

HD Adding Value to Natural Resources. a Multilevel Challenge**WC** 680 words**PD** 20 May 2014**ET** 04:31**SN** All Africa**SC** AFNWS**LA** English**CY** (c) 2014 AllAfrica, All Rights Reserved**LP**

May 19, 2014 (United Nations Economic Commission for Africa/All Africa Global Media via COMTEX) -- This article was written and Published by Mr. Antonio M.A. Pedro, Director of the Sub-regional Office for Eastern Africa at the United Nations Economic Commission on Africa (UNECA) and Co-Chair of the UN Sustainable Development Solutions Network (SDSN) in the thematic group on "Good Governance of Extractive and Land Resources".

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Pedro is also member of the Global Agenda Council on Responsible Mineral Resources Managements of the World Economic Forum and of the Advisory Board of the Vale Columbia Center on Sustainable International Investment (VCC). Many developing countries suffer from the same malaise, i.e. the paradox of plenty, where abundant endowments of natural resources, including minerals, are not translated into equivalent levels of prosperity, broad-based development and resource-based industrialization. As with many other resource-rich countries, Indonesia wants to realize and maximize local retention of its mineral wealth, including through the enhancement of local processing of its raw materials. The recent ban of exports of raw materials could have therefore been introduced as part of an effort to scale-up local resource-based industrialization (RBI) and value addition, a legitimate aspirational goal. However, international investors view such practices as a form of resource nationalism or intrusive policy reforms bordering "creeping expropriation". Managing the tension between the need to maximize the development outcomes of the extractive industry in benefit of host countries and the profit motivation of mining investors is not an easy proposition. Indonesia's ban of exports of raw materials and the African Mining Vision's (AMV) call for greater value addition of Africa's mineral resources are part of this same narrative. Regional and global organizations, in particular the European Union, would be well advised to support these efforts.

Resource nationalism on the rise?

Indonesia's ban did not come as a surprise and it is not the first example of state intervention in the minerals sector on a global level. Evelyn Dietsche from the Centre for Energy, Petroleum and Mineral Law and Policy (CEPMLP) of the University of Dundee, in Scotland, divides the reform process in the extractive sector in three periods. These are (i) the 1980-1990, where the focus of mineral policy and reforms was to provide attractive legal and fiscal conditions to attract foreign direct investment through stable property rights regimes and favourable legislation; (ii) the 1990s-2000s, where the key preoccupation was to design mechanisms to improve the management of mineral resources and avoid the resource curse; and (iii) the 2010s forward, where there are greater domestic pressures for broader benefits and the policy focus is on how to build linkages in the extractive industry and beyond through local content and industrial policy. In its "tracking the trends 2013" report, Deloitte identified resource nationalism amongst the top 10 issues mining companies would face in 2014. It noted that governments were eyeing the mining prize and "would continue attempts to increase control over their national resources". They further observed that "while not all countries are moving toward privatization and expropriation, many are exercising their own forms of resource nationalism", in different formats, including windfalls taxes in South Africa, Ghana, the Ivory Coast, and Zambia; resource tax in China; export controls in Argentina; or raising taxes and royalties in Chile and Peru.

In discussing resource nationalism, it is important to note that this is not a developing country syndrome. Instead, we should recognize that where national interests are at stake, both rich and less endowed countries apply some form of it. In this respect, the decision by the Canadian government to reject the takeover of Potash Corporation of Saskatchewan (PotashCorp) by Australian mining giant BHP Billiton

(BHP) is quite telling. In evaluating BHP's bid, the Canadian government considered Potash a strategic resource, which could not be under foreign ownership and deemed BHP's offer insufficient in terms of the net benefit to Canada. Equally revealing was Australia's opposition to **Chinalco**'s takeover of BHP.

CO bkhlp : BHP Billiton Ltd | bltplc : BHP Billiton PLC

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