

## Raw Materials

### Minutes of the Workshop

#### I. Part

Input **Tilman Braun, Federal Ministry of Economy**: *The German G8 Agenda on Raw Materials*. The future availability of raw materials is of great importance, while the responsible use of raw materials should be assured as well. The government therefore wants to bring forward two initiatives:

- 1) Certification of raw materials: The industrialised countries need more diversification of raw material but they don't want to get them from illegal sources. Examples of certification processes are the Kimberley process, Green lead or the cyanide code. The certification should envision as well the commodity chain. Recently the ministry commissioned a study that shows how such a certification system could be installed internationally. The great lake region is a region where first attempts of a certification system could start. The development ministry did a survey which showed that German companies are positive of being part of a certification process.
- 2) EITI: Stability and a concrete framework are of vital interest for industry. The Extractive Industries Transparency Initiative (EITI) demands more transparency in revenues from oil exploitation. It is a multistakeholder process including governments and companies. The EITI secretariat is based in Oslo. The German government wants as part of their presidency to continue the implementation of EITI and get more support for the initiative. The introduction of an EITI index of the accountability of countries and companies is one idea to drive the signatories of EITI to act along their commitments and to monitor their performance. EITI also wants to launch a dialogue with emerging market companies, especially state companies.

#### Input **Dr. Guido Glania, German Federation of Industry**:

In the 1990ies German companies could rely on markets for raw materials because the prices were relatively low and supply was plenty. The consequence was a heavy disinvestment in mining. The effect is that now the German industry looks on raw materials as a pure consumer, while today the price is high and there is a scarcity of supply. This causes problems for German companies as they do depend on raw material since they do a lot of manufacturing. Raw materials are the bottleneck at the beginning. The reason for the scarcity is the increased Chinese demand. Now mining is more interesting as investment again, to avoid future shortages and guarantee security of supply. This could avoid as well export restrictions that some countries pose and allows to compete against companies that get state subsidies for the import of raw materials as Chinese companies do. Private western companies and Chinese state companies, that don't need to work profitable, are not on an equal footing. German business campaigns for a change of WTO rules which until now allow export restrictions (e.g. export taxes) and subsidies for state companies to secure raw material import. German companies are interested in helping countries to access and use their raw materials. But companies need an investment framework to make it profitable to invest in Africa.

Discussion:

- China bashing doesn't help, industries from emerging markets will over time realise that good regulation is in their own interest;
- But this works only if G8 companies follow their own rules and if financiers and governments don't lower their standards with China as an excuse; double standards towards countries with or without raw materials happen from US and EU side, which no good precedent;
- China still has a very low percentage of imports of raw material compared to EU and USA;
- As long as exploitation of raw material does not contribute to poverty alleviation, local people will oppose it
- EITI does not reach far enough. For local people it is difficult to understand. How can it be explained to them so that they understand what it is about and how they can use it for their cause?
- EITI has a free rider problem with countries that sign and do not follow the rules they agreed to.

## II.Part

Input **Claude Kabemba, Southern Africa Resource Watch** on revenue transparency in Africa's Rich Resource countries: resources can play a positive role but that needs a strengthening of governance. For that interventions on three levels are necessary.

1) On the *national level* a reform of institutions that deal with resources is needed. Until now institutions lack the skills to act correctly and to transform resource wealth into good economic performance. Therefore an effective state with oversight mechanisms is necessary. The state has to be capable to manage and administer the extraction of its resources from the drafting of legislation that protect its interest to exploration, negotiation of contract, enforcement of the tax regime, collection of taxes, transparent use of revenues, CSR, enforcement of health, safety and environmental standards.

2) On the *regional level* initiatives can strengthen governance of natural resources, NEPAD could include the natural resource sector into its analysis. African Peer Review Mechanism should include the resource governance. Regional cooperation can help as well for negotiations with multinationals.

3) On the *international level* EITI should apply to mineral companies to disclose financial statements as well. G8 countries should also adhere and endorse EITI so that it does not come across as an initiative for corrupt states. PWYP needs to be strengthened. Recommendations:

- G8 should focus on democratisation and good governance
- G8 advocate NEPAD/APRM to incorporate natural resources governance, especially transparency of revenue
- G8 should influence members to join/endorse EITI
- G8 should help to expand the EITI
- G8 work towards transparency and accountability of World Bank Group's financing for mining or oil projects in Africa
- G8 should search for ways to get legal remedies for natural resources spoliation

Input **Mrs. Weller IKV/Pax Christi** on how business and peace can work together: There is an important need for internationally obligatory rules for all companies. Conflicts are multidimensional and need a strategic framework to eliminate sources of conflict. Business in

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conflict zones need to maximise positive and minimise negative effects, they should adhere to OECD guidelines, Global Compact, etc. G8 governments should encourage companies to join voluntary initiatives but need to make national laws. On the need for international binding rules the special rapporteur John Ruggi creates the ground for an international agreement. For companies best practise examples are important.

Discussion:

- Lack of definition of “conflict resources”, this definition might be developed through the security council of the UN
- Lack of guidelines for companies of behaviour in conflict zones
- OECD guidelines are not far reaching enough, show the need for binding rules
- Open question where the binding rules should be based, what is to think of the idea to integrate transparency into international accounting standards in order to mainstream them
- What are Chinese state owned companies today anyway? There seems to be a learning process, in February for example there was a decision not to support any longer investments of Chinese companies in Sudan and Nigeria
- Industry agrees that binding rules are positive in some instances like the OECD convention on bribery, but more difficult in areas that are less clearly defined; business recommends the development of rules in processes that include companies; industry warns that it is anyway difficult enough to get companies to invest in Africa

Recommendations to the final panel discussion:

- Need for universal EITI member compliance for G8 and O5
- Natural resources must guarantee the right of local populations to a sustainable livelihood although the natural resources are of global interest
- In terms of raw materials: don't ask from others what G8 companies would be unwilling to do themselves
- Investigate into a global binding framework for extractive industry in relation to social, economic human and environmental rights