



# Southern China International MUN

*UNDP Council: On measures to address exploitative natural resources extraction in LEDCs under economic pressure.*

*Agenda Overseen by: Mischka Kantharia*

## **1. Description of the Issue**

### **1.1 History of the issue**

The extraction of minerals, hydrocarbons, and other natural resources on a large scale<sup>0</sup> has played a major role in the economy of developing countries and the world economy. The total consumption of hydrocarbons, metals, and grains on the other hand, would probably lead to the downfall of today's industries and societies on earth. Natural resources account for approximately 20 percent of the world's total trade, and their production is a tremendous business that spans several countries, incorporating firms from various sectors. Natural resources must be found, mined, and then exported. Most of the countries that produce natural resources are in the Global South. For these countries, the extraction and exportation of natural resources have been the mainstay of development. This has been the case in both colonial and post-colonial economies, and the wildness of such resources still plays an important role in the economic development strategies of many countries facing significant economic pressures. The economic importance of resource extraction can be measured by the percentage contribution data of oil, gas, and mining to GDP, exports, foreign direct investment, and the public budget. Therefore, the contributions of extractive industries to 'development' and 'inclusive development' are proportionally less certain, not least due to the variation in the definitions of these terms that depend on the emphasis the different analysts give to the goals of poverty and income inequality, environmental justice, gender equity, or human and citizenship rights of the nation. Even among those who advocate for the supporting role of extractives in economic development and poverty alleviation, in most cases the results have been unclear. The above observations have triggered extensive discussions about the causes of such disappointments, a series of poli-policy recommendations regarding how to improve the contributions of resource extraction to development, and significant advocacy and social conflict surrounding the extractive economy across the globe.

## **1.2 Recent Developments**

In the past few years, several continents that have plenty of natural resources have been outpaced in economic growth by countries with fewer resources. Still, the over-reliance on nature's gifts can disrupt the economy and cause political unrest, thus causing long-term negative effects, particularly in Less Economically Developed Countries. This is sometimes very clear in such countries where the mainstay of their economy is the oil export, leading them to fall into the trap known as "resource curse." The debate regarding the possibility of natural resource courses has always attracted a lot of academic attention. Some studies have pointed out a positive relationship whereas others have indicated otherwise. No common understanding exists among scholars in this regard of connecting the availability of natural resources with the economic growth rate in the case of oil-rich countries. It has been established that in some regions resource rents have got a negative or neutral impact on the economy while other areas have reported a favorable relationship. The disagreement on this issue however has very important implications for the lawmakers in those countries, who are tasked with the hard job of juggling their resources to trigger economic growth and development. Hence, this research work will look at the influence of mineral and oil rents on the economic growth of oil-rich states, and later, tell the policy makers how to utilize the advantages of their natural resources while harmonizing the disadvantages such as the slowdown of economic growth. Moreover, there are still little advances in research regarding the success of policies that have been instituted to reduce dependence on natural resources in these countries thus this can be seen as an area for future exploration.

### **Key Terms**

***Resource Curse:*** “The resource curse describes an economic paradox where countries rich in non-renewable resources, like oil, face stagnation or decline in growth. Investment focused solely on resource-intensive sectors, coupled with potential government mismanagement, can weaken a nation's economy”.

### ***Exploitative Resource Extraction***

“The extraction and use of natural resources at rates that exceed their natural replenishment, often prioritizing short-term economic gains over long-term environmental sustainability”.

***Extractive Industries:***

“Economic sector dedicated to the exploration and extraction of natural resources from the subsoil, such as minerals, oil, natural gas, coal, and others”.

***Economic Coercion:***

“A strategy in international relations where states use economic means such as sanctions, trade restrictions, or financial pressures to influence the behavior, policies, or decisions of other countries”.

***Resource Governance:***

“Structures, processes, and decision-making frameworks that guide the allocation and utilization of organizational resources”.

**2. Emphasis of the Discussion****2.2 Stance of Intergovernmental Organizations**

An investment boom characterized by the demand for resources from Asia, especially in oil, gas, and metals, has been the reason behind mineral exploration and extraction. Such developments have led to the industries' contribution of a large part to the recent FDI increases in developing countries, particularly in Africa, rich in minerals. The reception of the boom also resulted in a series of mergers across the borders of the corporations that dominated the industry and thus created a new concentration of market power. The quality of the host country's governance, government policies, and institutions are the key factors in determining the extraction of resources' contribution to sustainable development with or without TNC participation. Therefore, a clear vision and strategy are needed by governments to ensure that the oil and other mineral resources are used in a way that is both fair and transparent and that supports sustainable development. Moreover, they should work on the abilities and capacities they have for policy design and implementation. The continued boom in mineral prices has led several governments to turn to mining codes, fiscal regimes, and contracts for the purpose of maximizing the share of generated profits that they receive by amending. The recent changes in regulations in the economies of the developed, developing, and transition circles indicate that the regulations may have been very lenient towards foreign investors. Recommendations to countries to develop frameworks that will last through the various phases of the business cycle, for instance, through the imposition of progressive taxation on extractive industries'

earnings. To face the challenges of policies, collaboration involving all stakeholders is required, A coordinated effort by all parties involved is necessary to ensure that the large mineral resources found in some of the world's poorest countries will not only be a burden but also a blessing for development. It is the objective of ensuring that investments will be efficient and environmentally friendly manner possible, and to ensure that they contribute to poverty alleviation and accelerated development. For that, institutional and regulatory frameworks must be promoted by accountable governments as well as responsible investors

### **2.3 Stance of Developed Countries**

Societies throughout the world are interlinked with the natural environment. People's daily activities and economic output are greatly influenced by natural resources, local climate, and various other environmental factors. If civilizations are to achieve the Development Goals and sustain long-run sustainability, natural resources must be used cautiously. Generally, to develop, nations have needed to exploit their natural resources, which has increased their dependency on natural resource rents such as forest resources natural gas and oil. Hence, it is impossible to attain sustainable development without the effective utilization and the wise conservation of natural resources. Due to societal advancement and economic development, the environment is now being seriously considered in the form of environmental changes. A clean and healthy environment promotes human productivity, thus the issue of the shortage of natural resources and the fear of the depletion of non-renewable resources are both being addressed by various economic forums with the aim of achieving rapid economic growth.

This present study aims at focusing on the issues of environmental degradation and natural resource rents in the OECD economies. Developed countries ought to be the ones that come up with substantial policy recommendations for economic growth without the degradation of the region's not well-studied environmental quality. By analyzing the role of natural gas and mineral rents, R&D, and GDP in environmental quality, the study has yielded interesting results on the factors affecting the sustainability of the environment in the OECD countries. Environmental preservation while supporting continued economic growth can serve as a basis for policy formulations using these results.

### **2.4 Stance of developing countries**

Natural resources play an essential and major role in the development of resource-rich countries,

particularly the developing ones. The International Resource Panel report reveals that from 2010 to 2050, mankind will have annually extracted 180 billion tons of resources from the earth on average. Increasing demand for natural resources has fueled economic growth, but in most developing countries, economic progress has also been accompanied by an increasing population. The World Bank reported that on November 15, 2022, the global population reached 8 billion, out of which approximately 60% belongs to developing countries.

The extraordinarily rapid increase in the world population thus results in the rapidly accelerating use of resources and the continuously expanding total demand for natural resources. This makes possible both the flow and the exploitation of natural resources, thus helping the construction of infrastructure and the development of related industries in developing countries and providing them with great opportunities for their economic reform. The resource curse hypothesis states that depending on natural resources is detrimental to the economic development of an economy, however, many developing countries are considered resource dependent. Theoretically, if the rate of rents from natural resources surpasses the rate of economic growth, then natural resources will have negative effects on a country's economy.

### **3. Possible Solutions**

#### **3.1 Favoring Developed Nations**

Developed nations are indeed very important when it comes to solving the problems created by the exploitation of natural resources in LEDCs, mainly due to the power they have economically, the influence of corporations, as well as their patterns of consumption. The adoption and the enforcement of the laws that hold companies accountable and require due diligence with a binding effect is one of the major solutions, which will demand that the multinational corporations follow very high standards as far as the environment, labor, and human rights are concerned throughout their whole global supply chain. At the same time, developed countries could also streamline and set up tougher regulations on conflict minerals as well as the imposition of transparency requirements to cut down the demand for such resources that are the cause of environmental degradation or human rights violations. Also, it is not only through regulations that developed countries can help; they can also contribute by transferring skills and providing organizational capacity through the major economic intergovernmental organizations such as the OECD, UNCTAD, and the World Bank. In this way, they will help LEDCs to negotiate fair contracts and to improve the governance of their extractive sectors. Moreover, the developed countries could not simply

use trade policy and development aid for the extraction process but instead they could use it for the development of sustainable practices that would minimize economic coercion and dependency. But still, the political will is a crucial factor when it comes to the effectiveness of these actions. Developed countries usually undergo domestic pressure in relation to the need to provide their industries with cheap raw materials and that continuous pressure could be a factor that undermines their long-term commitments to ethical extraction.

### **3.2 Favoring Developing Nations**

In the case of countries with developing economies, to get rid of the problem of extraction that benefits only a few, the government of the resource must be strong, and the help of the local administrations trained well so that the natural resources be a plus to the community and not a drain. One of the measures is to make a clear-cut legal and taxation framework for the extraction of minerals so that the mining companies involved will be taxed and their profits shared transparently, and thus, the temptations of corruption and the taking of the elite will be reduced to a minimum. To this end, taking part in global transparency measures such as the Extractive Industries Transparency Initiative (EITI) will open the doors for public scrutiny and enable the accountability of investors. Completely based on EITI, already mentioned, if not even more dependent on it, LEDCs might opt for strategies for economic diversification that entail less reliance on the export of unprocessed goods thus making themselves less exposed to outside economic influences and fluctuations in the market. Further, the policy of local content could be implemented with the priorities given to the aspects of local labor, technology transfer, and infrastructure development, and then it could be assured that extraction would produce domestic benefits for the long term. Still, financial resources being scarce, heavy debts plus political instability are the main hurdles to the execution of these solutions and often lead to the situation where less developed countries choose the option of immediate revenue through unsustainable practices. To conclude, the collaboration between countries and fairer international economic systems will always be the key to these reforms being carried out.

#### **4. Concluding**

Remember delegates when researching this topic to dive deeper into disciplines and questions such as but not limited to:

- 1. Who benefits economically from the extraction of natural resources, and who bears the costs?*
- 2. What role do external actors play in sustaining or reducing exploitation; Aswell as stakeholders?*
- 3. What are some realistic measures that exist for LEDCs without increasing poverty or debt?*

In conclusion, the topic on exploitation of natural resources is highly significant, especially in LEDCs, which require the balance between economic necessity and long-term sustainability and equity. Keep in mind all the factors and perspectives when undertaking in-depth research. Good luck delegates!

## **Bibliography<sup>1</sup>**

1. *Science Direct*. [www.sciencedirect.com/science/article/pii/S2214790X21000952](http://www.sciencedirect.com/science/article/pii/S2214790X21000952)<sup>2</sup>
2. Zhan, Jing Vivian. “Embedded Extraction: The Chinese State’s Response to the Local Resource Curse.” *SpringerLink*, Springer International Publishing, 1 Jan. 1970, [link.springer.com/chapter/10.1007/978-3-031-32172-6\\_10](http://link.springer.com/chapter/10.1007/978-3-031-32172-6_10).<sup>3</sup>
3. Environment, UN. “Extractives.” *UNEP - UN Environment Program*, 2024, [www.unep.org/topics/extractives](http://www.unep.org/topics/extractives).<sup>4</sup>
4. Bebbington, Anthony, et al. *Resource Extraction and Inclusive Development*. *Oxford Scholarship Online*, Oxford University Press, 19 July 2018.<sup>5</sup>
5. Ul-Durar, Shajara, et al. “How Does Economic Complexity Affect Natural Resource Extraction in Resource Rich Countries?” *Resources Policy*, vol. 86, 1 Oct. 2023, p. 104214,<sup>6</sup>
6. *Science Direct* [www.sciencedirect.com/science/article/pii/S030142072300925X](http://www.sciencedirect.com/science/article/pii/S030142072300925X), <https://doi.org/10.1016/j.resourpol.2023.104214>.<sup>7</sup>