U.S. Policy Recommendations To Combat Natural Resource Conflict and Corruption
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global witness

Many countries that are rich in natural resources are mired in poverty and poor governance. The revenues generated from these resources are often stolen or squandered through corruption and a lack of government accountability. Without more openness and a much greater say for the citizens of resource-rich countries in how their natural resource wealth is managed, the global scramble for these resources will continue to foster corruption, instability and avoidable human misery. In addition, U.S. energy security and national security are undermined by reliance on corrupt and non-transparent regimes, which have an increased risk of instability and unrest that can result in disruptions of energy supplies.[1] However, if natural resources are used wisely, they can be a far more important source of financing for the growth of developing countries than aid or other exports. For example, exports of oil and minerals from Africa in the year 2006, for example, were worth roughly $249 billion, nearly eight times the value of exported farm products ($32 billion) and six times the value of international aid ($43 billion).[2]

In some cases, natural resources such as timber, diamonds and minerals play a significant role in financing conflicts by providing money to fund armies and militias who murder, rape and commit other human rights abuses against civilians. In the eastern Democratic Republic of Congo, where the mineral trade has underpinned the war since 1998, rebel groups and the national Congolese army are currently trading illegally in tin ore, gold and coltan. The funds from this trade perpetuate violent conflict in the region.

Promoting Natural Resource Governance: Actions for the First 100 Days

Targeted measures to strengthen natural resource governance must be an integral component of U.S. foreign policy to enhance energy security, prevent conflict, improve investment climates and contribute to the development of poor, resource-rich countries. Several high impact, low-cost policy measures on governance and transparency in three key areas offer an opportunity for the new Administration to have a substantial impact in the first 100 days. A widened political space currently exists for these initiatives, sparked by bi-partisan Congressional interest.

Show Leadership on Oil Gas and Mining Transparency

The new Administration should publicly take two actions to promote transparency in the oil, gas, and mining sectors:

- Endorse legislation requiring extractive industry companies to disclose their payments to countries where they operate, on a country-by-country basis, to promote more accountability of how these revenues are managed. The Extractive Industries Transparency Disclosure Act, which was introduced during the 110th Congress, would apply to 27 of the world's largest 30 oil companies, including major American, Asian and European companies, and its implementation would come at minimal cost to the SEC.

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[1] Six of the U.S. top ten oil importing countries rank at the bottom third of the world's most corrupt countries, according to Transparency International. An increasing amount of U.S. oil imports are coming from Africa – 23% of U.S. oil imports currently come from Africa, according to Energy Information Administration statistics. See Global Witness' report "Oil Revenue Transparency: A Strategic Component of U.S. Energy Security and Anti-Corruption Policy": http://www.globalwitness.org/media_library_detail.php/531/en/oil_revenue_transparency_a_strategic_component_of_

[2] World Trade Organization. "International Trade Statistics 2006 – Merchandise Trade by Product", p. 44. Organization for Economic Cooperation and Development. "African Economic Outlook 2007/2008," p. 665.

- Commit to U.S. implementation of the Extractive Industries Transparency Initiative (EITI) and elevate EITI's priority in the State Department. The U.S. should continue to serve as a board member of the EITI with higher-level representation and should actively support and defend civil society activists working to hold their governments to account over management of extractive industry revenues. This multi-stakeholder initiative has bi-partisan support in Congress and Senator Lugar recently called for the U.S. to take these steps based on the findings of a Senate Foreign Relations Committee staff report on the resource curse.[3] The EITI is at a critical juncture, and U.S. commitment before the EITI General Conference in mid-February would send crucial signals to oil-rich countries considering adoption of EITI. The Administration should also require U.S. Export Credit Agencies not to finance any oil, gas and mining project unless the company discloses payments and the host government commits to EITI implementation; the U.S. should push for all Multilateral Development Banks to employ this policy for oil, gas and mining projects.

Strengthen the Anti-Money Laundering Framework

Some of the same factors which caused the banking and financial crisis – lack of disclosure and lack of coordinated regulation – are also those that allow corrupt, criminal, and terrorist funds to enter the U.S. and global financial system. This means that financial institutions continue to play a crucial role in facilitating the looting of state funds by corrupt government officials, including funds that derive from the extraction of natural resources. In its first months in office, the Administration should work with Congress to close key loopholes in the U.S. anti-money laundering framework as part of the wider banking reform package. This should include making the beneficial ownership of corporate and legal entities more transparent and ensuring that adequate oversight and enforcement measures are carried out. The U.S. should also press for the closing of these key loopholes in its negotiations in the international dialogue on global regulatory reform, including through its membership on the Financial Action Task Force.

Urgently Address the Role of Natural Resources in the Eastern DRC Conflict

The Administration should actively undertake a series of high-level diplomatic and regulatory measures to help break the link between the mineral trade and the continuing violence in eastern Congo. One area for urgent action is addressing the continued role of buyers who are willing to trade, directly or indirectly, with groups committing grave human rights abuses. The U.S. should require companies that are importing products that contain tin ore, coltan, gold and wolframite extracted in eastern D.R.C. to disclose precisely from which mines these minerals are sourced, when they were extracted, and the identity of their suppliers. The U.S. government should also:

- Ensure that economic agendas of the warring parties are discussed explicitly in mediation efforts.
- Support efforts to give MONUC the mandate and the means to tackle those aspects of the mineral trade which are benefiting armed groups.
- Back targeted sanctions on traders and companies trading with the armed groups
- Put pressure on governments of D.R.C. and Rwanda to cease support for armed groups, in particular the FDLR and Laurent Nkunda's CNDP, respectively.
- Call on D.R.C.'s neighbors (especially Rwanda, Burundi, Uganda and Tanzania) to halt illicit imports of minerals from eastern D.R.C.

The conflict in the eastern D.R.C. reflects a wider international failure to address the links between armed conflict and the global trade in natural resources. The U.S. should support the Belgian U.N. initiative for a General Assembly debate on natural resources and conflict, as well as a U.N. Secretary General's report to identify ways the U.N. can more effectively address resource-fueled wars and their aftermath. In tandem, the new Administration should develop a U.S. Government action plan to play a leadership role in tackling conflict resources on a global level.

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[3] Senate Foreign Relations Committee report prepared by Senator Lugar's staff, "The Petroleum and Poverty Paradox: Assessing U.S. and International Community Efforts to Fight the Resource Curse," November 10, 2008.