue is derived from extracting "taxes" and "fees" in exchange for the provision of security from private entrepreneurs.

- **Production-side conflict dynamics**

This includes conflicts between private companies and local communities often triggered by issues such as the compensation for expropriated land and environmental damage, hiring practices and other socio-economic changes brought by the onset of extraction activities. While local communities initially expect positive changes (such as job creation and the provision of services), relations often sour when it becomes obvious that not all those dreams become reality. When company and government representatives do not properly address these grievances, they can lead to local acts of violence. Ultimately, as in the case of the Niger Delta, these local conflicts can turn into calls for secession and the outbreak of civil war.

While numerous international initiatives have been launched in the past decade to deal with these challenges—from the Kimberley Process to numerous voluntary codes of conducts for the private sector and the government-led Extractives Industries Transparency Initiative (EITI)—they suffer from the fact that they are very limited in scope. In this *brief*, the Chairman of EITI Peter Eigen (pp. 14–15) and the former President of Botswana, H.E. Festus Mogae (pp. 17–19) share their experiences with transparency and good governance in the area of natural resources. The existing initiatives either deal only with specific commodities, industries or individual countries (as in the case of sanctions). In addition, while the body of literature on the need for Corporate Social Responsibility (CSR) has grown enormously, corporate practice around mining sites and oil wells in countries of the South differs significantly from the content of the glossy brochures handed out at their headquarters in the North.

New Challenges Ahead for Resource Governance

While many of these initiatives represent steps into the right direction, they often stop short of addressing the core issue at stake. The members and partners of Fatal Transactions believe that the key to end resource-related violence is improved resource governance. Nation states and international organizations have an important role to play in holding extractive companies accountable. They need to ensure that the revenue from natural resources is spent in a way that benefits the society at large and not just a small oligarchic elite. As the awareness of the relationship between political instability and the 'resource curse' grows, so does the willingness of policymakers to make accountability and good governance a precondition for political engagement—the German government's position on this issue is presented by Adolf Kloke-Lesch of the Federal Ministry for Economic Cooperation and Development

(pp. 20–22), while Ricardo Soares de Oliveira of Oxford University presents an academic perspective (pp. 23–25).

After a slow start, many multinational companies in the sector have also realized that improved corporate practices, such as a firm policy on bribes and kickbacks to local officials improve the long-term outlook of their businesses. Nevertheless, the global rally of commodity prices in 2007/08 has, at least temporarily, strengthened the bargaining position of Southern governments. Another new challenge, which featured prominently in our conference in Bonn and which is the topic of both Section five (pp. 33–37) and Section six (pp. 38–41), is the prominent role of both private and state-controlled Chinese extractive companies across Africa. Often backed by Beijing-financed large-scale infrastructure development programs, these companies offer a welcome and strings-free alternative to African leaders, which are frustrated by the growing insistence of Western actors on transparency and good governance. China seems to offer an alternative economic development

model, free of political interference and without the colonial baggage carried by Europe and North America. While this might have an impact on how quickly companies and governments are adopting new policies on extractives, Chinese oil firms have already begun, with the kidnapping of their staff in Ethiopia and Nigeria, to discover what Western companies have only started to learn in the last decade: Without the agreement of local communities—in the CSR-jargon often called the “social license to operate”—extractive industries faced with blackmail, abductions and escalating security costs cannot hope to remain profitable over the long term.

BICC and Fatal Transactions want to thank all speakers, participants and organizers once again for their invaluable contributions and look forward to continuing the discussion on how to turn ‘fatal’ into ‘fair’ transactions.

Fatal Transactions

Fatal Transactions is an international campaign that strives for a just and fair exploitation of Africa’s natural resources. It was launched in October 1999 by a consortium of European civil society organizations to increase public awareness on the funding of rebel armies across Africa through the trade in so-called ‘conflict’ or ‘blood’ diamonds.

Fatal Transactions aims to transform ‘fatal’ into ‘fair’ transactions that truly benefit the African people. Therefore, members of Fatal Transactions implement a lobby and public awareness campaign in Europe in order to stop natural resources fuelling conflict and instead improve resource governance in post-conflict countries. Further information on events and publications can be found at www.fataltransactions.org (international website) and www.fataltransactions.de (German website).

BICC

BICC (Bonn International Center for Conversion) is an independent, non-profit organization dedicated to promoting and facilitating peace and development. BICC seeks to assist in preventing violent conflicts and hence contribute to their constructive transformation. One of BICC’s fields of expertise is research on the link between commercially exploitable resources and the outbreak and continuation of armed conflicts in Africa.

From 2007 onwards, BICC became the German focal point of Fatal Transactions (see: www.fataltransactions.de) and raises specific issues around resource exploitation and conflict with the German public, companies, academics and policymakers. This is based upon ongoing research work, such as the ‘Resource Conflict Monitor’ (www.resource-conflict-monitor.org) and in collaboration with the international partners of the Fatal Transactions campaign.

In 2008, BICC undertook field research on the case of Côte d’Ivoire geared at increasing the understanding about the role of natural resources in (post-) conflict societies and as a means to contribute to peacebuilding efforts. Moreover, BICC joined forces with the campaign partners in a common focus and web dossier on the role of China’s investments in the African mining sector and co-organized the international Fatal Transactions conference “Digging For Peace: Private Companies and Emerging Economies in Zones of Conflict”.

Pre-Event: Certifying Trading Chains

An International Workshop

As part of an international consultation process by the German Federal Institute for Geosciences and Natural Resources (BGR) a workshop was held on the topic of Certified Trading Chains (CTC) of mineral products—a topic closely linked to the matters addressed at this year's Fatal Transactions/BICC Conference "Digging for Peace: Private Companies and Emerging Economies in Zones of Conflict".

CTC in mineral production is an instrument to implement transparency and ethical standards in mineral production thereby improving responsibility in the minerals sector by introducing a concept of voluntary self-commitment among the partners within the value chain. Since industrialized and large scale mining (LSM) operations commonly operate within acceptable corporate social and ecological responsibility (CSER) standards, the approach focuses explicitly on artisanal mining organizations, and small-scale companies which use artisanal labor in developing countries.

Background

Mining in Central Africa has been associated with violent conflict, mistreatment of artisanal miners, illegal trading and the diversion of state funds. In 2002, the United Nations' Panel of Experts presented their findings to the Security Council on the Illegal Exploitation of Natural Resources in the Democratic Republic of the Congo (DRC).¹ The Panel had found that the plunder of natural resources and other forms of wealth of the DRC was fuelling conflict in the region. Like the DRC, many developing countries are richly endowed with mineral resources that bear potential for sustainable social and economic development if managed responsibly.

Taking up the proposal put forward by the United Nations Expert Group, BGR started two strains of research in 2006 to provide assurance of the origin of coltan. The first research project aimed to test the feasibility of 'fingerprinting' coltan samples based on the mineralogical characteristics of specific ore bodies. First results indicated that such an analytical proof of origin is feasible but very demanding in terms of cost,

¹ United Nations Security Council, 2002. *Final Report of the Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth in the Democratic Republic of the Congo*, UN Security Council, S/2002/1146 (No. UN document S/2002/1146). New York: United Nations.

Gisa Roesen is the Project Coordinator for "policy advice mineral and energy resources" at the German Federal Institute for Geosciences and Natural Resources (BGR).

Estelle Agnes Levin works for Resource Consulting Services.

time and the required skills of laboratory personnel. The second research project, developed in parallel, had BGR elaborating a chain of custody assurance systems, based on the establishment of transparent, traceable and ethical trading chains. This concept of Certified Trading Chains (CTC) found entry to the preparatory discussions for the G8 summit in Heiligendamm in 2007. The summit protocol stressed the need for action in the Artisanal and Small-Scale Mining (ASM) sector and acknowledged the potential of certification systems to increase "transparency and good governance in the extraction and processing of mineral raw materials (...) to reduce environmental impacts, support compliance with minimum social standards, and resolutely counter illegal resource extraction" (Article 85)². It also expressed support for "a pilot study (...) concerning the feasibility of a designed certification system for selected raw materials" (Article 86)³. To this end, the German government has taken the initiative to design and finance such a pilot project for implementation in Rwanda.



© BGR. Artisanal mining in Rwanda.

Finding a Solution

Export bans on natural resources are costly and difficult to enforce fairly. In contrast, certification can be oriented at the same goals, whilst allowing companies to continue to mine in or buy from the region on the basis that they are demonstrably achieving their social and environmental responsibilities, as required by the certification system. In this way, responsible buyers can use their buying power to effect positive change through remaining engaged in the mineral supply chains, rather than disengaging.

² G8 Summit, 2007. *Growth and Responsibility in the World Economy: Summit Declaration (7 June)*. At http://www.g-8.de/Content/EN/Artikel/_g8-summit/anlagen/2007-06-07-gipfeldokument-wirtschaft-eng.templateld=raw.property=publicationFile.pdf/2007-06-07-gipfeldokument-wirtschaft-eng.

³ Ibid.

By ensuring traceability of the trading chain, CTC serves as an instrument

- to ensure that the trade of certain mineral resources is conducted legally and does not support belligerent groups in the region, and
- to assure that process and production methods at the mine site adhere to minimum social and ecological standards.

CTC is a voluntary system of self-commitment by the partners in the trading chain.

Certification can only be regarded as the second best option and would be superfluous in case of total conformity with national and international laws, regulations and standards, which seek to protect the environment and human and labor rights, and promote sustainability and transparency. However, as law enforcement and institutional capacity are often weak in the mineral sector of many developing countries, CTC tries to transitionally fill the gaps between the ideal and the reality of sectoral governance. The standards have been developed in line with national law and the certified company must comply with or exceed the requirements of host-country laws and regulations.

The proper implementation of certification will create islands of good governance, where mineral resources are produced and traded legally and transparently and in ways which protect workers, communities, and the environment. Certification will also progressively transform and formalize informal mining. Formalization is a precondition for achieving transparent recording of production and trade, for improving governance and reducing conflicts associated with the mining sector.

Developing the CTC Standard

A set of standards were drafted on the basis of company audits at different mining sites in Rwanda as well as a number of international 'integrity instruments' and national law. Each standard was derived from specific provisions in the Organisation for Economic Cooperation and Development's (OECD) Guidelines for Multinational Enterprises (2000) and Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones (2006), as well as some of the International Finance Corporation's Performance Standards and the Voluntary Principles on Security and Human Rights.

To ensure that the standards are appropriate to all stakeholders at the international, national and local levels, BGR has been conducting an international consultation process, which began in October 2008 with a workshop with international development practitioners, government officials, academics, and artisanal miners from other countries at the 8th Annual Communities and Small-scale Mining (CASM)

Conference in Brasilia, Brazil. The original set of standards focused on assuring CSER and the chain of custody and origin by requiring transparency along the trading chain. The CASM Consultation on the standard led to the aggregation of the 21 standards into thematic clusters under five basic principles:

Box 1: Principles and Standards

1. TRANSPARENCY / CHAIN OF CUSTODY (mandatory)

Origin and volumes of produced and traded goods as well as company payments to host government are transparent.

Standards address:

- Origin and volume
- Fiscal obligations
- Revenue transparency
- Oppose corruption

2. LABOR (progressive compliance required)

The company does not use child labor and ensures fair remuneration and work conditions as well as continual improvement of health and safety measures for all employees.

Standards address:

- Salary level
- Child labor
- Workers' organization
- Protective and production means
- Health and safety
- Training

3. SECURITY (progressive compliance required)

The company ensures security on company sites whilst respecting human rights.

Standards address:

- Adequately trained security forces and promotion of human rights
- Risk assessment

4. COMMUNITIES (progressive compliance required)

The company consults communities in which it operates and contributes to their social, economic, and institutional development taking into account gender sensitive aspects.

Standards address:

- Structured dialogue
- Local business
- Integrated support

- Free, prior informed consent
- Gender
- Migration

5. ENVIRONMENT (progressive compliance required)

The company seeks continual improvement of its environmental performance.

Standards address

- Environmental Impact Assessment
- Waste disposal
- Provision for rehabilitation

For each of the standards, a simple procedure has been devised for measuring company compliance. An independent auditor chooses between five levels of compliance: if the company complies fully, the compliance level is 4 and if it does not comply at all, the compliance level is 0. The sum of all compliance levels for all standards then gives a composite score that can be expressed as a percentage of the maximum score; this in turn gives an overall assessment for how close the company comes to fully meeting these standards. Certification requires full compliance with the transparency principle and progressive compliance with the remaining labor, security, community, and environmental principles.

Example: Levels of compliance to principle 2, standard 1

(Maintain salary or payment levels equal to or greater than those in comparable enterprises)

Gross salary of employees or pay provided to workers

- 4= exceeds those of comparable enterprises.
- 3= roughly equal to those of comparable enterprises.
- 2= modestly inferior to those of comparable enterprises.
- 1= significantly inferior to that of comparable enterprises.
- 0= is irregular and inadequate.

At the Bonn workshop the objectives were to solicit feedback on the certification system as well as content and use of the draft standard, enhance dialogue with civil society, and inform participants on the objectives and process of the CTC. Participants were asked to formulate cautions and compliments in relation to the content, wording and feasibility of each standard and the certification system overall. Feedback was extensive, but mainly focused on:

- A wish that the standard should require companies to comply with national, customary and international law as a minimum;
- Reconsidering where responsibility for infrastructural and community development should lie;
- Discussing whether private or public security of the mine should be required;
- A criticism that some of the standards may be too vague in their current format;
- A definition on what is fair payment of employees and artisanal miners;
- A wish for a definition of worker and employee to clarify if these include the artisanal miners who are not directly employed;
- The nature of and motivation for organizing workers and miners;
- Clarification on exactly the incentives for each stakeholder to participate in the implementation of the standard;
- Development of a framework for evaluating performance of the standard generally over time in terms of its actual impacts on intended beneficiaries;
- Absence of indigenous issues means that at a minimum respect for cultural heritage should be required;
- The standard does not address the management of economic or physical displacement or HIV/AIDS.

A web page is being constructed to allow people to review the draft standard, results of the consultation process and further issues with respect to CTC.

BGR has just started the implementation of the pilot project on CTC in Rwanda within the framework of a technical cooperation program to strengthen the competitiveness of the Rwandan mineral sector by developing best practice and enhancing transparency.

Further consultations with the Rwandan government and other national stakeholders from industry and civil society will take place shortly.

Lessons learned from the international consultation process and the bilateral implementation of CTC in Rwanda will contribute to future technical cooperation between BGR and the Congolese Ministry of Mines (DR Congo). This technical cooperation project aims at introducing a certification system for coltan, cassiterite, wolframite, and gold and will start by the first half of 2009. The cooperation will combine implementation of CTC at selected mining sites in South Kivu with capacity-building of sector institutions so that they can fulfill their mining oversight function.

1 Initial Addresses



© Schure/BICC. Women washing gold in Côte d'Ivoire.

Welcome

About 120 participants, amongst them representatives of research institutes, private companies, civil society as well as politicians accepted the invitation by BICC (Bonn International Center for Conversion) and the international Fatal Transactions campaign to talk about the challenges of Private Companies and Emerging Economies in Zones of Conflict in Africa and will be “Digging for Peace” in the next two days.

The context in which resource extraction is taking place is changing with its impact mostly felt in African developing countries. Large mining investors and multinational corporations start their explorations in resource-rich countries that are at times recovering from years of violent conflict and struggling to keep up a fragile peace. Institutional donors talk about ‘responsible resource management’ as a possible solution for dealing with conflict potential and stimulating positive development. At the same time, new actors such as China have entered the resource market closing large mining deals that change the landscape of the African resource sector.

We are glad that this year's Annual Fatal Transactions Conference—“Digging for Peace: Private Companies and Emerging Economies in Zones of Conflict”—will take place in Bonn. BICC as Fatal Transactions member will be hosting this two-day event. BICC is an independent, non-profit organization dedicated to promoting peace and development through applied research, advisory services, and training. One of BICC's fields of expertise is research on the nexus between commercially exploitable resources and the outbreak and continuation of armed conflicts in Africa.

This conference is co-funded by the Stiftung Internationale Begegnung of the Sparkasse Bonn, the European Union and Oxfam Novib. We are very grateful for this support!

Thank you to Deutsche Welle, too, which is a remarkable venue for this conference.

The conference will offer a platform for analyzing the current *status quo* of resource extraction in (potential) conflict areas by presenting case studies of current hot spots in Africa such as Liberia, Sudan and the Democratic Republic of the Congo. Although companies increase their efforts in positively engaging in post-conflict dynamics, they often are also part of the problem as they become an actor in the conflict instead of a promoter of peace. Fatal Transactions wants to analyze this problem and discuss possible interventions by companies and governments alike to address the issue.

Recently, the most prominent group of mining companies entering the African resource and mining market has been coming from China. Therefore, the emerging role of China in Africa's resource extractive



business will be the main topic of the second day of the conference. China's role in Africa has become a popular subject amongst academics, NGOs and policymakers. Fatal Transactions, however, argues that the debate poorly addresses the possible long-term effects of Chinese investments in Africa on security and stability.

Do Chinese investments pose a threat to African peace and stability or will they contribute to sustainable economic growth?

Another question is whether there is a role for European companies, civil society and governments in this up-and-coming South-South relationship.

We cordially invite you—international experts and conference participants alike—to join in a fruitful discussion on the above mentioned topics at this year's Fatal Transactions conference!

Thank you.

Peter J. Croll
Director BICC

Anne Jung

10 Years of Fatal Transactions

The Fatal Transactions campaign started in 1999 at exactly the right time

For decades, the value of a diamond was exclusively determined by the four Cs—Cut, Color, Clarity, and Carat. Only when non-governmental organizations (NGOs) drew public and international attention to the issue with the Fatal Transactions campaign and other initiatives, was a fifth C added to the four others: Conflict.

The goal of the Fatal Transactions campaign is to transform 'fatal' transactions into 'fair' transactions; transactions that contribute to sustainable peace and reconstruction in Africa.

The civil wars of the late 1990s in countries like Angola, Sierra Leone and the Democratic Republic of the Congo were significantly financed by the trade in conflict diamonds. The diamond trade was not the cause, but the engine of the conflict. In 1999, another study by Global Witness was able to prove the connection between the Angolan rebel movement UNITA and the diamond company De Beers. This study constituted an important empirical basis for the campaign. Not without justification, the industry feared that the value of the diamonds, artificially created by multi-million dollar promotional efforts, could drop due to the connection with African civil wars.

At the end of the 1990s, the constitution of the diamond industry was very vulnerable, as it faced an excess supply of diamonds and did not market or sell stones to a value of several billion US Dollars to artificially stabilize the price.

Taken together, these factors generated such enormous political pressure that soon the diamond industry could be convinced to re-think its activities. Immediately after the campaign launch, De Beers for example, announced its withdrawal from Angola. Additionally, media attention strengthened the enforcement of the existing UN sanctions.

Fatal Transactions never advocated a general boycott of diamonds, because—as mentioned in our first manifesto—there can be positive effects of the diamond trade, such as in Botswana.

In 2000, NGOs contributed to the initiation of the Kimberley Process to stop the trade in conflict diamonds. The Kimberley Process Certification Scheme (KPCS) of 2002 would not have become reality without the pressure of NGOs. In October 1999, one of the

Anne Jung is a campaigner with medico international, one of the founding organizations of the Fatal Transactions campaign in 1999.



campaign's first press releases read: "Fatal Transactions calls for De Beers to work for the establishment of an independent examination board that certifies rough diamonds."

The Kimberley Process Certification Scheme: Biggest Success and Greatest Challenge Thus Far to the Fatal Transactions Campaign

Under the KPCS, which came about with contributions from several NGOs such as Global Witness, Partnership Africa Canada and Network Movement for Justice and Development from Sierra Leone, more than 70 states have since committed themselves to renounce the trade in conflict diamonds. This includes intra-state control and certification of all exports of rough diamonds. The KPCS is a result of constructive collaboration between governments, industry and civil society.

In the narrow legal sense, however, the KPCS is not a legally binding agreement. In principle, legally unsecured agreements carry the risk of being instrumentalized by industrial enterprises for image-improvement, without such agreements contributing to tangible and sustainable political changes. Therefore Fatal Transactions and other NGO representatives urge a revision regarding the liability and the practical implementation of the KPCS:

a) Diamonds from conflict regions such as Côte d'Ivoire still reach the international market. Just recently the resource-financed conflict in the Democratic Republic of the Congo has erupted again.

b) The definition of conflict diamonds is insufficient as it is limited to diamonds traded by illegitimate actors such as rebel movements.

c) Even in officially pacified regions, grave human rights violations and working conditions akin to slavery accompany diamond mining.

With the continuation of economic and social exclusion, the conditions are created for a renewed outbreak of armed struggle.

The Kimberley Process Certification Scheme has since become to be treated as a model for a general definition of conflict resources. Therefore, a greater legal liability of the certification system is of particular significance. The industry's cooperation is commendable, especially in the case of the diamond industry. In this however, the different interests and objectives of NGOs, business and politics should not be blurred.

Challenges for the Fatal Transactions Campaign

So far, Fatal Transactions has placed the focus of the campaign on the dialogue with the industry, lobbying and research activities, and less on the mobilization of the public—the force 'from below'. It cannot be excluded that a more substantial convention against conflict diamonds would have been politically feasible had there been significant international pressure from civil society such as prior to the adoption of the Ottawa Convention against anti-personnel mines.

It is a basic truth that NGOs do not have influence on political decision-makers and the practice of industrial enterprises because power has been formally transferred to them, but because NGOs are themselves an expression of independent publics, are carried by them and share specific expertise and interests with them. To create critical publics and simultaneously to bring back politics to the center stage of claims should be a central task of campaigning.

Peter Eigen

Opening Speech

President Mogae, Ladies and Gentlemen,

I am very proud to have been asked by the organizers to address you, the participants. First of all, however, I would like to congratulate Peter Croll, Anne Jung and Anneke Galama for their tremendous work in the Fatal Transactions campaign. I agree with them: the cooperation between important actors of governance, the governments, the private sector and civil society will be able to bring a resolution to this intractable and terrible problem which we are facing.

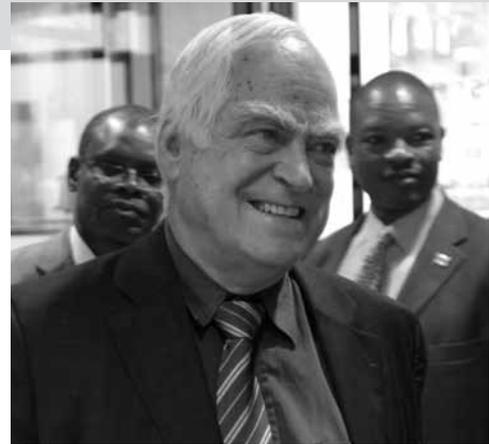
Of course we are all deeply disturbed by the renewed killing in the eastern part of the Democratic Republic of the Congo (DRC). And it seems that the quest for the control over and exploitation of natural resources is again a contributing factor in this conflict. As the international community works to prevent further suffering in the DRC, we must work to ensure that extractive industries do not exacerbate the instability and the conflict and instead contribute to poverty reduction and sustainable development in this part of the world—a goal that the Extractive Industries Transparency Initiative (EITI) has taken up.

And this conference is, in fact, a perfect opportunity to present this Initiative, which is playing an increasing role, globally but also locally, at the country level, to improve governance in extractive industries. We see that improved governance in the natural resources sector can really turn the so-called 'resource curse' into real benefits to the people. However, we have to see this against the background of failing global governance. There are certain areas in which a globalized economy simply has escaped the traditional paradigm of governance, has escaped the capacity of governments—even powerful governments like the German government or other traditionally stable governments. Even they find it difficult to deal with failing governance in a number of areas, such as corruption, the destruction of the environment, human rights violations and the exploitation of women and children.

And it is in this context that we are able to understand the causes of violence and conflict which we observe in areas of natural wealth and where we hope to find solutions.

In my opinion, this magical triangle of cooperation between governments, the private sector and civil society may offer the answer.

So this is why I am so excited to be here and to be able to discuss with activists and important institutions as well as powerful campaigns and movements, which bring together not only the Kimberley Certification Process but also the Voluntary Principles on Security and Human Rights in the Extractive Sector and my organization, the Extractive Industries Transparency Initiative.



These initiatives' aim is mainly to bring the private sector, private companies, into this joint effort and to harness their force, their reach, and their strength into a positive impact. And I am very much encouraged by the results which they are beginning to yield.

EITI for instance, is clearly on the right path. More and more countries have expressed their interest in joining the 26 countries which are already candidate countries in this movement. Quite a number of African countries are also beginning to join, such as Burkina Faso and Mozambique. But also countries in other parts of the world, like Indonesia, which we visited a year ago, or Iraq are seriously interested. This helps us to develop a global standard which will hopefully avoid the mismanagement, the corruption and the destruction often caused by the wealth inherent in natural resources.

Yesterday evening I had the chance to talk with Bob Zoellick from the World Bank. He confirmed the World Bank's commitment to not only support EITI through its Trust Fund—which by the way is also generously supported by the German government—but also to expand EITI's narrow mandate of verifying and publishing company payments to governments to verifying the fairness of negotiations of investment agreements, the negotiation of exploration and production agreements, i.e. the entire conduct of mining transactions.

The World Bank also intends to launch initiatives that go beyond the EITI's mandate of verifying government revenues from extractive industries, focusing on their introduction in budgets, on sound government investment programs, which, in turn will hopefully contribute to fighting poverty and destruction in many of these countries.

It is this positive trend, which I would like to report here. Because natural resources do not always account for

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bad news in Africa and other parts of the world. I do share Peter Croll's opinion on this continuous attempt to bedevil the investment of the newcomers in Africa, the Chinese, Malaysians, Indians, or the Brazilians. They are a tremendous chance for countries with good governance. They can treat them like other investors and thus hopefully get better revenues from the wealth they have to sell to these international investors.

And it is of course in this context that it is wonderful to have you here, President Mogae. I know that you are enjoying the rain, in contrast to all of us. Let me tell you all that in Botswana, the name "rain"—*pula*—also stands for "blessing". This is what you wish each other when you meet in the dry streets of Gaborone. So we made it rain for you here today. To have you here, as one of the architects of what we admire in Botswana: a fair investment arrangement with the investors in your national resources, a fair evolution of this operation since the early 1970s, when we got to know each other. You were travelling around as a planning officer in the Ministry of Finance and Planning. Gradually, you rose in this wonderful governance establishment in Botswana and today, you stand, together with Quett Masire, your predecessor, for the stability, fairness, predictability and strength of the mining sector in your country. And I am really looking forward to hearing your story, because it can give us hope. It can give us the sense that what we are seeing in the DRC, in Sudan, in Somalia, Angola or in other parts of the world, is not God-given—like the weather. It is something that one can change. If only one brings together the people that are of good will in this strategic alliance of government, private sector and civil society.

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Keynote Speeches



Resource Governance: A Perspective from Botswana

Thank you very much for this opportunity to share the story of how we in Botswana have managed to transform our mineral wealth in economic growth and social development. I thank Fatal Transactions for inviting me and Bonn International Center for Conversion for hosting the conference. The theme of this conference, "Digging for Peace: Private Companies and Emerging Economies in Zones of Conflict", is timely for the African continent, which is endowed with abundant natural resources, not just diamonds. The challenge is how to channel revenues from these resources to drive national development for the benefit of the majority of Africans. Africa's extractive industries generate billions of dollars every year, which, if properly managed could go a long way to eradicating poverty and hunger in the continent. However, it is well known that revenues from extractive industries in many African countries have not benefited the majorities of African people, but fuelled corruption, greed and endless conflicts and wars. And this has been blamed, rightly so, on poor political and economical governance and lack of political accountability.

My task this morning is to share with you Botswana's experience in resource management. Botswana owes its success to the exploitation of natural resources, especially diamonds. Botswana is the world's leading diamond producer by value, not by volume and generates approximately 30 percent of its Gross Domestic Product (GDP) and about 50 percent of tax revenues from the mining industry as a whole. Diamonds account for 75 percent of export earnings and about 50 percent of government revenue.

How did Botswana manage to implement such a development-oriented approach when many other African countries got trapped by the so-called 'resource curse'? The starting point, I would say, is appropriate policies, the right legislation and a regulatory framework. There are a number of causes of conflicts in Africa, which then become fuelled by the existence of natural resources. In Botswana, we feared that jealousies between ethnic tribes might be a cause of conflict—despite the fact that we are considered very homogenous as a country by the rest of the world. The fear was that a number of major ethnic tribes, on the territory of which most of the minerals were discovered, would exploit their minerals to the exclusion of the rest of the country and to the exclusion of the rest of the tribes, which could lead to ethnic jealousies.

To avoid such a type of conflict, we agreed to centralize the ownership of mineral rights in the state, irrespective of where they are found. This campaign was led by one of our traditional leaders. However, a centralization is not necessarily a solution in itself. It's just that in this context it's one of the things that we did, that turned out to be the right thing. It's not necessarily the case that if minerals are owned by the state that they are exploited



to the benefit of the people. I am not saying that. But it worked for us. When Botswana became independent, we were among the United Nations 25 least developed countries in the world, among the ten poorest and totally surrounded by apartheid South Africa, the racist Smith regime in Namibia, which was also ruled by apartheid South Africa—and then two minerals were discovered: diamonds and copper/nickel. But we did not exploit them until after independence. Diamonds were discovered in Botswana in 1967, one hundred years after they were discovered in South Africa in 1867. And such was the situation when we started vesting the mineral rights in the state.

The first company to actually start exploiting our mineral resources was De Beers. They discovered the diamonds and consented to develop the mine and pay for everything in a country where there were no roads, no bridges, nothing. They had to build a township, they had to develop the mines, they had to build the roads to the mines, etc. In their eyes, this was a marginal project. We agreed. But we badly needed them. They were going to create some employment and some revenue. They were most welcome. So we agreed with them that they would write off their capital investment on an accelerated basis. They estimated that it would take seven years to recover their investment and we agreed with them. As a consequence, all revenues did not accrue to the state but were in fact used to write off the capital that they had invested. In the event, De Beers recovered their capital in 18 months. We therefore amended the constitution, which meant that they lost their pioneer industry status, whereby they were exempt from everything and whereby they had the right to write off their capital on an accelerated basis.

H.E. Festus Gontebanye Mogae is the former President of the Republic of Botswana. During President Mogae's decade of leadership from 1998–2008, Botswana registered an impressive economic record, which built upon the wise management of revenues generated by the diamond industry used to promote economic development and was combined with sensible fiscal policies and a cautious foreign policy.

Today, the project is no longer a marginal one, is no longer a pioneer one, is no longer so risky and, for many reasons, such as the regulatory climate in the world, both in Western Europe, North America and elsewhere, De Beers is a shadow of its former self. And in fact, today De Beers is an angel. I love it; I recommend it, any time. But then it was different. Its attitude did not change overnight and it was not all friendship. It particularly disputed our decision to amend the constitution and accused us of going back on agreements freely entered into. They said that such behavior was bad faith and would be bad for business. But we disagreed. The basis on which this agreement had been signed had changed radically when De Beers was able to recover its capital in 18 months instead of seven years. At that time, we became acutely aware of the pool of expertise at its disposal; as for us, we had nothing. After all, after independence, we had all but 40 university graduates. So we had to hire international experts to join our team of officials to start the renegotiation of the agreement.

The renegotiation, which was bitter and acrimonious, took two years but we persisted. Both, De Beers and we knew that we needed each other. The glue that held us together was that we were the most diamond-dependent country in the world and De Beers was the most diamond-dependent company in the world. In the end it was agreed that 75 percent of gross revenues would accrue to the government and 25 percent to De Beers. The government take had two components at that time: royalties and taxes. And so, with that negotiation, and thanks to the team of international advisors, who negotiated on our behalf, we were able to extract an agreement, to see projections of costs and revenues to be made and therefore we were able to talk meaningfully about a fair share of the revenues accruing, including a fair return to the capital investors, like De Beers. As a sequel to the negotiations, we developed appropriate mineral policies, in the Mines and Minerals Act, which we amend from time to time to improve it and which makes the process very transparent.

And therefore, nowadays, when you ask for a license, we simply refer you to the Mines and Minerals Act. You know what is required of you, what is expected. You don't have to pay anything to anybody. You know who to apply to. And then you are also entitled to what is known. We tell you what we have discovered, what we know, what geological irregularities we know, who has done what with what result.

As we continued with De Beers, one of the obligations we imposed on them was to train our people in geology, in mining and so on. For this, in return, they were granted tax credits. These obligations were developed as model legislation for all mining companies. We as the government have made education and training an

absolute priority and have attempted to reorient the education system to science and technology.

The second issue is the utilization of revenues from minerals, because as I said, the fact that we vested mineral rights in the state is itself no guarantee against corruption, for instance. After all, you know, originally people are never corrupt. Even in countries, where artisanal mining of diamonds prevails. These artisanal miners are often cheated. This is a really difficult issue, which we, the international community, have got to address, because it's easier to deal with big entities like De Beers, which you can identify.

As I say, we were able to regulate the utilization of revenues in Botswana because diamonds in Botswana occur in kimberlite pipes under 80 meters of Kalahari sands and De Beers operates them by bringing in huge machines, monster machines, to dig into the Kalahari sands to reach the blue grounds in 160 meters. But I am still coming to the question of utilization of resources; we actually call it 'localization': the mines are run by Botswana and the revenues are transparently accounted for. We bought 50 percent of the operating company, called InterBotswana, that's short for De Beers Botswana, so that now, 80 percent of gross revenues, after expenditures, accrue to the government and 20 percent to De Beers. Due to the low marginal cost curve of diamond mining, in Botswana this percentage still constitutes a very generous rate of return to the capital invested.

As a next stage of course, it was agreed as public policy that resource revenues from the exploitation of diamonds and copper/ nickel, all a wasting asset, must only be used for development projects, not in current costs, not in current expenditure.

Therefore, also mineral revenues accrue in the form of royalties, in the form of taxes and in the form of dividends. In the case of diamonds, they are extracted and shown separately in the estimates in the annual budget and during the budget discussion in Parliament the minister has to report how much of the total revenues have come from minerals. Only then can the expenditure of these revenues be planned. Now, on the expenditure side, we have five year, sometimes six year rolling plans, rolling every three years. And it's a statutory document. projects are approved by Parliament, and no money can be spent on a project unless it is in the plan. And a project cannot be included in the plan unless approved by Parliament. Whenever we add a project, the Minister of Finance and Development Planning proposes an amendment to Parliament, which obviously results in debate: why it was left out, why it has become a priority, why its so and so's region and not in my region; those things do happen in Botswana, too. Everybody wants development in their own village or in their own constituency. But this is all healthy. In other words, its not

just smooth sailing. You have to persist and to persevere if you are determined to achieve your objective. And therefore, mineral revenues are accounted for, which is also the credit of a transparent, accountable government.

We ensured that mineral revenues were in fact used in accordance with national priorities and also for the benefit of the majority. Education and training and then later, after I became president, health became a priority, with AIDS as the cross-cutting challenge emerging over everything else that we were doing.

We therefore redefined the development projects to include the current expenditure on education and the current expenditure on health, which then qualify as development projects even though they are recurrent. Then we have a sustainability ratio in our budget, which means that the recurrent budget, the national budget on everything else must not exceed non-minerals revenue, because minerals revenue is reserved for development. So anything else that we want to do has to be financed by the government from national, non-minerals, revenues.

Now, how is expenditure in general accounted for? A transparent accountable system is part of the secret. And this ensures that revenues, whether they be from mineral resources or otherwise, are accounted for.

Revenues are shown in government books. How much income there is from royalties, dividends and taxes from minerals. Before being aggregated. And then how much is allocated to what projects? There is of course the need of accountable governance. In Botswana we have a constitutionally entrenched Auditor General. There is also an independent judiciary, and there is the Public Accounts Committee of Parliament, as in all democracies. And the questions they have to answer are legitimate questions, and they are able to follow the projects, and so on. As you know, for government projects, there is a bureaucracy, which is necessary: how you have to advertise for three months and in how many papers, etc. before you can award a contract. And so the existence of a free press, for instance, who is able to probe and make allegations, sometimes sound sometimes not, is good. And independent civil society organizations are there too—not very strong in Botswana at the present time, but they are there and ensure that there is accountability.

In Botswana, we have a Parliament and we also have a House of Traditional Leaders, which used to be called House of Chiefs. That's where all ethnic groups are represented. It is junior to Parliament, but all government actions, legislation that affect what is called African law and custom must be presented to Parliament and then passed on, before Parliament can discuss it, to this House of Traditional Leaders, who have

to debate it, criticize it and pass their recommendations to Parliament. And this is how ordinary people's rights are safeguarded.

Before natural resources were discovered in Botswana we were very poor. And you know poor people are not corrupt. But when society becomes more sophisticated—now we have more educated people who, like me, like German cars—this is when corruption begins. And so we created an institution to fight corruption, called the Directorate on Corruption and Economic Crime—with the support of six anti-corruption fighters. And other than developing physical infrastructure—we had to build roads like everybody else, as I say now we have a taste for German cars and they must go on roads, they cannot just go on Kalahari sands, they get stuck; even German engineering can't drive on Kalahari sands—health and education have become a priority. Today, health and education remain a priority and take 35 percent of national revenues.

We also, of course, impose legislation on environmental issues; there are requirements in the Mines and Minerals act on what you should do when you have finished mining to rehabilitate the environment.

Resources for Development: German Government Perspective

It is the vision of German development policies that natural resources should contribute to a country's economic, social and also political development. In particular when it comes to poverty reduction and the inclusion of the poor into the political process.

Countries like Canada and Australia, but also—maybe more relevant to the context of this conference—like Botswana and Ghana, have shown that this income from natural resources can spur development. Much too often resources pose as many threats as opportunities to such countries. Conflicts about resources are jeopardizing stability and peace and in consequence hinder poverty reduction, development and prosperity for the involved parties.

Governments, private companies, and civil society have to work together and reap the benefits of their resource richness for their development. After all, we are convinced that not the existence of the resources is the cause for conflict, but rather weak political and regulatory structures, corruption, and mismanagement.

However, it is the specific characteristics and structure of the resource sector which render it so susceptible to bad governance. In particular the fact that one can generate huge revenues without involving broader parts of the economy or the population.

Indeed, it is easier to fight poverty by the integration of the poor in the productive economy than trying to distribute revenues from the extractive sector to social sectors and the poorer parts of the populations. Nevertheless, the German government, German development policy is thriving to improve the contribution of resource richness for poverty reduction and reaching the Millennium Development Goals.

Since quite a few policy fields are involved in the natural resource sectors, the federal government of Germany maintains an inter-ministerial committee in order to discuss, formulate and coordinate appropriate strategies. While Germany with its high-tech, value-adding industry depends strongly on stable security of supply with mineral and energy resources, the Federal Ministry for Economic Cooperation and Development—BMZ, for which I speak—represents developmental interests in that inter-ministerial body.

Germany's security of supply also depends on good resource governance in developing countries. To point out only two aspects:

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- For the necessary supply of relevant natural resources, our national economy is highly dependent on supply from fragile states. More than 60 percent of metal ore comes from fragile or failed states. More often than not, these states are either in the midst of conflict, or face an emerging or have recently experienced, violent conflict.
- Many resource-rich countries have weak administrative structures. Capacity of institutions and individuals is weak, regulatory frameworks, and jurisdiction may be inadequate. To prove the relevance: 75 percent of the world's poorest people live in resource rich countries!

Therefore, German development cooperation actively engages with the governments of resource-rich countries to support those who are interested in reforming their political and institutional frameworks in order to come to a fair, effective and sustainable development-oriented exploitation of resources. If resource-rich poor countries seek to profit from the rising prices for their commodities, they will need effective reforms—and deserve our full support.

Poverty reduction and political stabilization in resource-rich countries are clear goals of German development policy: reliable, transparent value chains for natural resources form a win-win-situation for Germany and our partner countries.

We have made this point during our G8 presidency and I think it was our goal to give even stronger support to the initiatives underway, not only, but in the first place to the Extractive Industries Transparency Initiative (EITI). I would like to highlight one specific issue: the proof of origin of the product itself. The Ministry for Economic Cooperation and Development, with support of its competent implementation agency, the Federal Institute for Geosciences and Natural Resources works towards that end, e.g. by so-called 'fingerprinting' Coltan from the Great Lakes Region. Of course, this project is just starting—we would love to have it in place already, but at least we are moving forward and engaging with the countries in the region.

However, we need to be aware of the limitations that we face in our engagement for poverty reduction within the paradox of resource affluence. It is obvious that many governments miss incentives to implement sound fiscal and distributional policies, if growth and power can also be secured by revenues of resource extraction. For instance, countries like Angola, the Republic of the Congo, and Equatorial Guinea generate over 40 percent of GDP as public revenue from natural resource taxes. Thus, intensified dialogue in this matter and talk about incentives and alternatives to diversify and broaden the financing of national budgets do not only with development cooperation but depend to a large extent on a constructive role played by other actors, too.

And I think this is a very important point: too often people expect too much from development cooperation. The only thing we can do is to support partners who, on their own, are eager to follow that course, and you, H.E. Mogae, gave us a very impressive example in this respect.

Therefore, our political challenge today is two-fold:

First, we need to reach out to all investors to promote the adoption of internationally agreed standards. This concerns public as well as private investors from all regions of the world. In this context, China's growing engagement in resource extraction in Africa is of special interest. We have an intense dialogue with China about the adoption of international standards.

By cooperating with the private sector, we have taken measures to implement social and ecological standards as well as corporate responsibility in Chinese markets. These efforts are even more important with regard to Chinese companies working in environments characterized by conflict and instability. We see a promising approach in the cooperation with companies in conflict areas in matters of implementing internationally agreed standards, also via public private partnerships (PPP). However, we have to take into account that the Chinese approach, to link commercial engagement in particular of state-owned companies to public development cooperation is quite different to our PPP-approach. In my opinion, we in Germany and in Europe have to consider whether this approach, which we do not intend to follow, might in a way pose a risk to our way of doing business in Africa, because it sets new standards; standards that have not been internationally agreed to.

Second, we need to improve policies thus creating an enabling environment for sustainable economic development in our partner countries. This includes sustainable financing of national budgets by diversifying economic activities and broadening the tax base, as well as the prevention of tax flight, especially in the

income-generating resource sector. We will put special emphasis on this topic in the course of the Financing for Development Conference in Doha, in December 2008.

With the International Tax Compact initiative, we intend to establish a forum for better coordination in the fight against tax evasion and tax flight. We invite the international community to take part in this initiative.

Sustainable economic development also includes the responsible use of revenues from resource extraction. We will need to discuss how to do that and learn from existing best practices such as for example the Norwegian sovereign wealth fund, which collects excess revenues from resource production and channels them into long-term ecological and socially responsible investments.

And there is an international dimension to this: it is of huge developmental interest that sovereign wealth funds with the respective capacity invest in poorer developing countries, in particular in the agricultural sector.

In the majority of resource-rich countries, little value is added to natural resources, local value chains are short, and processing industries only on the verge of development. International investors are emerging as increasingly important actors and partners in this business. Public awareness in Europe and other large consumer markets have led to consideration of social acceptance of extractive operations in the source countries and abroad. Modern enterprises need to secure their 'social license to operate'.

As an example, opportunity for local participation in resource value chains is offered when international enterprises increasingly draw on local subcontracting and services. We appreciate initiatives of multinationals like De Beers or Anglo Gold Ashanti, which have expressed a Code of Conduct in this respect and support dissemination of such good practices.

The 'social license to operate' also strongly depends on the implementation of internationally agreed principles of corporate responsibility.

International enterprises increasingly implement and advocate social and environmental standards and extend them to their local subcontractors. Also, they increasingly use conflict-sensitive approaches in exploration and extraction and even participate in national and international transparency initiatives, such as the Extractive Industries Transparency Initiative (EITI).

With the implementation of the UN-Resolution on Extractive Industry Transparency, the German Ministry for Economic Cooperation and Development is supporting 15 partner countries to complete the EITI-

validation process and we hope to win 10 new EITI-candidates for 2009.

Good governance, specifically good financial governance, is another important goal of German development cooperation. Resources need to generate revenues. Governments are accountable for equitable redistribution and investment into resource-independence. The commodity market has shown enormous growth since 2003 until mid-2008. One reason for this rapid growth is the increased demand from fast-growing countries with large populations such as China and India, but also Brasil and Russia.

And although prices have declined in the last few weeks, I think they will rebound over the next one or two years. So there will still be an investment need of billions of dollars in fossil and mineral commodities sectors in the next 20 years to implement resource-efficient and adaptive investments in exploration, technology development and implementation.

The international financial crisis will affect the mining sector dramatically. Already today does the decline in production in the automobile industry put pressure on suppliers and commodity exporters. A sell-off of concessions and licenses to exploit deposits must be averted.

And of course, conflicts can also emerge in the direct neighborhood of exploration sites: living conditions of people living near these sites are affected, because exploration and extraction always affect existing eco- and land-use-systems. They also affect water availability and air quality. If people do not benefit directly from extraction activities and are even harmed by these activities, conflicts can emerge. Therefore, early and cooperative inclusion of the local population is important. Weak societies are confronted with powerful, international players so that violence may at stages seem to be the only way to create awareness of such negative impact.

There has been a wide debate about resources contributing to the emergence, financing and prolongation of violent conflict. A sustainable and fair use of natural resources and a responsible handling of resource richness are key to crisis prevention and poverty reduction; from 'do no harm' to 'do good'.

Recent developments in the Democratic Republic of the Congo have already been mentioned and for me it is quite clear that we have to think about a more direct link between the mandate to MONUC and the international engagement fostering transparency and a fair management of natural resources. To have a situation where the airport of Goma is at the same time

the logistical hub for MONUC and the logistical hub for the illegal extractive industry in the East of the DRC—I do not see this as an acceptable situation.

As a representative of the Federal Ministry for Economic Cooperation and Development, I am certain that we will continue supporting international as well as national initiatives on transparency and good governance in the resource sector.

Context: Resources for Peace

Last year, I published a book on oil and politics in West-Central Africa, for which I did about six years of research, which entailed fieldwork in countries like Angola, Sao Tomé, Chad, Nigeria, Congo-Brazzaville and Cameroon. As a general conclusion of this research, I can say that until at least the early 1990s the nature of the relationship between oil companies and oil-producing states or rather the politically empowered actors in these oil-producing states, was fairly unproblematic. With very few exceptions, the relationship between Western oil corporations and incumbents in places like Angola, even during the 'communist period' of Angola, or Congo-Brazzaville or Nigeria was remarkably unpolemic; it was very collaborative and pragmatic. This was partly because on the African side the technology just wasn't there. And despite the fact that in places like Congo-Brazzaville, people were obviously not happy with the domination by companies like Elf-Aquitaine or Agip, the partnership that companies struck with the elites was stable and lasted for about 45 years.

In order to understand this you have to understand the nature of the actors in place.

On the African side, we are mostly talking about states without a developmental agenda, leaderships that do not work towards such remarkable goals that were achieved in Botswana; states who are not so much failing to develop but are not really trying most of the time. And on the corporate side, everything that we have to come to think as problematic, the governance tragedy, environmental destruction, all of this was simply a non-question, because it didn't affect the bottom-line—at least until the early 1990s, when sustained sabotage in places like Nigeria started.

What is important to understand is what happened in the 1990s. In the early to mid-1990s, a series of normative developments led to the mainstreaming of agendas on transparency, on human rights, on corporate social responsibility; first very localized, in places like Angola, or obviously, the Niger Delta, but very soon they were embraced by everyone; actually, embraced rhetorically by everyone. There was a moment of resistance when you would speak with people in ExxonMobil and they would tell you that business is business, that they don't do politics. But by the end of the 1990s it was very different. Everyone was paying lip service to this agenda; some corporations more seriously than others, such as BP or the Norwegian Corporations whereas ExxonMobil or Elf, were only paying lip service at this early stage.

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In the 1990s, together with this newly-found centrality of the governance consequences of oil production in Africa, academics developed their interest in the economic agendas behind civil wars. The work of people like David Keen, Mats Berdal, but especially the work of Paul Collier, concentrated very much on what he saw as the underlying greed as opposed to grievances agendas that informed rebellions in places like Liberia and Sierra Leone.

Obviously, this agenda was important and it introduced a much-neglected element of insurgencies. At the same time, it was highly simplistic, as rebellions were not just about looting, but had their origin in rather serious grievances. Nonetheless, it was an important moment to bring this issue to a wider academic, and then policy, community.

By the first part of this decade, a series of measures had been developed: Anything from the Extractives Industry Review at the World Bank, the wider adoption of at least the rhetoric of Corporate Social Responsibility (CSR) by companies, the creation of the Global Compact at the United Nations, the successful Kimberley Process and, more importantly, the work around transparency that led both to the Publish What You Pay campaign and the Extractive Industries Transparency Initiative in 2002.

I would like to raise some questions here about what happened ever since these agendas have become that important and a subject of discussion in the media and policy circles.

First, we have to confront the fact that expectations were great seven or eight years ago, when oil prices were low, when the attraction of the reformist agenda was huge, when there were practically no decent arguments being put forward in polite society against reform. But from the vantage point of 2008, actual reform, as the case of the Democratic Republic of the Congo (DRC) tragically illustrates, has been very limited indeed.

The second point is "Digging for Peace". Let me turn this around: I am more interested in conflict, but nonetheless, we have taken for granted that peace is the state of affairs in many of the societies we are

going to be talking about. But, looking at Liberia, for instance: would there be peace if the United Nations wasn't there? The United Nations is essentially running the place on a day-to-day basis. During my fieldwork there, I learned that the leadership around President Johnson-Sirleaf is remarkable and patriotic—but there is no structure. So the challenges there are huge.

In Sierra Leone, I feel that the political class—the one that created the problems in the 1980s that had led to the war in the first place—has to a large extent been re-empowered after the war. People don't understand that the war happened for a reason. Neither do they understand that unless we tackle the reasons, no degree of demonization of the RUF will help us solve the problems that underpin Sierra Leonean politics.

And this makes me take one step forward by saying: We need to look at the history of these conflicts. Focusing only on our policy agendas or primarily on the economic agendas underlying civil wars to the detriment of just classical conflict resolution does not even begin to address the problems which are real, embedded and have to be addressed in these societies.

The third point is about the incentive structures: Have we really created the incentive structures for companies to completely change their act? Certainly we have at the rhetorical level. Discursively, there is no longer space for people to sound like they did ten or fifteen years ago. But not enough has been done regarding actual practice on the ground. As long as you are committed to the right CSR glossy report you can still get away with something very similar to what you were doing ten years ago. And I am talking about the big business actors, not even about the rogue companies.

Let me give you some examples for this:

Off-shore oil is not affected by conflict. It's very difficult to get companies that are in off-shore production to be stakeholders for peace, because they will never have major casualties of war. There is one exception: Shell in the Niger Delta is obviously affected by the insurgency there—although if it was really, it wouldn't be there in the first place or it would have long gone.

The negative impact of conflicts on the type of companies that choose to be active in the economies we are talking about **is not clear.** Obviously, conflict is terrible for manufacturing. That's why manufacturing doesn't go to the DRC in the first place. But for people who decided to remain committed to the DRC, in the extractive industries, clearly there must be a bottom-line for them to be there. And if there is, then their presence on the ground is just not costly enough. It's tragic for someone else but not for these corporations.

We have to focus on the supply lines, not on the operators on the ground. There was a good report this

week in the *New York Times* about the Congolese 85th brigade controlling Bisie mine. From the point of view of global supplier networks, this is not bad news at all as the military gets the stick on the ground, while in Goma the buyers ship the minerals out to Malaysia, to North America, to the smelters. So it creates plausible deniability; companies don't have to get their hands dirty in conflict zones. It's not so good for the South African-British Consortium that officially owns the mine, but it's good for everyone else.

Reputation is just not enough. We've said this *ad infinitum*; some companies have a household name, you can bully, and you can boycott them; some you can't.

Therefore to expect behavioral change to come through the threat of reputational damage—that's just too much of a soft weapon to deploy when the stakes are this high. At one stage we really need to make these companies incur serious penalties. And there we have a very sad record. Just look at how many Belgium- or British-based companies were prosecuted in the wake of the UN Panel Report on the looting of the DRC. As far as I have seen: none. And the information was authoritative, it was legally actionable. No one did anything. So unless you start raising the costs again, nothing is going to happen.

Good revenue management is the function of the quality of the regime. You can't get a bunch of thugs to run their extractive industries decently. So, when we are talking about countries like Equatorial-Guinea, there are practical limits of where we can go with these people, which most of us would still think of as morally reprehensible.

Methods to realize improvement. Again, we have to think boldly here. I am not a preacher for excessive regulation, but some form of added teeth has to be put into this. And in that sense I am very trustful of the 'EITI +'. EITI has been going on for six years. I supported the idea from the beginning although, as you know, I was very critical on some occasions. But I really think that it is time for us to add some provisions. At least, even if you enter into it voluntarily, then once you're in, there must be a regulation that locks you as a member country, or something similar.

Looking at contractual arrangements, again: you have peace, investment flows in. Let's look at what the investors are doing in these countries. I remember when I was working in Liberia, people were saying: "Oh, great, Mittal Steel is coming over, one billion dollars." The contracts were just obscene. As Global Witness valiantly made clear in a report that led to the renegotiation of the contracts, they were not even neo-colonial. Forget the neo.

In the DRC, the Congo-China agreement is one of the most exploitative deals in history. It is very good for the

DRC in a very short term. A lot comes into the DRC in the guise of a present from the Chinese. And then in the long run, even if commodity prices fall beyond their current value, you still have a free gift to the Chinese corporations. And when you look at the fiscal sustainability of the Congolese state, the revenue that they are going to get out of this deal is limited; in some cases non-existent. In which context, I don't know how the Congolese are going to maintain those universities, hospitals and roads, because there is not going to be much income by way of taxes.

And we have other cases. I wrote years ago about the Santomean oil contracts in the late 1990s and early 2000. The Santomeans actually gave a non-descript Nigerian company, owned by an ally of President Obasanjo, a percentage of the fiscal intake of the Santomean state for 25 years. A contract I had no problem in dubbing the worst contract in the post-colonial era ever anywhere else. But it seems that there is a trend in that direction. In *AgriBusiness* you may have read about the Madagascan deal that has been mooted with a South Korean company in which the Madagascans are going to lease around 40 percent of the arable land of Madagascar for 99 years for no money whatsoever. The only thing on the table is job opportunities for Madagascans.

To move on to my last point. The question of Chinese corporations is a big factor that has recently come into the extractives industries in Africa. Again, we have to disaggregate this. I just published a book with Chris Alden and Daniel Large on the presence of China in Africa¹. This presence is multi-level, highly complex, and it doesn't lend itself to easy simplifications. It is true that many of these aspects are very positive for Africa. But: the extractive industries and the oil sector in particular is not one of these—this involvement of the Chinese in Africa's extractive industries is essentially a very negative involvement. The key point to bear in mind is that their involvement will not be an illiberal and exploitative departure from 'nice' Western practice of the last 40 years. In fact, it comes in continuity with Western practices. And from the vantage point of someone who has looked at the cases of Angola and Nigeria, it is disturbing to see that it is not just how disruptive the Chinese are, but just how non-disruptive they are. How they fit themselves in continuity with tried and tested methods and ways of approaching the leadership and all of that. This is problematic in its own right, because it adds insult to injury, it deepens the problem.

Will the Chinese corporations in the extractive industries, and this is my last point, converge in some sense with the Western emerging norms? And I don't want to make it sound like the Western corporations are merely cynical or rather hypocritical in their engagement with these

countries. In some areas, you are much better off as an African working for BP or Shell or for Exxon or Elf, than you are working for Sinopec or PetroChina. For one thing, you probably won't have an executive position in the Chinese corporations. And the environmental record, belatedly—let's not forget the Niger Delta—of the Western corporations, seems to have become much better. That's probably the only good thing that has come out of the Chad-Cameroon oil pipeline project, because essentially, the environmental results were very positive in comparison with precedents across the region.

So, will there be some convergence between the Chinese and the Western corporations? There already is, in some areas. Chinese corporations, or rather their internationally-floated subsidiaries—not CNPC—such as PetroChina, and the Sinuc and Sinopec vehicles that have been floated in the West and in Hong Kong who have their CSR pages and their international accounting standards are much more likely, increasingly, to be concerned with their bottom-line than with some kind of Chinese geostrategic interest. But there are a few things that are not going to change any time soon.

First, and obviously, the Chinese corporations want to please some constituencies in the West. They don't see the West as a unitary actor. They see the West as a big bag full of different actors. And there are some actors they want to satisfy, essentially their gatekeepers to their respectability in the West: the Security and Exchange Commission, the London stock exchange, the regulators, perhaps the financial media, and the credit rating agencies. They want to have a good reputation with these corporations. They are not trying to satisfy a minority of activist constituencies in the West, whose influence—and I am talking about ourselves mostly—is intermittent, to say the least, even *vis-à-vis* the Western corporations.

Second, in China there is no civil society to watch and, if necessary, protest against their activities; a role that civil society in the West has been so important at playing in the last ten years.

Finally, the Chinese are not apologetic in their partnership with the likes of the government of Sudan. It's not just opportunism. They really believe in a language of mutual respect and sovereign dealing. Sudan is an internationally recognized government. The category of the rogue state is an eminently political category, which the West uses to demonize some states like Sudan, but strangely enough not states like Equatorial-Guinea. So there doesn't seem to be a lot of will to change that.

But again, there are many levels to what I have said and I understand that I may have oversimplified some issues; in this vein, I thank you for your attention.

¹ Alden, Chris, Daniel Large and Ricardo Soares de Oliveira, eds. 2008. *China Returns to Africa*. Columbia University Press.

3

Contemporary Resource Conflicts and Fuel for Peace in Sub-Saharan Africa: Liberia, Côte d'Ivoire, Sudan

Panel Discussion



Summary of the Panel Discussion

During the second Session of the conference, three panelists presented their findings on how resources can fuel peace but often do not. **Alfred Brownell**, Director of Green Advocates spoke on Liberia, **Jolien Schure**, Researcher at BICC on Côte d'Ivoire, and **James Ninrew**, Executive Director of AMA (Assistance Mission for Africa), on Sudan.

The Panel Discussion was chaired by **Mike Davis**, Campaigner at Global Witness, London.

Liberia

Alfred Brownell began with the issue of land control as one of the root causes of the civil conflict and a source of uncertainty in post-conflict Liberia. Land disputes evolve around land that was 'abandoned' as its owners fled the country, allowing others to occupy the land. Since the end of the war in 2003, the original owners have been returning to claim their property. In the fluid, chaotic situation that existed during the conflict and its aftermath, it has become common practice for land to be sold and resold with no or little reference to original owners or registration procedures.

Contemporary flash points, Brownell summed up, are first of all that there is no clear understanding of how land tenure arrangements work at the national and local level in Liberia. To complicate the matter, there is the factuality that during the years of conflict multiple new administrative units were created by the legislative bodies, the boundaries of which are poorly defined.

With regard to resources, the country's constitution proclaims that all mineral resources above, on, and below the land belong to the government, whereas local customs claim otherwise. A Forest Agency exists and requests that all forest land deed holders present documentation for verification. To date, over eight million acres of deeds have been presented, while there are only 12 million acres of forest land. Potential investors are indicating that the question of security of tenure is a major factor influencing their investment decisions. He concluded by quoting the Liberians: "If we fight again, we will fight about land."

Against this background, Brownell stressed two developments. First, the role of the local communities that lay claims to ancestral land, collect revenues from the forest industry and challenge the authority of the government. Second, the threat of the ex-combatants who dominate the informal resource sector economy,

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while the Disarmament, Demobilization, Rehabilitation and Reintegration process has failed.

Côte d'Ivoire

"How many kilograms of chocolate do you eat per year?" **Jolien Schure** asked the audience. All hands were up for one kilogram, most also for three, some were even up for seven. Schure confronted the Germans in the audience with the statistics: They are the number three in the world with a *per capita* annual consumption of nine kilograms of chocolate.

Cocoa: The cocoa production is the backbone of the Ivorian national economy. It is the livelihood of many farmers—four out of the 18 million inhabitants depend on the cocoa trade—and Côte d'Ivoire produces 40 percent of the world's cocoa. But observers often talk about 'conflict cocoa' as rebels from the north use the income from smuggling cocoa for buying weapons and revenues of the cocoa trade are the greatest source for government military expenditure. This is why transparency is the quest, Schure concluded.

Land: Just as in Liberia, access to land is also a point of concern in Côte d'Ivoire. Schure called it striking that access to land receives little attention in the current peace process, especially as the urgency remains high and is even growing because of the rising unemployment and the large number of internal refugees. There are still an estimated 750,000 people who have not returned to their land. A mayor problem is that people are not disarmed, hence small arms are often involved in land disputes.

Diamonds: Officially Côte d'Ivoire is the only country where conflict diamonds, coming from the rebel-held north of the country, are smuggled out of the country and whose revenues are used to finance the conflict. Since 2002, the government has suspended all exploration and sales of diamonds and since 2005 there has been a UN-embargo on the export of diamonds in place. In reality, illegal exploitation and export of diamonds have never stopped.

Resource governance, that is the way in which governments regulate and manage the use of natural resources as well as the redistribution of costs and revenues deriving from those resources, can be a solution. In Côte d'Ivoire, however, the undemocratic and corrupt climate puts serious restrictions on good resource governance. Unfortunately, the Ouagadougou Peace Agreement of 2007 pays little attention to reforms and does not address the management of the natural resource sector.

"Let's discuss further on how we can all become part of the solution," Schure concluded and called

to consumers, donors, private businesses and NGOs to use their influence to contribute to good resource governance.

Sudan

The Comprehensive Peace Agreement (CPA) brought an end to the Sudan civil war in 2005. **James Ninrew** explained that the CPA acknowledges that resources are the problem in Sudan and thus contains articles on wealth-sharing between the north and the south. This was necessary as the oil is located mainly in the south, while before 2005, the north was in power. Sudan has enormous oil reserves. If managed well, Sudan could be the bread basket for the whole of Africa. There is plenty of water, fish and agricultural land. And Sudan has minerals. It is a big country with only a small population.

Ninrew pointed out the differences between investments in peaceful times and during the war. The war in Sudan started in 1955. There was a period of peace from 1972 until 1983. In this period, in the early 1980s, the US American oil company Chevron became interested in Sudanese oil resources. At that time, the voice of the local people was listened to and environmental assessments were carried out.

During the war, it was different. The Southern Sudanese population was no longer represented at the national level and the government kept oil contracts secret. Environmental impact assessments were no longer carried out. People lost their land, life, jobs and property. Before the war, local people were hired by the companies, but the new companies that came during the war involved only their own people or people from the north. "It's up to the government of Sudan to renegotiate these contracts," said Ninrew. "We [the Sudanese citizens] cannot see the contracts".

What is needed, according to Ninrew, are policies on compensation for those that were displaced during the war and whose land was taken. According to the CPA these compensations are to be paid by both the government and the oil companies.

The demarcation of the border between Northern and Southern Sudan is another politically sensitive decision that needs to be taken. The commission, proposed by the CPA, that should decide on the border demarcation has not yet presented a plan that is acceptable for both sides. Furthermore, policies to employ locals are needed.

Ninrew ended with a call for a global action to lobby the oil companies involved in Sudan to take responsibility for the consequences of their action.

4

Preventing Conflict, Rebuilding War-torn Societies: Private Sector Perspectives

Panel Discussion



Summary of the Panel Discussion

During the third Session of the conference, four panelists presented their respective private sector and civil society perspectives. The panelists were **Philip Sigley**, Chief Executive at the Federation of Cocoa Commerce, London, **Andrew Bone**, Director International Relations at De Beers, London, **John O'Reilly**, former Senior Vice President for External Affairs at British Petroleum, London, and **Salil Tripathi**, Senior Policy Adviser at International Alert, London. **Wolf-Christian Paes**, Senior Researcher at BICC, Bonn, chaired the panel discussion.

In relation to conflict, **Philip Sigley** stated that business should not become a scapegoat for government failure in a country. Governance is key, but the main question is whether the development partnerships to support good governance are in place. He criticized that the United Nations act too slowly and indecisively when a conflict situation occurs. Early warning systems do not appear to be working properly. When conflict arises, government and the private sector should work together to preserve the productive capacity and resources to ensure a smooth return to normality when the conflict situation is resolved.

To build those public private partnerships (PPPs) that can contribute to regional peace and achievement of the Millennium Development Goals (MDGs), the Federation of Cocoa Commerce (FCC) is currently developing a project focused upon community infrastructure funding. In this project the FCC is working with origin producers, trade, processing industry and the chocolate industry. The aim is to find workable solutions as to how PPPs could be made to operate on a larger scale in developing countries, in contrast to the huge raft of perennial pilot and small scale projects which never seem to shift the development curve along the 'real progress' axis.

To be successful in these partnerships, there should be a win-win situation for all stakeholders consisting of:

A clear incentive for the producing country: The partnership is a sustainable solution in which the country can deliver real improvements in living standards for the rural population without creating any divisions within the country.

An incentive for the international private sector: It can broadly address the challenges posed by civil society and consumers in relation to Corporate Social Responsibility and Global Citizenship. If the cocoa trade and industry, and in particular the major chocolate manufacturers, can succeed with the communication of real change in cocoa communities and a major contribution to the MDGs, then rural livelihoods will

benefit in line with the long-term health of the markets for our products.

Better and more effective use of the funding from donors and development partners and an **improved structure to induce collaboration** rather than competing projects. Instead of having a large collection of small initiatives each with overhead, reporting and management implications, a broad representative project management group consisting of representatives from both government and the private sector should be established. These representatives will be able to point to meaningful change and achievement of international development policy.

The link between the three 'Wins' are leveraged funds—the representatives of each group get more for their money than if they tried to go separate ways seeking to justify their own successes in competition with the others.

As a final point, **Sigley** cautioned that it has to be made sure that their actions are not divisive and that the plans are carefully harmonized with the government's funding formula for local government as a whole. Where some communities within a district are not involved in cocoa, one should nevertheless look at the support mechanisms respecting at all times the need for those communities to live in harmony.

The bigger picture of interventions could lead to wider involvement by those interested in the progress being made by the cocoa sector. For example, schools and local authorities in cocoa consuming countries could link with their counterparts in commodity-producing communities.

John O'Reilly remarked that by listening to earlier presentations, he noticed a rather somber and even depressive mood. In his opinion, the main question is how governments can get it right, as in the example of Botswana, and that the key words for getting it right are accountability and transparency. How can governments be more accountable and more transparent?

He agreed with Philip Sigley by stating that the private sector should not be a substitute for a failing government. The approach of the private sector is moving away from high-level statements towards concrete action on grassroots level. The framework for this has been recently established by UN Special Representative John Ruggie. In this framework a clear division of responsibilities to safeguard human rights has been laid out. It is the duty of governments to protect while the duty of the private sector is to respect ('due diligence'). For the affected population access to remedies needs to be ensured.

Pointing out that it is a fundamental requirement in business practices to respect human rights, he claimed

that it is of utmost importance that human rights be integrated in normal business activities. There is a huge amount of literature available on how and what a company can do to respect human rights. One most logical option in his opinion would be to obtain prior consent to operations through an Environmental Impact Assessment (EIA) or a Social Impact Assessment (SIA). But, he admitted that there were hardly any companies, which take the time to do this. These assessments should be part of the due diligence. He also conceded that there is still a big gap between company policies and what happens on the ground. Local communities and NGOs have an enormous influence on the companies and it is therefore unfortunate that companies do not make time or have the patience to get to know the local communities. The corporate model does not allow this; there are timelines for every engineering stage, but not for getting to know the ground situation. This, he suggested, should be part of the project management of a company.

He posed the question of how useful voluntary codes of conducts are versus a binding regulation (such as the Kimberley Process or international sanctions). In the past 15 years, big mining and oil companies have developed detailed policy statements. These statements prove that reputation matters.

O'Reilly closed with the remark that it seems unlikely that in the near future 'hard law' (binding regulations) will be implemented. But mechanisms of 'soft law' (codes of conducts) will become more structured over the next three years when more companies will come on board.

Andrew Bone started with the question: "What can the private sector, particularly in the extractive industries, do to build partnerships that last?" His answer was that given the nature of partnerships, it can do nothing by itself. It takes 30 years and an investment of around one billion dollars to find, develop and establish a diamond mine. In order to protect this investment the private sector needs to nurture and maintain productive relations with the government and, very importantly, local communities.

He agreed with his fellow panelists that for its part, the government has an active role to play and primary responsibility in creating a secure environment in which the wealth-creating sector and citizens can flourish. Investment goes with security, and security and investment together will lead to development. However, the type of partnership required to establish these conditions cannot be achieved if a company adopts the 'citadel model'—flying in expatriate workers and technical equipment, living in guarded compounds, while outside the 'citadel' local people are under-utilized, disenfranchised and ignored. This creates tensions between communities and the business and will undermine any efforts made to establish security

and, therefore, a predictable and benign business environment. He concluded that in essence, the 'citadel model' is counter-productive to the aspirations of business.

He conceded that De Beers does not claim to know all the answers but does have some insights that have provided it with a sustainable business for more than 120 years. The company believes that they will help secure an equally sustainable future. These insights are as follows:

- Form strong partnerships with government and local communities, so all three can learn what it takes to succeed, for business and for the country as a whole.
- Commit yourself to building a citizen-run organization and to developing skills at the managerial level.
- Help small citizen companies to develop by outsourcing their supply chain.
- Shift skilled value-adding jobs to Africa.
- Play an active role in leading the fight against HIV/AIDS and in supporting education. It's key to your business and your communities' long-term success.
- Focus on the impact of climate change on Africa.
- Support international efforts to eliminate corruption and support good governance, which will multiply the positive impact of business ten-fold.
- Share the wealth in a sustainable manner. Although you must first create it, for business, the 'how' you create it can make a big difference when it comes to making it sustainable.

As to the role of civil society organizations, particularly at local level, he stressed that they help strengthen communities and provide mandated and legitimate focus for engagement with the private sector operating amongst them. De Beers has taken this line outside its direct commercial activities, most notably through its involvement in the Kimberley Process.

Bone asked, "What has made the framework of the Kimberley Process a successful example for other governments to follow in establishing effective and sustainable measures to manage the trade in valuable natural resources?" With the start of the Kimberley Process (KP) a new dimension was created. Today's tripartite partnership has been an important element in its success. The essential ingredients for this partnership include:

- Effective and 'affected' governments (from the producing, cutting and consumer countries);
- A committed private sector;
- Constructive NGOs with a pragmatic approach.

Through De Beers' involvement in the KP, the company now has an even better understanding of the benefits

derived through the development of effective relations with civil society. It has also helped to inform and improve its approach to government and community relations.

In conclusion, he ended, effective and sustainable partnerships across sectors are important, not just because it is the 'right thing to do', but also because De Beers has found that it makes perfect business sense and provides long-term benefits for the company and its shareholders, as well as for the communities in which De Beers operates.

Salil Tripathi began on a more critical note. He stated that a company present in a conflict zone can never be neutral. The company is there and is seen as an actor. Therefore, a company should do a risk analysis to protect their people and their assets. Often in fragile states companies do not understand the risks involved. When a company starts to build schools and provide medical care, the circle of expectations rises. And when other communities in the area are not provided with schools and medical care, they feel left out, and potential conflict arises. He cautioned that a company should bear in mind to promise only what it is going to deliver. And deliver what it had promised. Furthermore, a company should be transparent about the negative impact. What are the costs for the local population? Be transparent about the payments you make to government officials or to local chiefs. Be transparent about who gets jobs, who gets the payments and avoid complicity. Above all, a company should act in all circumstances on the basis of non-discrimination.

After asking, "What are the risks for a company (the so-called 'red flags')?" he listed a number of activities he had drawn from a review of existing international law and court cases which should warn companies of possible legal risks and the need for urgent action.

1. Expelling people from their communities (forced displacement);
2. Forcing people to work (through the threat of using violence);
3. Handling questionable assets (receiving funds which might be associated with criminal activities);
4. Making illicit payments;
5. Engaging abusive security forces (by private armies of security forces);
6. Trading goods in violation of international sanctions;
7. Providing the means to kill;
8. Allowing the use of company assets for abuses;
9. Financing international crimes.

5

Changing Context: New Emerging Economies and Africa's Resource Market. Emerging South-South Relations

Panel Discussion



Alphonse Okatende Muambi

Opening Remarks

On this day that you and I are “digging for peace” at this conference, the cabin of my grandmother, Africa, is burning. Its pillars, the Democratic Republic of the Congo are in flames.

The Bishops of the Congo are already speaking of a silent genocide for economic reasons. The Security Council, the European Union and the African Union are redoubling their negotiations for a ceasefire. Once the ceasefire takes place it will be the time to bury the dead, and the cycle of violence will start up again.

The question is whether we have not landed in the middle of what the French historian Alain Minc forecasted when he said that a Third World War is possible and that it will be characterized by the conquest of economic areas. Are we not in the middle of an economic Third World War?

After having served as the battleground for the Cold War, will Africa now become the battleground for an economic struggle?

Angola and Mozambique are the African scars of a long, horrible war between the socialism of the Soviet Union and the capitalism of America. A war of foreign ideologies and forces on the African continent.

As Africans are fond of saying, “When the elephants fight, it is the grass that suffers.” Would the Congo be a propitious place for this economic war between China and the Western world?

The presence of Chinese companies in Niger broke the monopoly of the French company Areva, which has been forced to double the price of Niger uranium which used to be exported for free to France. When the uranium of Niger was the nuclear pride of France, the children of Niger were drinking water that was poisoned with radioactivity.

The Chinese contracts in Congo have led the International Monetary Fund to demand transparency of these contracts before it will grant credit to the Congo. The French president, Nicolas Sarkozy said at the United Nations that these contracts of public re-endebtment are too rapid and too expensive.

What has happened to the independence of Africa? What has happened to the independence of the Congo for which Patrice Emery Lumumba paid with his life?

Alphonse Okatende Muambi is a book author and essayist and an expert on African politics, development cooperation and globalization questions. He covered the role of China in Africa, focusing on the rise of China in his native Democratic Republic of the Congo.



In the opinion of the Dutch Minister of Development, Koenders, the rise of China in Africa is a result to a great extent of an error on the part of Europe, which has never wanted to make Africa a strategic partner. A courageous and honest declaration.

The global financial crisis is proof alone that the world is a village. A bankrupt village that is not ruled by a traditional African chief, but by the great Western powers.

I do not want to conclude these words without passing on to you the message of the Bishops of Bukavu. In their memo addressed to the Prime Minister of Congo, they express a cry of alarm. Allow me to quote from them: “Would it not also be appropriate to imagine a summit that would unite the United States, the European Union and certain Southern Asian countries to settle their geo-strategic, economic and monetary problems that feed the homicidal tensions in this sub-region in general and in the Congo in particular? We would spare the death of innumerable peasants and there would be fewer criminals. This would also ease the task of humanitarian organizations and work in the favour of investors.”

In my opinion, it is in this way, and only in this way that my grandmother's cabin, Africa, can be saved.

Summary of the Panel Discussion

Aneke Galama, coordinator of Fatal Transactions, opened the second day of the conference by explaining the urgent need to understand China's activities in Africa. She questioned the negative attention on China in the media and welcomed an objective analysis on the implications of Chinese investments. This position was shared by Alphonse Muambi, author and essayist, and Daniel Large, Research Director of the Africa-Asia Centre (London), who chaired the fourth Session of the conference in which three panelists presented their respective perspectives on new emerging South-South relations. The panelists were **Ana Cristina Alves**, Researcher at the China in Africa Project, South African Institute of International Affairs (SAIIA), **Bo Kong**, Director of the Global Energy and Environment Initiative, and **Félicien Mbikayi**, President of the NGO Groupe d'Appui aux Exploitants des Ressources Naturelles (GAERN), Democratic Republic of the Congo.

Ana Cristina Alves opened the morning session by elaborating on China's resources crisis. Her presentation was a summarized version of a paper that she had written, together with Dr. Chris Alden, on China and the governance of Africa's natural resources. China is ranked fifth in world oil production but its production provides less than half of its domestic oil needs. China became the second largest oil consumer in 2003 and the latest statistics predict an enormous increase in oil consumption by 2030.

China could find the answers to its resource problem in Africa. The continent has the third-largest oil reserves (9.5 percent in 2007) and it is the fourth-largest oil producer (12.5 percent in 2007). Besides oil, Africa is also a major source of minerals. Over the past decade China also became the world leading consumer of base metals, such as aluminum, iron ore, copper, manganese, lead and zinc.

As a result of China's oil and mineral consumption, it increased its bilateral trade with African countries enormously, from US \$10 billion in 2000 to US \$72 billion in 2007. The absolute value of the mineral imports increased from US \$286 million in 2000 to US \$2.6 billion in 2006. China's imports are composed mostly of natural resources, of which crude oil accounts for approximately three-fourths. The major supplier of crude oil in Africa is Angola. It provides 15 percent of China's total oil imports and 51 percent of the African oil exports to China. The other major suppliers are Sudan, Congo-Brazzaville, and Equatorial Guinea. The minor suppliers on the continent are Nigeria, Gabon and Chad.

Jan Cappelle is a Researcher at International Peace Information Service (IPIIS).

Africa is the second supplier of oil to China at 26 percent of which 92 percent comes from Sub-Saharan Africa. The Middle East is the largest supplier of crude oil (39 percent) to China. China is also the final destination of 60 percent of Africa's exports of cobalt, 40 percent of its iron, and 25 to 30 percent of its chromium, copper and manganese.

China has increasing competition in Africa from India and Brazil. For example, when Western companies left Sudan in the late 1990s, Sudan provided a window of opportunity for Chinese, Indian and Brazilian companies, which were mainly seeking oil resources. More recently, the countries have begun to acquire assets in the Gulf of Guinea, mainly in Angola and Nigeria. Since 2006, China has paid extremely high bids, worth billions of dollars and won many important stakes in the African oil sector. The Chinese companies have outbid Indian and Brazilian companies in a number of projects, for instance for oil in Angola in 2006 and 2008 and in manganese in Gabon in 2006. There is however room for future cooperation, namely in the field of technology. Brazil has deep water drilling technologies that the other countries are lacking. The Chinese, Indian and Brazilian acquisitions follow the same patterns. Most of the time, they are part of larger inter-governmental deals to develop infrastructure.

Ana Cristina Alves used an example from Angola to demonstrate China's most used financial practice on the continent: to provide funding in infrastructure loans in exchange for natural resources. This is not a new and unique strategy for China as this practice has also been used by Western companies in Angola, as a way to overcome the lack of creditworthiness in the international financial market. The deal is usually made in two steps: there is an intergovernmental framework agreement with the African country, followed by an Export-Import bank loan agreement with the borrower. China provided US \$4.5 billion to Angola in 2004 in order to secure oil, US \$3 billion to Gabon in 2006 to guarantee manganese exploration rights, and US \$9 billion to the Democratic Republic of the Congo (DRC) in 2007/2008 in exchange for cobalt mining development. China's approach to risk management in Africa is in providing a comprehensive package of development and infrastructure, now referred to as the "Angola model". China also uses Chinese firms and Chinese labor in order to minimize the social risks.

The Chinese deals still host a number of dangers. African suspicion is fuelled by a lack of transparency in the Chinese investment/economic cooperation packages, and no obligation to follow the transparency procedures set up by the IMF and the World Bank.

There is also a risk of a long-term impact on the economic stability in the continent and the debt sustainability of the African countries. In 2006, Chinese

financial commitments in only three African countries Angola, Nigeria and Mozambique, were equal to the investments of the World Bank, the United States and France combined for all of Sub-Saharan Africa. China has signed various substantial debt relief agreements with African countries within the framework of various Western initiatives for debt relief (HIPC initiative and the Paris Club). Other issues are the opacity of Chinese deals which raises concerns over bidding processes, the quality of environmental impact studies and the assessment of overall debt and fiscal policies. The financial support of China, cheap labor and technology provide unfair competition. The Chinese low standards and local poor regulation can provoke negative environmental and social impacts. And there is a risk of weakening the economic diversification.

Is China aware of the risks for Africa and is there room for more responsible behavior? Beijing has shown some degree of flexibility in accommodating multilateral interests and has proven its sensitivity to international pressure. China is slowly making some policy changes. There are some positive signs but there is a need to put them in perspective. There is still a huge gap between the narrative in Beijing and the practice of its companies in Africa. China still faces a long road ahead.

Bo Kong congratulated Fatal Transactions for organizing the conference. He stressed the importance of the conference and the opportunity to bring a different perspective of Chinese involvement in Africa. Chinese companies are not different from the other companies and are in a learning phase. He supported the view of Ana Christina Alves on the interest of China in Africa for its natural resources (oil and metals) in order to meet its growing domestic needs. Africa accounts for 32.5 percent of Chinese total oil imports and this will only increase. According to the International Energy Agency, China's dependence on foreign oil will climb to 75 percent of its total oil consumption by 2030 and currently its imports of oil from overseas amount to 52 percent. This is largely a consequence of its modernization, industrialization and growing motorization

As of 2007, Chinese oil companies have invested about US \$30 billion worldwide and at least US \$8 billion in more than 60 projects in Africa. In terms of number of projects, this is more than in any other continent.

China is rich in copper, bauxite, lead and various rare minerals, however, this is not sufficient to meet the domestic growth *per capita*. This implies that China is seriously dependent on foreign imports. It is now importing 60 percent of copper, 52 percent of iron ore, 40 percent of aluminum, 90 percent of nickel and chrome, and 70 percent of potassium.

There are many reasons for Chinese overseas investments. The first is that the investments have largely

been driven by the obsession of supply and price security in order to withstand possible supply disruptions and price shocks. This is however a myth¹. The second driver is to respond to market saturation. Market opportunities are increasingly limited in China. A third point is the higher domestic production costs which exist in China. It is up to 25 percent more expensive to produce copper in China than in Africa. Oil production per barrel in China amounts to US \$13 whereas in the Middle East it is less than US \$5 per barrel and in Africa less than US \$10.

Bo Kong called for caution over often-cited presumptions such as: 'Chinese companies are state puppets', 'China blocks out the West due to state financing', 'China locks up resources', 'China is a neo-colonialist and neo-mercantilist', 'China worsens corruption, stability and peace'. He believed that such presumptions were not substantiated.

Chinese national oil companies' investments are much lower than those of the African national and of international oil companies: US \$13.5 billion versus US \$278.9 billion and US \$168.3 billion respectively. It is also not correct that Chinese national oil companies export all equity oil overseas. One of the reasons is that China does not have the refinery capacity to process the exported crude oil. China only imports 20 percent of the equity oil to China; the other 80 percent is exported to other countries.

Bo Kong made reference to the "Angolan model" to show the way China received access to oil resources. The myth is that China provides billions of dollars in loans. In reality, the total number is approximately US \$9 billion. A large portion of the loans have, however, not been delivered or spent. The Angolan government does not have the capacity to allocate the money. Another myth is that Chinese companies bring more than 100,000 workers to Angola. According to statistics provided by the government of Angola, the numbers are more neutral: 241 in 2004; 1,970 in 2005; 14,322 in 2006; and 22,100 in 2007. The real number may, however, be between 22,000 and 100,000, he added. It is also not correct that Chinese companies lock oil blocks because they provide loans. Important oil projects (blocks 15, 16 and 18 and the Lobito Refinery) were however not realized because they neither had the capacity nor the technology. Similar cases occurred in Nigeria and Kenya. This does not imply that there are not any difficulties. There are serious safety concerns. Chinese companies have the most important production sites in Sudan. There is a correlation between the arms exports to Sudan and the oil imports to China.

Is China receptive to change? Bo Kong sees positive signs. Sinopec changed its behavior in the Loango

¹ More information on the issue can be found in "Institutional Insecurity", a paper published in China Security, 2006.

National Park (Gabon) after public awareness campaigns that it was dynamiting and polluting the park. China has become more sensitive to image awareness, for example, it has slightly shifted its position in Sudan. The human security risks in the country move China to take different initiatives. Chinese companies are paying more and more attention to Corporate Social Responsibility (CSR). The China Exim Bank signed a Memorandum of Understanding with the World Bank and IFC in 2007. Bo Kong noted that it was exceptional that Chinese companies overseas were observing CSR initiatives even before companies in China.

Bo Kong concluded with two final remarks. The perception that Chinese companies are puppets of the government was not correct. There is an administrative and decision-making autonomy. The Chinese CEOs are all of ministerial ranks, and do not listen to the government. Secondly, he stated that China believed that the criticisms made by Western companies were to deter Chinese investment. Mr. Kong invited all attendees to promote understanding and to build a coalition of the willing.

Félicien Mbikayi discussed the potential consequences of the Chinese-African relationship in relation to peace in the DRC. The prominent problem in the DRC is its weak government. The consequences are severe: corruption, impunity, weak public structures, bad wages, an informal sector and a lack of control on the implementation of the legislation. This does not give a free heaven to foreign investors. There is an urgent need for investment in the country, including in the natural resources sector. But a *conditio sine qua non* is that they respect the applicable norms, principles and laws, such as workers' rights and human rights, and in relation to the protection of the environment, transparency, taxes and revenues, socio-economic rights, the fight against corruption and the sovereignty of the country. A lack of compliance can cause or increase conflicts, particularly when one party enriches itself without respecting the rights and positions of the other parties.

He expressed his serious concerns about the activities of the Chinese companies in the DRC. They provide low wages, there are no unions at their factories and they buy minerals from children (complicity in child labor). They do not have environmental impact assessment plans and monitoring plans. They do not pay taxes nor do they pay the taxes when required to. They do not engage in relevant transparency initiatives such as the Extractive Industries Transparency Initiative. They do not care about the health of their workers and their families, and social actions are very rare.

The Chinese companies should be engaged to help the Congolese government and its people to profit from the country's resources. It is up to the government to provide the legal framework in which a company

should operate. The Chinese companies however fail to meet the formulated minimum objectives by the government and contribute to the current poverty of the country. Their actions create the perception of pillaging the country's resources. These two elements could trigger local conflicts and instabilities which can cause the people to use arms to demand their rights.

Félicien Mbikayi concluded by saying that he did not want to crucify the Chinese companies. GAERN's demands are addressed to all foreign investors in the country. He did not want to drive investors out of the country, but he wanted them to adhere to the applicable standards. In the DRC, there is a need for investments and infrastructure, but it should not come at any price.

6

EU and China-Africa Relations and Responsibilities in Resource Management in (post-)Conflict Africa

Panel Discussion



© Guesnet/BICC. Gold digger in Côte d'Ivoire.

Opening Remarks

Africa and China. Certainly, there is no love lost between them. There is a stubborn Chinese belief about the inferiority of black people, epitomized by a Chinese university professor who answered my question about the chances of Barack Obama to be elected President of the United States: "He doesn't deserve it, because he is black, so he is inferior." As far as the Africans are concerned, they have no higher esteem than the Chinese have of them. On both sides, horrible clichés abound: on tricky, unreliable, authoritarian Chinese who are only interested in themselves and eat only their own food; on lazy, unorganized and stupid Africans who are born to serve... .

When reading the news we get an eloquent illustration of different forms of China's engagement with Africa, like the execution of construction and hi-tech projects, exploitation of raw materials, cooperation in the political and media field, and involvement in sad African realities like kidnappings and killings.

China's interest in Africa is not new. The relationship started some six centuries ago, when a gigantic Chinese fleet of 'treasure ships' under the leadership of Admiral Zheng He landed at Africa's east coast.

In the 19th century, Chinese coolies swarmed off over the world. In the 1950s of the last century China renewed its interest in Africa, this time for ideological reasons. African liberation movements got support from Maoist China that dreamt about worldwide revolution; the same dreams as the Soviet Union had dreamt before. Some material aid, like the construction of railways, accompanied this ideological offensive, which faded away together with Chairman Mao himself.

Deng Xiaoping reshaped Chinese communism into what is officially called 'socialism with Chinese characteristics', a kind of Party-conducted capitalism. Essential in this new economic model is the absolute need to grow, not with one or two percent but with at least eight percent, in order to create enough jobs for young people, for people who have been laid off, and for the many millions who each year migrate from the countryside to the cities. Without an exuberant growth it is impossible to satisfy the aspiration of the Chinese people to get rich. Indeed, the promise to get rich is the ideological content of 'socialism with Chinese characteristics', according to the magic formula coined by Deng Xiaoping "to get rich is glorious". It was the new legitimation of the Party after the Mao era. The more people get rich, the firmer the Party's grip on society. If economic growth decreases, less people can get rich, and more people will lose their faith in the Party.

The political necessity to grow explains, in the last analysis, China's presence all over the world, because it needs the world to continue to grow. It needs raw materials, it needs orders for its industry, it needs export markets. Africa could provide all these needs, the more



as it was 'available' for China after the notorious demise of Europe. First Africa's former colonial masters seemed to have abandoned Africa, 'the lost continent' as they called it, then they cancelled the debts of Africa's poorest countries, conditioning new aid to criteria on good governance, democratization, respect of human rights and fight against corruption. And then China stepped in. There were no strings attached, thus emphasizing a win-win situation. "It is very simple," the Chinese ambassador in the Congo recently said, "we need raw materials, and these countries need capital".

I will finish with some remarks on China's relationship with Africa:

- China is often seen in Africa as the new success model to imitate. Thirty years ago, China was on the same economic level as many African countries are nowadays. For them, China is showing them the right way to progress.
- In the absence of moral considerations China is, like the European powers were before, a friend of all governments which are ready to make deals with Beijing, including the Sudan *junta* and the regimes of Zimbabwe and the Congo.
- China's justification for this attitude is the principle—adopted during the 1955 Bandung Conference—of non-interference in the domestic affairs of other countries, which officially is still the cornerstone of China's foreign policy and serves mainly to defend itself against foreign intervention.
- In many mines and factories in Africa the Chinese have introduced their own bad labor conditions, their own lack of trade union freedom, and their own lack of respect of the environment.
- Is China Africa's new colonizer? It is too early to make that statement, and Africa is mature enough not to allow itself to be colonized again. And China has to learn how to see its own long-term interests and to behave itself as a responsible world power.

Jan van der Putten is a journalist and his professional focus lies on China. Convinced of China's rise to the status of a global player in 2003, he founded Eyes on China Ltd.

Summary of the Panel Discussion

During the fifth Session of the conference, four panelists presented their respective opinions on EU and China-Africa relations and responsibilities in resource management in (post-)conflict Africa. The panelists were **Anders Lustgarten** (Counterbalance), and **Jonathan Holslag** (Brussels Institute of Contemporary China Studies, BICCS). **Wenran Jiang** (China Institute, University of Alberta), and **Alfred Brownell** (Director, Green Advocates, Liberia) were the respondents.

The session was chaired by **Ricardo Soares de Oliveira** (Lecturer, Oxford University).

The panel was opened with a presentation by **Anders Lustgarten** who stated that China is a worry to the West simply because it is competing on Western terms and has some competitive advantages (building infrastructure, no conditionality).

There is no change in modality. Certainly, this is not to excuse China's wrongdoings in Africa, which are evident (i.e. Marowe dam project in Sudan) but on the other hand, the belief that Western companies and institutions adhere to local standards and environmental criteria is a "fundamental misapprehension" in Lustgarten's eyes. He gave an example of such a misapprehension: the European Investment Bank (EIB), the biggest public lender on the planet, which finances projects in Africa violating social/environmental standards and development criteria set by the European Union (i.e. Inga project in the Democratic Republic of the Congo). In Lustgarten's opinion the colonial pattern has not changed, it has just moved to the rubric of development. The large projects sponsored by the EIB in Africa are outdated, of colonialist style and have very few spill-over effects. What Africa really needs, said Lustgarten, is smaller scale, localized, long-term and sector-cutting investments. However, international financial institutions are not eager to support these as they require a lot of time and do not offer returns instantly. In his closing remarks, Lustgarten postulated that only if the demand side of the global economy and the consumption patterns of Western societies alter, will the planet be saved from environmental disaster. Sadly, the combination of free market neo-liberalism and democracy is, in his view, the worst possible scenario for preventing the eco-catastrophe. If the West does not start operating under a different economic model, China will not have any incentives to change its behavior in Africa. It is for the European citizens to put pressure

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on their institutions such as EIB, not by means of voluntary codes and standards which basically do not work but rather via legal avenues and legal structure.

The second panelist, **Jonathan Holslag**, summarized the position of the European Union and of EU documents on China's increasing involvement in the African region. Constructive collaboration and African ownership were some of the issues that appeared in the common position of the European Council in 2006. The European Parliament, in its report of 2008, also suggested an integrated collaboration with China on Africa and sustainable development, however, basically on European terms, which gave rise to some reservations in China. The European Commission also published a report, in October 2008, which according to Holslag, started off quite ambitiously but finally turned into a very vague document, which neither explains the drivers nor the interests of the European Union *vis-à-vis* China's growing influence in Africa (it does, however, formulate areas of collaboration). The Commission refers to the management of natural resources and expresses its support for international initiatives in this regard, such as the Extractive Industries Transparency Initiative (EITI). Informal meetings with Chinese envoys took place in 2006, none of which, however, have produced any tangible results. The European Union also made a failed attempt to approach China on a vice-ministerial level. To recapitulate, according to Holslag, the EU position on China in Africa is very vague and the reactions of China to the European initiatives have been mostly negative, even hostile on some occasions. The position of the European Union will remain an elusive amalgamation of interests and principles as long as it is not backed up by the member states. The Commission does not have a mandate to speak in clear terms on behalf of the members. Holslag raised two additional points: The Commission has not made a genuine effort to approach other stakeholders in Africa (such as India, and Brazil), which undermines the EU mandate and credibility to come to speaking terms with China. Furthermore, the European Union is not making internal progress in developing more consistent policies with respect to its aid and investment programs in Africa.

The Chair, **Ricardo Soares de Oliveira**, adding to the presentation of Jonathan Holslag, commented that the mutual relations between the European Union, China and Africa do not come easy, with the European Union trying to play a central role. This trilateral dialogue, however, has a patronizing touch both from the African and Chinese perspective.

First respondent **Wenran Jiang** made a few comments on the issues raised during the presentations. His

first point was that in light of China's involvement in Africa, the United States and the European Union are forced to reassess their activities in the continent. Secondly he concluded there is a tendency to reach dramatic conclusions and present China as a source of all evil. To understand China's involvement in Africa one must first understand the domestic policy and Chinese development model. It is unrealistic to expect China to pursue better standards overseas than at home.

Alfred Brownell concluded that the public debate on China is full of hypocrisy and driven by the selfish agenda of the Western companies. How to tackle China's growing involvement in the continent should be a sovereign decision to be made by Africa itself. He presented a number of positive outcomes of the relationship between Liberia and China (i.e. roads, schools). There should be a rethinking of the agenda in a direction that could offer Africa maximum benefits.

Ricardo Soares de Oliveira pointed out that although many of Africa's challenges are provoked by external actors, it is the African governments that should be held accountable in the first place for the continent's problems as they are actors in their own right.

In reaction to the speech delivered by Anders Lustgarten H.E. **Festus Mogae** expressed his reservations concerning the viability of the long-term projects implemented in Africa. Since governments in democratic countries have short-term mandates, the long-term projects are problematic and often unrealistic. His Excellency also addressed the controversies that arose around the Inga Dam Project, which, in his view, is of paramount importance for the entire region and presents a lasting solution to the power shortages. The nations of Africa should not be held to ransom in order to please small local communities that are affected by the project. One should also bear in mind that the Inga Project is environmentally friendly. His Excellency called for more realism in the public debate. On this note, Peter Croll, Director of BICC, pointed out the important role that civil society can play in this debate and its responsibility.

7

Conclusion



Conclusions by Fatal Transactions

Fatal Transactions started as the umbrella organization of European NGOs who were shocked and concerned about the role diamonds played in financing the wars in Sierra Leone and Angola. This was ten years ago. Unfortunately, there is not much reason to celebrate the 10th anniversary of the campaign. The present conflict in the Eastern Democratic Republic of the Congo shows that serious fatal transactions in the mining sector in Africa are still going on, with natural resources often being a curse, rather than a blessing.

Fatal Transactions is not surprised about the recent increase in violence, fighting and human suffering in the Eastern DRC. Last year, the International Peace Information Service (IPIS), one of the campaign's members, conducted extensive field research in the Kivu Provinces and mapped out the mines and trade routes in the area. It also provided information on active armed groups and reported human rights abuses and cases of direct violence against civilians. The nexus between the mining of and trade in minerals and (potential) violent conflict was made clear.¹

A couple of months later, media coverage on the DRC repeated what research of Fatal Transactions had shown: There is a clear-cut economic dimension in the motives of the warring parties in Eastern DRC. To get rich by trading in ores like cassiterite, gold or coltan is a decisive conflict motive of warring parties. The fact that even the national Congolese army, the FARDC, is making money with the mining of and trade in natural resources, instead of protecting its civilians is a sad reality and shows the limited power and lack of political will of president Kabila in Kinshasa.

Fatal Transactions argues that the only way to create peace in the DRC is to tackle the issue with political action and political will. Continued support to military operations such as MONUC (United Nations Organization Mission in the Democratic Republic of the Congo) in the DRC and providing humanitarian aid to the victims in the Eastern DRC is therefore needed, but will never be enough. For a long-term solution to the conflict, the issue of natural resources fuelling the conflict needs to be prioritized. International mining companies, motivated by governmental institutions, must seriously attempt to make their supply chains transparent and not allow dirty commodities entering their products.²

Digging for Peace in Fragile States

The story of Botswana, a country that has turned its diamond kimberlites into a blessing after independence in 1966, could serve as a model of inspiration to other

¹ See <http://www.ipisresearch.be/maps/Oost-Congo/20080506_Mapping_Eastern_DRC.pdf>.

² To stimulate and support governmental initiatives on transparency, Fatal Transactions facilitated a pre-conference event of the BGR Pilot Certification Project. (See pp. 7-9 of this *brief* for more information.)



African countries. This we heard from the former President of Botswana, H.E. Festus Mogae who was keynote speaker at the conference. Case studies of fragile states presented at the conference however show otherwise. Côte d'Ivoire, Sudan and Liberia are recovering from war and are rich in natural resources as diverse as cocoa, diamonds, oil, timber, and iron ore.

However, economic agendas are driving foreign companies, local businessmen and corrupt governments, all eager to dig into the mining and minerals deposits. This poses a direct threat to peace and stability. Fatal Transactions argues that adequate resource governance implemented by national governments, including transparent tax regimes and supply chains is the only way forward in fragile states like these. The international community as well as the European Union should make natural resource management a priority in their sustainable development policies and programs by supporting fragile states in their resource governance. Instead, the European Union at present has a very fragmented policy on natural resource management allowing economic interests to win over the social, human and local interests of regions rich in natural resources.³

Role of Private Companies

There are good examples of Corporate Social Responsibility (CSR) of companies in the mining sector, some are represented here at this conference. However, should the mining sector allow the current financial crisis to affect their good practice, then there is something fundamentally wrong with their CSR policy; corporate accountability and transparency

³ See: Memorandum by Fatal Transactions on the European Union's contribution to natural resource management in Africa, 'From Conflict Resources to Sustainable Development', July 2008.

Anneke Galama is the International Coordinator of the Fatal Transactions campaign at Niza.

towards the host government and the affected local population are a non-negotiable part of a company's business plan, with a realistic timeline and sufficient financial backing behind it. Working in fragile post-conflict countries or regions is difficult but one cannot hide behind ignorance. Moreover, companies can raise Red Flags, developed by International Alert and Fafo,⁴ flags that imply possible legal risks to companies and should immediately put a hold to the operations; flags that are not only driven by legal threats but also motivated and driven by moral obligations.

China, Africa and the European Union

China's involvement in the mineral resource sector in African countries is not unique. Its commercial behavior is the same as that of Western countries in the past and present. The main difference is the absence of a 'hypocrisy package'; China is not burdened by a post-colonial relationship with African countries and leaves it up to African governments themselves to decide which contract to sign and under which conditions. They do not interfere in internal issues, although their involvement in the Sudan conflict did force them to change their foreign politics in order to keep the oil supply running.

For local populations living in areas where foreign investors are entering their local economies and livelihoods, it is of no importance whether the company is Chinese or European. Félicien Mbikayi from the diamond province Kasai in the DR Congo explained at the Conference that Chinese mining companies have to respect the same laws and regulations as any other investor. The fact that they don't and workers get even paid less than the minimum wages and the very fact that the Congolese government is allowing this is not acceptable.

A Safe Public Space for Civil Society

Civil society organizations play a key role in demanding transparent and just corporate behavior from mining companies and holding their own governments responsible for adequate resource governance. However, speakers from Sudan, Liberia and the DR Congo argued that their societies are facing severe difficulties when taking part in this debate: hampered by insufficient technical knowledge, language and cultural barriers and often even physical threats and abuses by official and unofficial security forces, is creating an unsafe environment for civil society to act in. Fatal Transactions therefore calls upon the donor community to increase their support to civil society organizations in the South who are monitoring the revenue distribution of their government or negotiating

with mining companies who are entering their land. Civil society needs a secure space for negotiation, with sufficient time, adequate knowledge and financial means to act.

From Fatal to Fair Transactions

If countries like Norway in Europe, and countries in Africa, like Botswana, can do it, then why not countries like the Democratic Republic of the Congo, Angola, Sierra Leone, Liberia and Côte d'Ivoire? Fatal Transactions believes that natural resources are a blessing. The way they are mined in many African countries, however, turns them into a curse; ill managed by national governments, mined by companies under unjust conditions and traded in a non-transparent way.

To implement the blessing scenario Fatal Transactions also believes in the need to invite all stakeholders to the table and jointly discuss realities and design solutions. Therefore, Fatal Transactions is glad to have offered a platform with its Annual Conference "Digging for Peace" and hopes it has facilitated a constructive debate, allowing a small step to be taken towards more fair transactions in the natural resource sector.

⁴ See: www.redflags.info

Closing Speech

Ladies and gentlemen,

I have found this meeting very challenging, stimulating and highly instructive. On the whole, when looking at all the comments together, it has been very well balanced. Let me thank you, the organizers, for this meeting, and for having invited many of us from a variety of backgrounds, which gave us the opportunity to talk about the subject from many different angles.

In my opinion, the fact that China and other newcomers like India and Brazil have come into play in Africa is a good thing. If there are more competitors, there is likely to be a fairer deal, so that we Africans can choose between Europeans, Chinese, American, Indian and Brazilian companies. Some people voice their concern and argue that the Chinese and the newcomers are exploiting the African people. I think this is not a balanced approach to the problem. I am not saying that they should be permitted to commit irregularities. But I think to talk as if they were bringing corruption to Africa when corruption has been there all along is wrong. I say if we Africans are corrupt, it is either our own fault, and/or perhaps yours, because you colonized us. It certainly is not the Chinese, and the Indians', and the Brazilians' fault.

I endorse what the organizers of this conference stand for: Transparency on the part of everybody, whether they be from China, Europe, the United States, China, Brazil, India or Japan. And fairness. Transparency is important and it can not be imposed. We have to advocate and civil society plays a role, I agree. But sometimes civil society in the more affluent societies of Western Europe and North America can be so patronizing, not only to us who represent African leadership, the elites, telling us that we are exploiting our own people which sometimes is the case. But also in not engaging civil society organizations in development countries, on the ground. I'm also hesitant and concerned about your rush to judgment sometimes and the radical solutions which hurt some of the very people you claim to help. One good example is the use of your financial and economic muscle by giving us an ultimatum of 'either you do it or we won't lend you the money'.

Of course I'm not asking for no actions and I'm not saying that solutions must be painless. But I think that we must consider the impact of our actions on the very people whom we are trying to help.

As I said at the beginning, I think this has been a very good conference, which has again shown that transparency and good governance are crucial. We all agree that African governments have a duty to themselves and to their people, and that they should do their utmost to consult and take their people along with them in whatever they are undertaking. Up to now, however, they have failed to do so. We Africans have failed to do

so even though the responsibility rests with us. Indeed, let us look at Western companies, or the companies of the newcomers: they are legitimately following the interests of their stakeholders. They go out to make profit, and this is a legitimate part of the capitalist system. Now, we Africans should have taken care of our own interest. We have not always been free agents of course and it has been an unequal match between investors and us. We are still weak. But there are many things that we Africans can do by ourselves. We should endeavor to be less corrupt and more transparent, more inclusive in our schemes and act, when entering into contracts, in the best interest of our people. I agree that we have a lot to answer for. I endorse the positions taken by all the NGOs here, and your concerns are legitimate. I only feel concerned when you advocate solutions disregarding the extent to which it will hurt some of the very people you want to help. Look at the question of the environment: you know that you, our friends in the West, are guilty, not us. When you see the globe and look at the distribution of wealth, you see Europe, the United States and parts of Asia shining, and then you see the darkness in Africa with a little grey at the bottom representing South Africa. The rest is us, black people living in the dark. We have no intention to stay in the dark forever. It is true, solutions must be found, but they have to recognize our legitimate needs.

Thank you very much.

Annex I: Conference Program

DIGGING FOR PEACE

Private Companies and Emerging Economies in Zones of Conflict

Venue: Deutsche Welle, Bonn

1 st Conference Day: Friday, 21 November 2008	
09.00 – 10.00	Registration of participants
10.00 – 10.30	<p>Opening Remarks</p> <ul style="list-style-type: none"> • Peter Croll (Director, BICC) • Anneke Galama (International Coordinator, Fatal Transactions) and Anne Jung (Campaigner, Medico International) • Peter Eigen (Chair, Extractive Industries Transparency Initiative)
10.30 – 12.00	<p>1) Investing for peace: Doing business in (post-) conflict areas</p> <p>Keynote Speeches</p> <ul style="list-style-type: none"> • Resource Governance: A Perspective from Botswana The Hon. Festus Mogae (former President of Botswana) • Germany's development agenda Adolf Klope-Lesch (Director General for the Department on Global and Sectoral Policies; European and Multilateral Development Policy; Africa; Middle East, German Federal Ministry for Economic Cooperation and Development) • Context: Resources for Peace Ricardo Soares de Oliveira (Lecturer, Oxford University) <p>Chair: Peter Eigen (Chair EITI)</p>
12.00 – 13.30	Lunch Break
13.30 – 15.00	<p>2) Stories from the South, contemporary resource conflicts and fuel for peace in Sub-Saharan Africa: Liberia, Côte d'Ivoire and Sudan</p> <ul style="list-style-type: none"> • Alfred Brownell (Director, Green Advocates, Liberia) • Jolien Schure (Researcher, BICC) • James Ninrew (Executive Director, AMA, Sudan) <p>Chair: Mike Davis (Global Witness)</p>
15.00 – 15.15	Short coffee & tea break
15.15 – 16.45	<p>3) Preventing conflict, re-building war-torn societies: Private sector perspectives</p> <ul style="list-style-type: none"> • Andrew Bone (Director of International Relations, De Beers Group) • John O'Reilly (former Senior Vice President for External Affairs, BP, Indonesia) • Philip M Sigley (Chief Executive, The Federation of Cocoa Commerce) • Salil Tripathi (Senior Policy Adviser, International Alert) <p>Chair: Wolf-Christian Paes (Program Manager, BICC)</p>
17.00 – 19.00	<p>Opening of the Resource Exhibition and reception in the Foyer with welcoming addresses by H.E. Festus Mogae (former President of Botswana), Peter Eigen (Chair, EITI), Ulrich Hauschild (Mayor of the City of Bonn and an introduction by Peter J. Croll (Director, BICC).</p>

2nd Conference Day, Saturday, 22 November 2008

10.00 – 12.00	<p>4) Changing context: new emerging economies and Africa's resource market. Emerging South-South relations.</p> <p>Opening remarks: Alphonse Muambi (book author and essayist)</p> <ul style="list-style-type: none"> • Ana Cristina Alves, (Researcher, China in Africa Project at SALLA) • Bo Kong (Director, Global Energy and Environment Initiative) • Félicien Mbikayi (GAERN, DRC) <p>Chair: Daniel Large (Research Director, Africa Asia Centre, UK)</p>
12.00 – 13.30	Lunch break
13.30 – 15.15	<p>5) EU and China- Africa relations and responsibilities in resource management in (post-) conflict Africa.</p> <p>Opening remarks: Jan van der Putten (writer and chairman Eyes on China, the Netherlands)</p> <ul style="list-style-type: none"> • Madalina Pruna (Expert at the European Commission, Brussels) • Anders Lustgarten (Counterbalance) • Jonathan Holslag (BICCS) <p>Respondents:</p> <ul style="list-style-type: none"> • Wenran Jiang (China Institute, University of Alberta) • Alfred Brownell (Director, Green Advocates, Liberia) <p>Chair: Ricardo Soares de Oliveira (Lecturer, Oxford University)</p>
15.15 – 16.30	<p>Conference resume (Anneke Galama) Closing remarks (H.E. Festus Mogae)</p>
19.00 – 22.00	Conference Dinner (by Invitation Only)

Annex II: Registered Participants

Name	Organization	Country
Altrock-N´cho, Sonja	amnesty international	Germany
Ankersmit, Nathalie	Niza	Netherlands
Anthony, Claudia	United Nations Radio	Sierra Leone
Auer-Frege Dr., Ilona	Ökumenisches Netz Zentralafrika, ÖNZ	Germany
Balume, Jean-Deo M.	Unisa	South Africa
Becker, Nani	Globalgap	Germany
Behalal, Zobel	CCFD Terre Solidaire/ Peace and conflicts	France
Berck, Anne-Sylvie	Commission Justice et Paix	Belgium
Bickel, Ulrike	MISEREOR-Referentin für Energie-Rohstoffe	Germany
Bruyland, Erik	trends magazine	Belgium
Burghardt, Diana	NOHA Network of Humanitarian Action	Germany
Cahillane, Amy	United Nations Institute for the Advancement of Women	Dominican Republic
Cappelle, Jan	International Peace Information Service	Belgium
Chembe, Martin David	Zambia Congress of Trade Unions	Zambia
Claar, Simone	University Frankfurt/Political Science Department	Germany
Danuweli, Cecelia T. M.	West Africa Network for Peacebuilding, WANEP	Liberia
de Groot, Eelco	Cordaid	Netherlands
de Souza, Charles Michel	Kakif Investment	DRC
Degen, Iris	University Marburg	Germany
Detse Mensah-Pah, Jerry	WACAM	Ghana
Devuyst, Emmanuelle	OCIPE	Belgium
Diallo, Amadou	P J Enterprise Ltd	Gambia
Döhne, Karin	Church Development Service, EED	Germany
Ejebughu, Wisdom Uchenna	Graduate	Poland
Emeka ,Okafor Luke	Student, Warsaw University	Poland
Eneh Emka, Sylvester	Agwaken Company	Nigeria
Fehl, Julia	Platform for Civilian Conflict Management	Germany
Fofana, Bakary	CECIDE	Guinea
Frank,Claudia	EIRENE International	Germany
Fulbert, Amuri Mekae	Centre d'Evaluation, d'Expertise et de Certification	DRC
Gaebler, Martina	German Development Institute, DIE-GDI	Germany
Ganns, Harald	United Nations Bonn	Germany
Guei, Leonie	ONG Femme et Developpement Durable	Cote d' Ivoire
Hackenesch, Christine	German Development Institute (PhD China-AFR-EU)	Germany
Hütz-Adams, Friedel	Suedwind-institut	Germany
Hsu, Aiya	Greenpeace China	China
Jawad, Manar H.	Institute for International Law of Peace and Armed Conflict, IFHV,-Ruhr University Bochum	Germany
Jezkova ,Michaela	Society for Fair Trade	Czech Republic
Kama, Kinsukulu Landu	Grémio para o Ambiente, Beneficiência e Cultura „Grémio ABC“	Angola
Kantu Dr., Yamba T. Patrice	Public & Policy Affairs Consultant	Germany

Kohler, Judith	GTZ	Germany
Kopinski, Dominik	Institute of International Studies	Poland
Kuijstermans, Christian	AGEH	Germany
Kumwamba N'Sapu, Albert	ACIDH	DRC
Lain, Christine	IUCN	Netherlands
Lambang, Mathieu Yamba Lapfa	Centre d'Evaluation, d'Expertise et de Certification	DRC
Lamine, Coulibaly Mohamed	oxfam gb	Senegal
Laube, Wolfram	Center For Development Research	Germany
Lebzien, Andreas	Swedish Ministry for Foreign Affairs	Sweden
Levin, Estelle	Resource Consulting Services	United Kingdom
Liévin, Mabaya Kipo	idem	
Linde, Janna	ifz Bonn	Germany
Linnarz, Paul	CEO for Events and Services from Deutsche Welle	Germany
Lusi, Gwendolyn	Analysis and Prevention Service, Federal Office of Police, fedpol	Germany
Luyet, Jérôme	Analysis and Prevention Service, Federal Office of Police, fedpol	Switzerland
Mai Dr., Wolfgang	ex-Bread for the World	Germany
Makandwa, John	Ministry of Mines and Mining Development	Zimbabwe
Matenga, Steve	Fondation Hironnelle – Radio Okapi	DRC
Mengelkamp, Winfried	Ministry for Generations, Family, Women and Integration of the Land NRW	Germany
Messue, Fofana		
Michel, Yoboue Koffi K.	Publish What You Pay Côte d'Ivoire	Cote d' Ivoire
Millard, Ananda	BICC	Germany
Monnet	Monnet languages services	Germany
Mosello, Beatrice	Graduate Institute of International and Development Studies, Geneva	Switzerland
Mounzeo, Christian	Publish What You Pay Congo	DRC
Mpararo, Ernest	Ligue Congolaise de lutte contre la Corruption, LICOCO/RDC	DRC
Mukanirwa tshimpambu, Jeannine	CENADEP	DRC
Muluile Elumba, Flavien	Student World Assembly	France
Munive, Jairo	Danish Institute of International Studies	Denmark
Mupepele, Léonide	Centre d'Evaluation, d'Expertise et de Certification	DRC
Mursch, Yvonne	Student	Germany
Muyeba, Albert Kabuya	CENADEP	DRC
Newton, Otsemaye	Publish What You Pay Nigeria	Nigeria
Nhabanga, Eduardo	Eco Matola	Mozambique
Njowusi, Wilfred	Agwaken Company	Nigeria
Nkotto, Honore Ndoumbe	FOCARFE	Cameroon
Nonso, Chukwukel Nmichael	Chiduru and Company	
Ntsicane, Humberto Mateus	Eco Matola	Mozambique
Obi, Philip	Niger-Delta peacebuilding	Nigeria

Obiri, Samuel	Centre for Environmental Impact Analysis	Ghana
Ojakorotu Dr., Victor	Monash University	South Africa
Onyekweli, Anthony	NEITI	Nigeria
Oosterwegel, Eva	IKV Pax Christi	Netherlands
Paech, Nora	Student, University Marburg	Germany
Phiri, Chisomo Jube	Caritas Ndola	Zambia
Probosz, Natalie	Student	Germany
Radeke, Helen		
Roesen, Gisa	BGR	Germany
Schmidt, Lena	University Marburg	Germany
Schmitz, Jutta	IFZ	Germany
Schmücker, Stephanie		Germany
Shehu, Usman	Deutsche Welle	
Shekogaza Wasah, Clement	Community Action for Popular Participation, CAPP	Nigeria
Spieß, Katharina	amnesty international	Germany
Steinmetz, Brigitte	Kindernetzwerk Sierra Leone e.V. (NGO)	Germany
Stojkovski, Aleksandra	University Tübingen	Germany
Tanzberger, Klaus	German Federal Ministry for Economic Cooperation and Development, BMZ	Germany
Toure, Aly		
Tsuma, William	Center For Development Research, ZEF	Germany
Tundanonga-Dikunda Dr., Shungu M.	Public & Policy Affairs Consultant	Germany
Ugolor Rev., David	African Network for Environment and Economic Justice, ANEEJ	Nigeria
van Bockstael, Steven	Egmont	Belgium
van der Wal, Mark	IUCN	Netherlands
van Gelder, Jan Willem	Researcher Profundo	Netherlands
Verbruggen, Didier	IPIS	Belgium
von Drachenfels, Christian	German Development Institute, DIE	Germany
Werner, Benjamin		Germany
Wesselink, Egbert	IKV Pax Christi	Netherlands
Westerkamp, Meike	Adelphi Research	Germany
Westermann, Nina	University Bonn	Germany
Wilczewski, Anna		Canada
Wirkus, Lars	BICC	Germany
Yalis, Torretta	Graduate Institute of International and Development Studies, Geneva	Switzerland
Yamane, Tatsuo	Assistant Professor, Hiroshima University	Japan
Zwiers, Bas	Independent Consultant	Netherlands

Facilitating Peace and Development through Research, Advisory services, Training

As an independent, non-profit organization BICC (Bonn International Center for Conversion) is dedicated to promoting and facilitating peace and development.

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BICC seeks to assist in preventing violent conflict and hence contribute to their constructive transformation.

While disarmament frees resources, which can be employed in the fight against poverty, conversion allows for a targeted, best possible reuse of these resources.

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Peace and development: BICC offers advisory services on demobilization and reintegration (DD&R). It evaluates demobilization and reintegration processes as well as peacebuilding tools, studies the role of the security sector, researches on the nexus between development and peace as well as early warning systems for crises.

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