



REPORTS ON RECENT SPECIALIZED MEETINGS

(f) REPORT ON THE PARLIAMENTARY PANEL HELD WITHIN THE FRAMEWORK OF THE WTO PUBLIC FORUM 2011

(Geneva, WTO Headquarters, 20 September 2011)

Title of the session

"Trade in natural resources – curse or blessing? A parliamentary perspective"

Summary

1. The world is faced with the challenge of how to make the best use of remaining natural resources while respecting the overarching environmental imperative. With the global population expected to reach 9 billion by 2050, demand for natural resources will continue to grow, thus rendering past practices of overexploitation and environmental degradation no longer tenable.

2. About half of the world's natural resources are found in the poorest countries. Reliance on natural resources can for them be a powerful engine of development if they adopt the right policies. At the same time, countries whose economies are dominated by the extraction and export of natural resources run the risk of the "resource curse". Not only can access to natural resources be a source of political tension, but volatile prices too can result in economic instability and social unrest.

3. Parliamentarians are regularly faced with the dilemma of making balanced policy choices. This is why the issue of trade in natural resources seemed a logical choice of theme for the parliamentary panel held in the framework of the WTO Public Forum 2011. Organized by the Inter-Parliamentary Union and the European Parliament, the panel was designed to consider policy options that would take into account the particularities of natural resource markets. The panel formed part of a continuous process known as the Parliamentary Conference on the WTO - a mechanism of parliamentary interaction with the WTO, which has become its de facto parliamentary dimension.

Presentations by panellists

4. In his introductory remarks, the moderator of the panel, **Mr. Ram Etwareea, journalist ("Le Temps")**, shared his personal experience of visits to a few resource-rich countries. In some of them, the abundance of natural resources contrasted starkly with widespread poverty, inequality, social and political unrest, environmental degradation and biodiversity loss. Nonetheless, most people were convinced that access to natural resources was the most

important single determining factor of their chances of improved living standards. A completely different example was Norway – a country marked by important human development achievements.

5. The first question that the moderator therefore asked the panellist was: If natural resources were a blessing for Norway, why were they a curse for some other countries?

Ms. Roberta Piermartini, Senior Economist, WTO Secretariat

6. She singled out five features that made natural resources special from the point of view of their place in the economy in general and in trade in particular.

- **Exhaustibility.** Whether renewable or non-renewable, natural resources get exhausted if the rate of extraction is higher than the rate of renewal. Trade may play a dual role in this regard: it can worsen the situation by exhausting the stock if demand is too high, or improve the situation by disseminating technologies capable of boosting sustainable production.
- **Uneven geographical distribution.** Most natural resources are concentrated in just a few countries. Unlike technology or goods manufacturing, natural resources cannot be produced. This creates imbalances. Trade helps alleviate the disparities but it can also be a source of conflict.
- **Dominance.** Natural resources traditionally account for a large proportion of both the GDP and the trade in countries that have them in abundance and use them as a comparative advantage. However, the manufacturing sector in such countries is often underdeveloped. This requires macro-economic rebalancing.
- **Externalities.** Exploration of natural resources, and in particular their extraction, is accompanied by negative effects, such as pollution. To address these issues, countries need appropriate regulation and properly defined property rights.
- **Price volatility.** The natural resources market tends to be volatile. To reduce volatility, coordinated trade policies should be put in place.

Mr. Piet van der Walt, MP (Namibia)

7. Responding to the moderator's question, Mr. Piet van der Walt said that Namibia, as a fledgling State, was still fine-tuning its institutions and policies. Key development components, including skilled labour and investments, were lacking. This is why, for example, over 20 per cent of Namibia's GDP was currently allocated to education.

8. Quoting figures from the World Trade Report 2010, the panellist said that trade in natural resources had increased six-fold between 1998 and 2008, currently representing nearly a quarter of world merchandise trade. However, this was largely due to an increase in fuel and mineral prices. It was feared that price volatility, population growth and scarce resources could lead to tensions between producing and consuming nations. A strong system of global governance was therefore needed to deal with these challenges. In recent years, Namibia had achieved considerable progress in terms of more effective exploitation of its natural resources.

Mr. Jörg Leichtfried, Member of the European Parliament

9. The panellist started his presentation by pointing out that, in the case of Norway, wealth generated by oil and gas revenues helped create an exemplary welfare State but did not help develop the country's industrial capacity. In this respect, Norway was different from other Nordic countries.

10. He underscored that issues relating to price regulation should be kept under close scrutiny by parliamentarians. Market fundamentals, such as the supply-demand equation, could not be questioned. However, three specific issues required full attention. The first one was democracy. In countries with democratic deficit, only a small élite stood to benefit from revenues generated by natural resources. This resulted in social unrest and could occasionally lead to civil wars. The second aspect was social. From the European perspective, it was difficult to overestimate the importance of social and environmental rights.

11. Last but not least was the problem of speculation in raw materials. Personally the panellist was in favour of using transaction taxes as a means of preventing speculation, but recognized that this approach was not popular with some governments. The European Parliament was leading the way in this connection, having succeeded in getting the European Commission place the issue on its agenda. Mr. Leichtfried concluded by suggesting that natural resources were neither a curse nor a blessing, and should be used wisely, without falling into the trap of dependency.

Debate

12. Responding to a direct question about problems relating to access by foreign companies to natural resources that are nominally in the possession of poor countries, Mr. Leichtfried agreed that the problem existed. He suggested that the issue should not escape parliamentary scrutiny. A well functioning legal system should be in place, driving the business to work in a sustainable manner, with minimum environmental impact. The panellist added that every country should be free to decide whether or not to exploit its natural resources now or to leave them for future generations. However, the issue of national sovereignty over natural resources was a sensitive one, as evidenced by some of the disputes currently under consideration in the WTO.

13. Ms. Piermartini pointed out that export tariff restrictions were twice as high for natural resources as for other sectors, while applicable WTO rules were not binding. Environmental and social concerns were also an issue.

14. For his part, Mr. Piet van der Walt referred to Article 20 of the GATT concerning the right of Members to restrict trade in natural resources, particularly when exhaustible raw materials are concerned, albeit without unjustifiable discrimination with regard to other Members.

15. The ensuing debate focused inter alia on the issue of corruption linked to trade in natural resources. It was pointed out that both production and supply sides were implicated in such problems. The absence of effective international mechanisms to deal with the phenomenon was regretted. Another important problem was money laundering. Parliamentary oversight and monitoring were important and greater transparency was needed for both governments and private companies involved in this business. It was suggested that democracy was the only effective way to ensure the sustainable use of natural resources and the fair distribution of their benefits.

16. A proposal was made to the IPU to establish closer coordination with regional parliamentary assemblies and organizations, such as the African Parliamentary Union, with a view to assisting resource-rich developing countries in making the best use of their potential for the benefit of the entire population, not just the privileged few. It was also suggested that

parliaments of the countries concerned should be constantly monitoring the social and environmental impacts of the exploitation of natural resources, paying special attention to diversification and the use of environment-friendly technologies.

17. The issue of exhaustibility of resources was a recurring theme in the debate. Particular mention was made of water resources and the overexploitation of forests. Ecuador was mentioned as an example of a country where a bold decision had been recently taken not to extract oil in the Amazon region due to environmental considerations and because of concerns for the rights of indigenous people. Time and again it was said in the debate that clean technologies and know-how were key to achieving success.

18. One member of the public pointed out that all WTO Members should be accorded equal treatment with regard to their right to exploit raw materials. This was reportedly not the case for some of the recently accepted Members, who were subject to additional conditions unfairly imposed on them during accessions talks.

19. A number of interventions by parliamentarians from African countries focused on the plight of their continent which, although exceptionally rich in natural resources, was faced with development problems, aggravated by corruption and weak democratic institutions. Not all of these problems could be explained by the historical context or by continued manipulation by external forces. Clearly, the lack of strong regulatory frameworks and implementation mechanisms as well as the uneven distribution of natural resources also played a role. Companies interested in exploiting African natural resources should be encouraged to invest in value-added production, job creation and the development of skills locally.

Conclusions

20. The Parliamentary Panel within the framework was a valuable addition to the programme of the WTO Public Forum. Not only did it attract parliamentarians from many countries, but the debate was very interactive and rich. The participants would go away with lots of additional information on concepts such as fair trade, value sharing, transparency, and effective parliamentary oversight. Parliament's success or failure in dealing with these issues would affect whether natural resources were a blessing or a curse.