



**MUNDP 2020**  
COMMITMENT TO DEVELOPMENT

# RESEARCH REPORT

UNITED NATIONS INDUSTRIAL DEVELOPMENT  
ORGANIZATION (UNIDO)

THE PREVENTION OF THE EXPLOITATION OF  
NATURAL RESOURCES IN CONFLICT REGIONS

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## Basic Overview of the Issue

Natural resources are elements in nature that exist independently from mankind. They are crucial for the survival of humans and the sustainable development of the human population. People have created their own livelihood and lifestyle revolving around these resources. Therefore, one of the main factors that affect a country's economic situation is its natural resources.

As technology and the preferences of the society starts to change from what it had been formerly, it is seen that the economic situation also changes. Due to the increase in gross domestic product per capita and the growth in population size, resource extraction has accelerated; thus, the exploitation of these sources, especially in the conflict regions have increased. The damage created by the conflicts such as wars or failure of security have lead to the misuse of many natural resources. All around the world, natural resources are used in order to gain economic and political power. Throughout history, parties have exploited these resources and with the help of illegal trades, they have benefited.

## Explanation of Important Terms

### *Conflict regions*

Conflict regions are areas where the presence of inhumane acts, armed conflicts, immense amount of brutality and similar problems have risen the most. Armed conflicts take place when two or more parties such as, armed groups or governments. Armed conflicts can both be international and domestic. The reason behind these conflicts may be war, disagreements between parties regarding economic, social and political inequality or for the purpose of gaining power.

### *Gross Domestic Product (GDP) per capita*

The gross domestic product of a country represents the measurement of the economical activity in a country. By dividing it to the population, the gross domestic product per capita is obtained. This shows the total amount of economic output that a country has accomplished for its population. By using GDP, countries with distinct populations can

be compared regarding their profitability. Having a higher GDP does not mean a country is superior to other. The population and the economical activity in the country should be proportional in order to sustain the quality of life in the region.

### *Exploitation*

The act of taking advantage, abusing resources for the purpose of gaining economic and political power. In the Arab States, natural resources are crucial for many of the countries' economy; thus, the prevention of the exploitation of natural resources has become more important.

### *Economic sanction*

Financial penalties that are applied by governments and multinational bodies in order to punish a state that violate international norms of behavior or go against their interest. The Security Council has the legislative power to impose these sanctions. In order to maintain international peace and security, the Security Council imposes sanctions to countries which have violated international law or the principles of the United Nations.

## **Detailed Background of the Issue**

Some of the countries which have the highest number of wars are located in the Arab States region such as; Syria, Iraq and Yemen. This region is very rich in terms of natural resources. Abundant petroleum fields in the conflict areas lack security and it is common to see that these resources are being exploited.

Parties exploit and trade petroleum in order to contribute to their economies. Unfortunately, these parties usually threaten the peace which creates a dangerous environment for the citizens.

Throughout history, it is seen that governments have invaded and threatened one another for the purpose of gaining power by the exploitation of natural resources. For example, in 2001 the United States of America has waged a war against Afghanistan in order to dominate the petroleum industry in the area. United States of America has used the cheaper sources in order to increase their income which has contributed to their economy.

## Petroleum Resources

Petroleum is a fossil oil which is one of the main economic incomes of the Arab States region. Not only in the Arab States region but around the world, the petroleum resources dominate economic systems. Thus, it is common to see that parties intend to monopolize these resources in order to gain power, which results in deterioration. In case of the exploitation of petroleum resources, the natural ecosystem is harmed as well as the economic system of the country. Therefore, it is essential that these resources are kept safe from any possible exploitation.

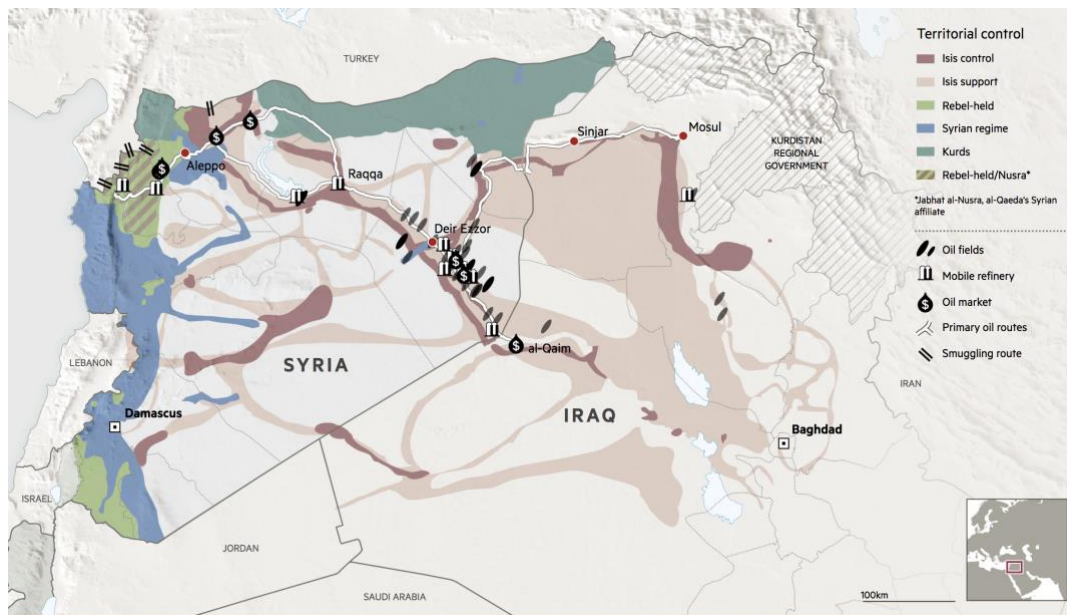
### *Petroleum Trade of Syria*

One of Syria's most prominent incomes is the oil industry in the region. Comparing it to the region, Syria is not one of the major oil exporter; however, since Syria's GDP is low it is one of the crucial elements that help Syria's economy survive. Due to the Civil War and the sanctions given by the United Nations, the oil industry has had a downfall.

In 1968, the Syrian oil industry took off when the Karatchok oil field started production. However, it was not until the 1980s that Syria started exporting oil. Until the European Union sanctions, most of the oil exported from Syria went to Europe, 137,400 bbl/d (21,840 m<sup>3</sup>/d) in 2009, according to Eurostat. During 2011, major trade partners of Syria imposed sanctions on the financial system and the Syrian oil. The same year, Syrian Civil War begun. Beginning from 2013, the self-declared state of Islamic State of Iraq and the Levant (ISIL) has been controlling many of the oil reserves in the country. These harmed the economic system since it depends on oil.

In addition, the technological problems and the decrease in the number of oil reserves in the country affected the oil producing rate negatively. The rate of oil production almost halved from 1995 to 2010. Syria's oil production and development has been under the control of the Syrian Petroleum Company (SPC), owned by the Syrian Ministry of Petroleum and Mineral Resources.

*Syria's Oil Map*

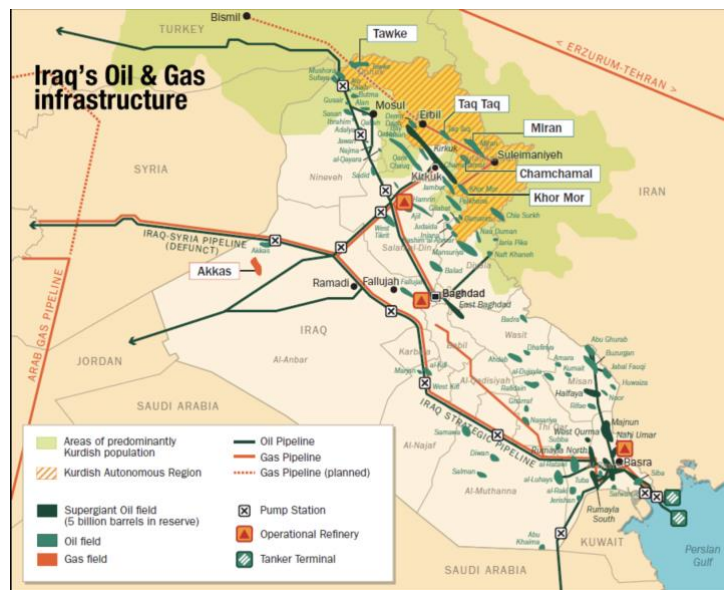


### **Petroleum Trade of Iraq**

Iraq has one of the largest proven petroleum resources and one of the biggest exporters of oil. The petroleum industry is very important for the Iraq's economy.

In 1912 Turkish Petroleum Company (TPC) was established and it was renamed as the Iraqi Petroleum Company (IPC) in later years. During 1927, oil first struck in Kirkuk. After the discovery of oil in Kirkuk, the negotiations regarding the composition of TPC accelerated and in 1928 the "Red Line Agreement" was signed. This agreement lasted until 1948 when two American partners broke off the deal. After this event, the Iraqi government nationalized its oil supplies. Iraq passed Public Law 80 which took away 95% of IPC's concessions and established the Iraq Natural Oil Company.

During the Iraq War, the Iraqi cabinet passed a law which stated that oil revenues would be distributed to various regions of Iraq and that regional oil companies would have the right to contract with foreign parties regarding the development of oil revenues.



*Iraq's Oil Map*

### **ISIS Oil Trade**

In 2013, ISIS moved to the east of Syria from its north because of the important oil resources that are located in the Deir Ezzor region. The oil field in the region produces around 35000-40000 barrels of oil every day and each barrel is sold for around 25-45 dollars. The exploitation of oil in the region is an important income to the self-declared state of ISIS.

ISIS controlled Ajil and Allas oil fields which are located in northern Iraq through the Mosul campaign that took place in 2014. Yet, the Iraqi army took over the region, saving the revenues. In addition, ISIS was also located in the north of Iraq, near the Qayyarah oil field, which produces around 8000 heavy crude oil each day. The pinnacle of ISIS was when they controlled over 350 oil revenues in Iraq; however, they lost some of the revenues to the Iraqi army or foreign airstrikes.

As well as smuggling the oil out of Syria and Iraq, ISIS also used the oil in local trades. The exploited oil helped the local producing of petroleum and diesel. These oil products were sold in the ISIS controlled lands in both Iraq and Syria.

Approximately 1 million dollars are earned from the overall income of the oil exporting every day. In 2014, the estimation was up to 3 million dollars per day. ISIS lacks the technology that is needed in order to effectively use oil but the trade of around 50 thousand barrels of oil gain up to 2.5 million dollars each passing day.

## Water Resources

The World Health Organization (WHO) has declared the Arab State region as one of the regions that pass the water scarcity line. The Arabian Peninsula has been encountering water shortages for many years. Yet, in recent years the number of water shortages have increased substantially. Along with the increase in the petroleum usages, the population has increased radically, socioeconomic development has advanced and the management of water resources have aggravated. Therefore, the issue of water resources have become crucial for this region.

Until now, the Arab States region did not have a major crisis regarding the issue of water exploitation. Yet, water per capita of the Arab States region is six times less than the world average. This amount is expected to increase by 2020. As populations grow in this region, the need for water increases; thus, decreasing the amount of available water per person. In addition, profligate agriculture policies as well as impoverishing management of these resources are also an important problem in the region. Agriculture is one of the prominent incomes of the Arab States; however, the misuse of water sources and irrigation methods cause it to be one of the most harmful sectors regarding the issue of water.

## Major Parties Involved

### Syria

Since 2011, Syria has been in an ongoing civil war that has led to economy to fluctuate. Syria's economic system relies on its natural resources, especially oil and gas resources. Many foreign companies are dependent to Syria regarding the issue of oil and gas. Likewise, agriculture is also a key sector in Syria's economy. Considering the fact that the Arab States region already suffers from many water shortages, further damage caused by the exploitation of natural resources could cause the downfall of the economy.



Following the civil war in the country, the oil production rates have dropped radically, affecting the economy in a negative way. The government lost its control over the oil reserves during the war to the Islamic State (IS) which now uses the oil that is produced as a major income source. In addition, the United States also benefits from the oil production in the area. The Syrian President Bashar al-Assad has accused the US to be “stealing” the oil. This has created a political conflict.

### *Iraq*

Petroleum dominates Iraq's economy and provides almost all of the foreign income. During the Iraq-Iran war, the petroleum sector had a downfall in the region which caused both the world and Iranian economy to undergo a crisis. In the present, Iraq is going through an insurgency which may cause the exploitation of oil resources. The production of oil in the country has accelerated in recent years which has created a problem for the OPEC. Since the production continues to increase, it creates a pressure on the OPEC members; therefore, it is difficult to sustain the peace between Iraq and other members. Additionally, agriculture is also an important sector in Iraq. Up to 60% of Iraq's arable land has been cultivated which contributes to the economy. Thus, the exploitation of water resources in an area where there are already existing water problems will be an important issue.

### *Iran*

Iran's economy is dependent on gas and oil resources. 10% of the world's proven oil reserves and 15% of the gas reserves are located in Iran which makes it a crucial location for the oil and gas sector. This sector has eased the economic growth in the country. Right now, Iran has access to clean water; however, the water pollution and further exploitation of water resources will precipitate many problems in the area. A majority of the oil production income of Iran goes to the US. Since it is one of the main oil suppliers in the world, the protection and security of the natural resources in Iran is crucial for the economies of countries all around the world. Unfortunately, Iran has been involved in various wars in recent history which has caused it to lose some of its income from the petroleum industry. Further harm to these resources may lead to a global economic crisis.



## *Saudi Arabia*

Saudi Arabia has one of the largest oil reserves in the world with 18% of the world's proven oil reserves. Its economy is also dependent on oil like many other countries in the Arab States region. As Saudi Arabia is one of the biggest oil exporters, it is important the resources are kept safe. It is seen that the stability of Saudi Arabia's economy depends on the oil industry and throughout time, they have increased or decreased the production amount in order to sustain the stability.

The majority of the oil imports of Saudi Arabia is to Asia and North America; yet, in the case of a crisis regarding the reserves, countries like Bahrain and Jordan would be affected more since over 90% of petroleum imports are done from Saudi Arabia.

Recently, there has been an attack to one of the key oil fields in the country, Khurais. Even though the attacking country has not been fully determined, the effect on Saudi Arabia's economy is easily visible. The prices have gone up radically and the attack has created a political conflict in the country which is a concrete example of how any harm to the natural resources can provoke a crisis.

## *Organization of Petroleum Exporting Countries (OPEC)*

Organization of Petroleum Exporting Countries (OPEC) is an organization created by 5 oil-producing developing countries which are Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Their aim was to coordinate and unify petroleum policies which helped their economies grow. Since their establishment in the 1960s, many other countries have joined the organization. The organization focuses on the unification of oil policies which stabilizes the oil market, create a regular supply to consumers and a steady income to producers.

***OPEC Countries Map***



## Chronology of Important Events

<b>September 2, 1945</b>	Oil resources gain importance after the ending of World War II
<b>March 15, 1951</b>	After the disagreement with the Anglo-Persian Oil Company (APOC), Iran nationalized their oil resources.
<b>August 15, 1953</b>	United States of America and United Kingdom plan a coup attack in order to overthrow the shah. This attempt fails leading the shah to allow exploitation of the resources in the country.
<b>1972</b>	United Kingdom withdrawn from the Middle East.
<b>1973</b>	Organization of Petroleum Exporting Countries (OPEC) use petroleum as a political weapon for the first time.
<b>1973</b>	1973 Oil Crisis takes place. An oil embargo was inflicted on Israel's allies in order to slow the production. Results in economic crisis.

<b>1979</b>	Iranian Revolution takes place. The new regime adopts an anti Western policy which causes the second oil crisis to happen.
<b>1980-1988</b>	Iraq-Iran War The production of non OPEC countries increase; yet, the conflict between the two parties weakens the production of OPEC countries.
<b>1992</b>	United States of America establishes an enduring presence in the region and forces various embargoes.
<b>March 2011</b>	Syrian Civil War started.
<b>2014</b>	Saudi Arabia aimed to decrease the amount of income that came from unconventional oil causing the production to become almost non-profitable.
<b>2018</b>	OPEC countries are forced to appeal to other countries in order to raise the price of oil.

<b>April 2019</b>	USA has threatened to sanction the countries which continue to buy oil from Iran.
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## Relevant International Documents

- Prohibiting Certain Transactions With Respect to the Development of Iranian Petroleum Resources, March 16, 1995
- Resolution on breaking the link between rough diamonds and armed conflict, 1 December 2000 (A/RES/55/56)
- Resolution on Observation on the International Day for Preventing the Exploitation of the Environment in War and Armed Conflict, 13 November 2001 (A/RES/56/4)

## Past Attempts to Resolve the Issue

There haven't been any serious attempts to solve this issue. Parties like United States of America or the United Nations has given sanctions in order to reduce the amount of exploitation; however, these attempts were not profitable enough to solve the issue. The sanctions created an international chaos which have affected the economy worldwide.

## Solution Alternatives

One of the main approaches in order to solve this issue would be to impose sanctions which are similar to the ones that were imposed by the United States of America. However, these sanctions should be planned thoroughly to avoid any harm to the public. The ongoing sanctions that the US has imposed on Iran limit the amount of medicine that gets imported to the country. Also, the aviation industry in Iran has not developed in years because of the threats by the US. This causes many crashes which result in considerable amount of casualties. Likewise, these sanctions reduce the amount of ink that is imported to the country. This limits the freedom of journalists in Iran and makes it even more difficult for the public to express their ideas. While imposing sanctions, each outcome should be fully considered.

Another approach would be to establish a similar process to the Kimberley Process. The Kimberley Process is a commitment to remove conflict diamonds from the global supply chain. In the past rebellious groups tried to subvert the trade in order to fund war. A group of African diamond producing states met in order to prevent this situation and created the Kimberley Process. Right now, participants need to “Satisfy ‘minimum requirements’ and establish national legislation, institutions and import/export controls”, “Commit to transparent practices and to the exchange of critical statistical data”, “Trade only with fellow members who also satisfy the fundamentals of the agreement” and “Certify shipments as conflict-free and provide the supporting certification” according to the website of the Kimberley Process Certification Scheme. The establishment of a similar system would have governments working in cooperation for the same goal of reducing the exploitation with a commitment of transparency.

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## Useful Links

- <https://www.usip.org/sites/default/files/file/08sg.pdf>
- <https://www.cnbc.com/2019/09/27/oil-drops-after-irans-president-said-us-offered-to-remove-all-sanctions-in-exchange-for-talks.html>
- <https://www.bbc.com/news/50464561>