



CHATHAM HOUSE



Energy, Environment, and Development Programme: Meeting Summary

Resources, Rights and Development in a Changing World

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INTRODUCTION

On 3-4 May 2011, the Rights and Resources Initiative (RRI) and Chatham House Energy, Environment and Resource Governance team convened a 'Blue Skies' meeting held at Chatham House.

The purpose of the 'Blue Skies' meeting was threefold: 1) to better inform our understanding of the local and global forces shaping land, forest and natural resource ownership, use, governance and development over the next two decades; 2) to explore the implications of these forces on rights and development in rural and forest areas of the developing world, and on the broader political economy; and 3) to share experiences and strategies which may help improve local regimes around these issues, as well as global policy and legal frameworks.

This meeting corresponded to two particular areas of interest for the EERG programme of Chatham House: the Resources Futures project on the global political economy of natural resources and Chatham House's ongoing work on illegal logging and forest governance.

The meeting also provided an opportunity for the Rights and Resources Initiative, a coalition formed five years ago working on the issue of forest and land governance, to assess progress towards its objectives and to identify new priorities going forward, in supporting local and global development.

Background Rationale for the Meeting – Chatham House and Rights and Resources Initiative

The meeting took place in the context of a background rationale presented by Chatham House and the Rights and Resources Initiative.

Globally, patterns of human development and environmental change are placing increasing strain on key resources provided by the natural world: land, forests, biodiversity and ecosystem services, fresh water and minerals. These strains, in turn, risk sharpening political and social stresses – between economic interests, between communities and between countries. Competition for land and water resources – already acute within many countries and regions – may be accentuated. Frameworks governing ownership and use of natural resources are vitally important to ensuring environmental sustainability at the global level, while securing equitable rights and societal stability at the local level.

Demand for food, energy and other resource-based commodities has increased sharply in recent years. These increases in demand are projected to continue in the future – driven by population growth, economic development, urbanization and changes in consumption habits and tastes.

Global systems of food and commodity supply and demand, as well as regimes that govern finance, trade, and investment, are all in flux. Climate change is dramatically altering ecosystems on which large numbers of people depend for their livelihoods. The impacts of higher commodity prices, greater volatility and climate change are often felt most acutely in poor and rural communities.

Among the many factors and forces driving and shaping the future at least three are certain:

- First, global growth, development models, and land and resource use will be increasingly shaped and defined by the governments, citizens and private investors of the rising economic powers of Brazil, India, China and other middle-income countries.
- Second, the rural and forested areas of the developing world – 30% of the global landscape – will be the focus of increasingly intense global interest and competition, both for producing the additional food, fuel, wood and water required to feed and service global demand, and for maintaining globally relevant ecosystem services, including securing forest carbon and biodiversity.
- The third and related factor is that competition for the land and resources of rural and forested areas will be politically charged and, in some cases, risks violence. The 2 billion who inhabit the forested areas of the planet are among the poorest and most politically disenfranchised on earth. They have unmet expectations of justice. Most rural and forest areas of the developing world are characterized by a fragile or limited respect for human and civil rights, poor governance, unequal treatment of women, entrenched state-dominated tenure and industrial interests, and often corruption – making conventional business and conservation models suspect and increasing the potential for political volatility.

Ultimately, whether there will be adequate global natural resource production over the coming decades depends in some measure on how the resources of the rural and forested areas of the developing world are managed, and how the communities that inhabit these parts of the world are involved in their transformation or conservation.

Understanding these factors – global, local, political and technological – is essential to realizing just and equitable development at the local level, and sustaining a balance between natural resource production and protection at the global level: two intrinsically linked goals of vital interest to us all. Natural resources and attendant issues will be a core issue of concern for development agencies and others in the coming decades.

The Chatham House Rule

The meeting was held under the Chatham House Rule. The Chatham House Rule reads as follows: 'When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.'

SUMMARY

Discussion at the meeting ranged over a wide set of issues – from food security to land reform, and from technological innovations to appropriate international investment frameworks for natural resources. The meeting did not cover all of these issues in detail. Rather, in keeping with its ‘Blue Skies’ remit, it provided an opportunity for an exchange of perspectives across issue-sets.

The following summary will provide, first, two framing narratives which shaped and ran through the meeting; second, an overview of specific issues raised in presentations and discussions throughout the meeting; and, third, a brief outline of the conclusions.

Throughout, wide-ranging agreement has been indicated where appropriate in the summary. Where opinions were divided, this has also been reflected.

Framing Narratives: Systems Failure, Super-Cycle or Both?

Participants agreed the world has entered a period of profound transformation. But appropriately characterizing this transformation, and identifying the nature of the risks – and opportunities – which it presents is a considerable analytical challenge. Two powerful overarching – occasionally conflicting, but often complementary – ideas about the nature of the transformation framed discussions.

The first of these was the idea of systems failure: the imminent or ongoing synchronous failure of interconnected ecological, political, economic and social systems.

Participants in the meeting suggested that evidence of systems failure is pervasive: (i) welcome increases in energy efficiency have not reduced overall energy consumption, indeed they may have encouraged it; (ii) aspirations to reduced emissions of carbon dioxide and other greenhouse gases may be unrealistic in the context of a world where 3 billion people cook with solid fuels and 1.7 billion cook without electricity; (iii) the structure of the global economy appears ever more imbalanced and uncontrollable; (iv) food supply and food security systems are increasingly stressed, translating into higher and more volatile prices for essential food products; (v) partly as a result of climate change, but also as a consequence of over-extraction, water is increasingly scarce in some parts of the world; (vi) the availability and

quality of mineral resources is declining; (vii) biodiversity is being reduced at historically high rates; (viii) the Millennium Development Goals (MDGs) will not be reached; (ix) over one billion people are currently facing chronic hunger, a number which has increased in recent years rather than fallen; while (x) more than 1.7 billion people are living in absolute poverty.

While devastating individually, these failures, it was suggested, are potentially catastrophic together. Yet some argued that both policy-makers and the scientific community have sharply under-estimated the systemic challenges and risks ahead, while much greater analytical research into the interlinkages between the dynamics of different resources, and how they related to broader social and political systems, is urgently required.

In short, it was contended, there have never been so many human-induced transformations of the globe occurring at the same time, and with the same speed. The capacity of humanity to manage its own impacts on the supporting systems that sustain human development and prosperity was seriously questioned.

An alternative perspective on global developments suggested that the world was entering a 'third super-cycle' of economic growth and prosperity, related to a shift in production and wealth from the developed world to the emerging economies of Asia, Africa and Latin America. While this perspective presented a similar analysis of the changing geography of resource consumption it offered a potentially more positive account of how the changing geography of resource consumption – and rapid overall rises in resource demands – would play out.

While the 'super-cycle' would undoubtedly place pressures on the natural environment, on global resources and on political systems, it could also provide the wealth, innovation and resources to manage these pressures. This relatively optimistic – though nonetheless transformative – view of the future was partly related to previous periods of accelerated economic growth and technological development.

A super-cycle was defined, historically, as a period of historically high global growth, lasting a generation or more, driven by increasing trade, high rates of investment, urbanization and technological innovation, characterized by the emergence of large, new economies. In the case of the first super-cycle, from around 1870 to 1913, it was the emergence of the United States as an industrializing economy that was taken as a key impetus. The second super-cycle, lasting from the end of the Second World War until the early 1970s, was associated with Europe's post-war re-emergence. It was suggested that

the world has now entered a third super-cycle, principally as a result of Asian economic growth and the re-entry of China into the global economy, associated with the spread of developed-world modes of production and consumption.

This third super-cycle, some suggested, could go beyond 2030, characterized by massive population growth in developing and emerging economies, rapid urbanization (an additional 680 million people living in cities by 2030) and a burgeoning Asian middle class. Economic estimates were presented suggesting that the world economy could grow from USD 60 trillion to USD 300 trillion by 2030 (in real terms). According to these projections, emerging economies would contribute two-thirds of global growth. The West would grow but the East would grow much faster, accelerating the shift in global economic balance of power from West to East (currently the 'West' has 60% of the global economy but by 2030 this could be closer to 29%).

Many expressed scepticism about this picture of continuous economic growth, pointing out the risks of 'shocks' to the global system – political rivalries between countries, social unrest within major emerging economies, the possibility of an economic hard landing in China – and the more fundamental challenges of environmental and resource-use sustainability. Nonetheless, others suggested that technology, governance and appropriate financing could, in some areas, reduce the risk of resource-related shocks and provide greater systemic resilience.

While the characterization of current global transformations as a 'super-cycle' seemed apt on one level, therefore, there were serious questions as to its smoothness, and there was wide agreement that, without an equally radical set of policy, innovation and financing responses 'systems failure' was a plausible, or even likely, outcome at the global level.

Specific Issues and Challenges

Land Rights and Development

The twin challenges of securing land rights, and creating the conditions for rapid and equitable rural development were at the core of the overall discussions of the meeting.

On the one hand, as many participants commented, land tenure and land ownership are fragile across the world, and current patterns of ownership are often unjust. Local political tensions around access to land are age-old, and

frequently a contextual factor in violent conflict. Yet land reform and land redistribution, however essential, are rarely done well. Capacity must be built within local populations to make them aware of their rights and able to participate fully in measures and investments that may shape their futures.

Rural development of land, meanwhile, is essential to improving food security and reducing poverty. Increasingly, land investments are attracting international interest – offering the opportunity to channel much-needed capital and technology to poorer parts of the world where agricultural yields remain low and rural poverty remains stubbornly high. But international interest in land also raises the possibility of tensions over land being internationalized and of rent-seeking governments expropriating disempowered local communities without seeking ‘prior and informed consent’.

The complexity of land issues means that, across the world, participants identified a real risk of running into a ‘spaghetti bowl’ – of standards, principles and criteria – among the regulations already existing, all of which operate in different ways and with different levels of ambition. The spaghetti bowl, it was argued, confuses the market and is a potential barrier to investment by all – from poor landowners to international equity investors. Therefore, participants suggested there is a need to harmonize these regulations, work with national laws and have better information on the areas in which they intersect.

Food Insecurity

A key driver of increasing interest around land has been a rise in food insecurity, globally. Food issues are now high on international agendas, principally as a result of relatively high and volatile food prices, with two food price spikes in 2008 and 2011. But the implications of food insecurity run much further than price alone, given the potential impacts of elevated food prices on political stability, major concerns about the integrity of the global trading system under conditions of food stress, and the impact of food insecurity on economic development and poverty alleviation.

While there has been a long-term secular decline in the prices of food over the last century, some argued we have now entered a ‘new normal’ of higher and more volatile food prices at the beginning of the twenty-first century, driven by expanding global population, changes in consumption patterns towards more land-, energy- and water-intensive food, and the increasingly tight coupling of the food and energy economies.

In this context, there were serious doubts about whether the world will manage to halve hunger by 2015, one of the Millennium Development Goals. Today, of one billion people starving from hunger, 70% live in rural zones and two-thirds of these are subsistence farmers. Participants viewed dealing with hunger and poverty together as essential for the policy community.

Some participants, in line with the position of the French presidency of the G20, pointed out huge growth in the speculative food commodity market – now roughly 15 times its physical market value. This, it was argued, represents a huge disconnect between the utility of food and the function of food markets. Unlike the futures market, it was suggested, these speculative markets can have damaging real world effects on those outside the trading hall.

Others, however, argued that fundamental supply and demand factors, as well climate-related impacts, and choke points and inefficiencies in food delivery systems at both the local and global level, should be viewed as a more substantial – and potentially more intractable – causes of the current level and volatility of food prices.

All participants recognized the importance of research and development to help boost food production, but also better understanding of the political economy of food production, and land ownership.

Water Insecurity

Often, it was argued, water is the key commodity at stake in competition around land, and concerns around food.

Globally, many suggested, there is sufficient water. But the mismatch between the distribution of water supply and water demand has created acute local shortages – which may be both spreading in their geographic scope and becoming more severe. The proportion of the global population expected to live in water-stressed areas is expected to rise sharply over the next few decades.

Agriculture is expected to remain the dominant use of freshwater, accounting for approximately 70% of extraction, but the doubling of other uses, such as urban domestic, industrial and thermal cooling will have a profound impact on water availability and its perceived value.

As a result, many suggested that competition and conflict over water is likely to increase. Sound governance regimes – at the national, transboundary and regional levels – should put in place mechanisms for resolving or avoiding

disputes. While a lot of popular concern is centred on the prospect of 'water wars', a much more likely scenario is one characterized by local conflict – particularly between farmers and locally based industry and towns.

Investment

Many of the challenges identified required, above all, an institutional, political or policy response: establishing land rights, setting up frameworks for different interests in limited resources to be openly discussed, and so on. But investment was also recognized as key to meeting resource challenges globally. Finance should, it was argued, be viewed as a similarly constraining factor.

The potential for transformative investments was widely discussed. An example of such investment was the potential for improving technology and practice to target 'low-hanging fruit' in terms of food yield (one example mentioned compared food yields in Morocco to those in southern Europe, with similar precipitation and soil quality). Financing experts in the meeting suggested that support of this sort of investment and the knowledge economy that underpins it is intuitive to investors – particularly when viewing the ancillary benefits of such participatory investments. But this has not yet materialized fully.

Partly this is a question of investment frameworks and perceived risk. Partly it is a matter of mismatches of scale. There were questions about way in which distinct agricultural investment opportunities could be appropriately packaged so as to unlock greater investment from global investors at the scale and speed needed to boost global food production.

Technology

On the one hand, in a general sense, the 'complexification' of human societies and the spread of technology has, in itself, encouraged greater consumption of natural resources. On the other, technological innovation has been an important factor in alleviating particular resource stresses in the past.

The capacity for specific technologies – often quite basic technologies – to improve fundamental conditions of human life has not been fully exploited. Often, the choke points are institutional, political or financial as much as they are technological. And there are no one-size-fits-all solutions. Uptake of technology – and the capacity to exploit technology – will vary sharply depending on levels of literacy and learning.

The potential role of technology may be more transformative in terms of enabling markets and changing power equations. Asymmetries of information – for example about land use – have in the past allowed persistent patterns of misuse and misappropriation to continue. Access to information and technology can, in some cases, empower communities. In others, however, access to technology can become a new dividing line – a ‘digital divide’ – setting apart those with access from those in extreme poverty.

CONCLUSIONS

The world faces a series of clashes – between developing and developed worlds, between resource-rich and resource-poor, between those with well-defined rights and access to resources and those without those rights, and between generations. Questions of equity must be viewed as essential to achieving sustainable economic and social development. Lack of accountability and transparency of ruling governments is a major barrier to development.

It was broadly accepted that there is a growing need to encourage sound and sustainable investment in natural resources. Investment – both international and domestic – should be welcomed. But governance is essential.

Pilot projects are needed in order to demonstrate the workability of particular technologies and approaches. But ultimately these need to be scalable. In order to achieve this, participants called for much better collaboration between development agencies, local communities and the private sector so as to leverage private finance and expertise. In short, the public sector and the private sector must work together to increase capacity as well as support innovative projects.

Access to land, it was agreed, will be the key issue in the future, and proper land-use administration is necessary. Urbanization, thus far, has generally been an unmanaged process in much of the world. Over the next few decades, despite continued urbanization, the number of people living in rural areas is likely to increase – in particular, the population of young people in rural areas is likely to increase, posing special challenges in terms of employment and political mobilization.

Both for moral and for investment security reasons, recognizing and establishing land rights – and creating mechanisms for arbitration between interests – are essential. Local communities must be re-empowered in terms of participation and decision-making. They must receive a more equitable share of the benefits from land use. Agents for change or ‘visionaries’ need to be identified within communities.

Poverty will remain at the centre of local concerns, political tensions and investment risks. But the dynamics of poverty need to be much better understood, as must the interconnections between food poverty, energy poverty and other forms of poverty. Given the concentration of poverty in rural areas, this must remain a key focus for development agencies and others.

The economic crisis resulted in a reduction of development aid budgets in most countries, while a decreasing overall share of international investment comes from OECD countries (given the rise of the BRICs). Bilateral and multilateral donors are currently in the process of reviewing their role, considering how they can remain relevant and how they can best optimize their impacts. Engaging with emerging economies in shaping the new 'rules of the game' for trade, investment and development is key.

Finally, much better understanding is needed – at the systems level – of how different resources interrelate. The interconnectedness of land and land rights issues with other challenges and with political crises, meanwhile, makes the land perspective highly salient. Improving our analytical understanding of these interconnections is critical. It is clear that land and associated policy issues need to be addressed in order to help ensure the sustainable supply of natural resources in the future, create the conditions for equitable development and support political stability.