Raw Materials – a blessing or a curse for developing countries?

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Three years ago the UN Commission on Sustainable Development discussed mining, and since we were at the Commission for Sustainable Development, it was called »sustainable mining«. When I attended that meeting I witnessed quite a remarkable speech, very unusual for the UN. The chair of the meeting was Guatemala’s environment minister Luis Alberto Ferrate, an old gentleman who must have been at the end of his political career. He patiently listened to many speeches when officials from many countries, North and South, praised the benefits of that »sustainable mining« for their countries. And then he asked his deputy to chair the meeting for a few minutes, walked from the chair’s place to Guatemala’s place, and took the floor himself. He said, that he was not convinced that all these speeches really tell the truth. »Let’s not fool ourselves, I am sure mining is the same everywhere as in my country. When something is discovered, the big corporations come in, take everything out, give a little money to the government, and what they leave behind is wasteland. For the local people, it’s a disaster. This has nothing to do with development.« Everybody was surprised, there was no applause, and then he walked back to chair the meeting, dutifully thanking every speaker who kept praising the benefits of »sustainable mining«.

This little incident illustrates that for developing countries – and indeed every country – raw materials have the potential of being a blessing and a curse simultaneously, depending on who you are. Raw materials clearly are not the prerequisite of development, otherwise South Korea, Japan, Taiwan, Switzerland, indeed Germany and many other countries would be poor and miserable places. And they can impose terrible costs – countries like Iraq, Sudan, Nigeria and a few more would be better and more peaceful places without all the oil that made their dictatorships so powerful.

For those having to import raw materials or the products containing them, the new raw material boom is obviously a curse, a drain on their scarce financial resources, and any technology using metals or energy more efficiently will clearly be very welcome. And usually that category of countries is the majority. But also for the exporters, the raw materials boom can be a very mixed blessing.

Botswana is the usual example that is quoted when it comes to how a country wisely used its resource wealth for development, avoiding the usual pitfalls of corruption, Dutch disease and so on. Unfortunately, it is a rather exceptional case.

It is positive that unjust trade relations, a big problem for many decades, leading to low and even falling prices for raw materials, are slowly becoming a thing of the past. Developing countries are now increasingly taking their fair share. However, if a country builds its entire development on the export of raw materials, usually other sectors are neglected and end up being hardly competitive. How sustainable is it when Angola imports even basic foodstuff and a small urban elite lives in luxury and the rest lives in misery? How sustainable is the Bolivarian revolution in Venezuela when it is entirely paid for by oil exports?

The neo-extractivism in Latin America pursued by many progressive governments is controversial in those countries. With increased control by governments over the raw materials exports, these exports bring a lot of money into the state budget. But there is also a high price paid by the regions where the extraction takes place. Ecuador has made headlines with its Yasuní initiative, acknowledging that the destruction of a unique biodiversity hotspot is a price too high to be paid. While the initiative has fallen largely on deaf ears with the donor countries and international institutions, it has become immensely popular in Ecuador itself.

Buen vivir as alternative to an economic model based on economic growth and material accumulation is not a rich-world treehugger invention. It is now enshrined in Ecuador’s constitution –
just like constitutional rights for Mother Earth, nature. This is Ecuador, not Germany. There is a vocal part of the discourse in Latin America criticizing the return to a primary economy - even in a boom nation like Brazil, the share of industrial products in the country’s exports is decreasing and the share of primary products, minerals and agricultural products, is increasing. Is that development? Governments pursue a highly ambivalent policy between benefitting from the money from extractivism, and trying to overcome it. The debate about post-extractivism has only just begun. So far, it’s an idea.

The reality, however, is that extractivism is set to be booming with the continuously growing demand for raw materials. Some analysts expect that within the next 25 years humanity will use – or let’s say try to use – more resources than in its entire history before. This will also mean enormous flows of money. Various initiatives for more transparency such as EITI or the Dodd-Frank Act are therefore of high importance to make Botswana not so exceptional anymore.

At the same, recycling is imperative, because without recycling the negative environmental aspects would seriously escalate, and the metals would become even scarcer and that means more expensive. Environmental impacts by mining are set to become more serious since deposits with lower and lower concentration are now become economically attractive and viable to mine. The more we recycle, the less we have to mine. Reducing environmental impacts and making metals affordable for developing countries, I think this is something that will be helped by the idea of Sustainable metals management promoted in these new studies by UNEP, and that means it helps environment and development, in exporting and importing nations alike.