

Forum: Economic and Financial Committee (GA2)

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TOPIC 1: The internationalization of natural resources

I. Introduction to the Topic

The industry of global trade has established itself as an integral component of human society, influencing not just the economic but also the technological, political, and environmental domains. Due to the extensive effects of its extractive sector, many military conflicts, mostly ones known as "oil wars," have broken out between various states. Currently, the trading of natural resources is at the center of the foreign policies of many affluent nations. Strong diplomatic ties have been established between nations like the United States and the Russian Federation and Middle Eastern nations, largely because of the region's wealth in natural resources. Countries must make sure that these practices are sustainable and responsible in a variety of ways as they are an essential part of transportation, machinery, and the primary energy source.

With the relative modernisation and globalization of society, international trade has become increasingly streamlined for efficiency of sharing resources all over the world. Extraction and distribution of natural resources requires a multi-faceted approach. First of all, governments and private corporations must behave by following ethical practices that ensure the integrity of the sources. Secondly, businesses and governments must work to repair the harm that they have already done. In order to counteract climate change and long-term environmental effects, the extractive industry must start to encourage responsible practices. Thirdly, neither governments nor businesses should violate the rights of any of the numerous indigenous groups on the planet. This has turned out to be a very contentious topic, with many governments breaking agreements meant to preserve certain tribal territories so they may access natural resources. The irresponsible behaviors of the extractive industry could have long-lasting effects on future generations as the world's population and economy continue to expand. The “implications of natural resource endowments— particularly oil and other highly valuable export commodities—on political and economic outcomes” (SagePub) must be taken into account.

Although the topic is primarily focused on creating a framework for ethical distribution, it is significant to remember that this problem also has a significant consumer component. Due to the high demand for these certain minerals, extractive industries are motivated to use any means necessary to obtain them, leading to unethical extraction methods

and the promotion of consumerism. Delegates must also consider consumerism and consumer culture, which has enabled this conflict, in order to adequately tackle this problem.

II. Definition of Key Terms & Concepts

Extractive industry

Any operations carried out by a company or government that aims to remove metals, minerals, and resources from the Earth are referred to as the activities of extractive industry. Oil and gas extraction, quarrying, and mining are examples of common processes. Despite the fact that these sectors are famed for their tremendous profitability, it is alarming how opaque they are about their methods of operation. Many nations show little consideration for these large initiatives because they lack the tools to estimate their exact financial returns. The health and future of humanity will continue to suffer as a result of extractive industries. In order to make sure that the extractive industries are subjected to tight and rigid rules, governments and intergovernmental organizations must look to reduce the influence of these industries in domestic and international politics.

Consumerism/Consumer Culture

The concept of consumerism promotes significant accumulation of money, products, and services. The Industrial Revolution's technological improvements lead to mass manufacturing of various items, which made it impossible to meet customer demand at the time. The current consumer culture was developed by manufacturers using large-scale advertising and marketing strategies to combat this. Many of the objects that consumerism has produced are not needs and may even be considered luxury items. Consumerism has increased the demand for natural resources, and as a result, businesses continue to take non-renewable resources in order to generate significant profits. Unsustainable consumerism must be addressed in order to counteract the unsustainable extractive sector.

The Global South

The developing world, otherwise known as the Global South, has been a major victim of the race for natural resources. Due to economic instability, the governments of the relevant states have enabled large developed nations to establish large extractive projects that will prove costly in the long run. They allow these developed countries to exploit their land, resources, and people because their lack of resources and power forces them into a desperate

spot. Often hanging the double-edged sword of conditional foreign aid over their heads, world powers and multinational corporations systematically take from and profit off of the Global South's workforce and natural resources. These international enterprises also provide inadequate living wages to the local workers, thus exploiting the lack of regulation which exists in their home countries. The Global South must be addressed in solving this issue to ensure sustainable, fair and equitable extractive industries in all regions of the world.

“Responsible” extraction

There are many facets in defining responsibility for extraction. Corporations and governments have perpetuated cycles of unsustainable economic, social and environmental practices, which has resulted in mass degradation and major costs to society. Taking responsibility is a crucial step to ensuring action is actually taken. Many countries, notably the United States, have failed to realize the devastation their extractive industries have caused and as a result, we are unable to create a sustainable business model for the economy and the environment. It is mandatory for countries to maintain responsible extractive practices and to address the sociopolitical situation that has been established.

III. Key Stakeholders

The United States of America

As a global power and one of the world's chief users of natural resources like oil, the United States is an extremely important and consequential stakeholder. With imports comprising 13% of their GDP in 2020, the US' economy is significantly reliant on resources from other countries.

Indigenous peoples

The internationalization of natural resources comes under scrutiny when sourcing from lands of indigenous peoples, especially those for which their territory is culturally significant or even sacred. Disregarding their long standing traditions in pursuit of trade and profit is a violation of human rights.

Workers for extraction of natural resources

The individuals working at the sites for extraction are almost always severely underpaid and subject to dismal working conditions. In certain cases they might also be the

indigenous peoples whose lands are being extracted, forced to work against their own home to make a living.

IV. Key Issues including Background Information

Destroying indigenous territory

The destruction of lands sacred to indigenous groups is a critically under-addressed topic considering the significant and detrimental impacts. International corporations venture, without permission, into indigenous territories and deform the land for their own purposes; oil fracking, mining, extraction of other natural resources or even tourism. On May 24, 2020, the multinational mining company Rio Tinto destroyed two traditional Aboriginal shelters while expanding one of their many iron mines. Unique ecosystems and pre-existing water systems are also subsequently destroyed as a side result of this economic conquest, affecting both the earth and the lives of the indigenous peoples living there.

The consequences of exploiting resources

Collective sustainability is negatively impacted by harmful activities like hydraulic fracturing, which permits the release of natural gas and petroleum into the atmosphere. Other methods, like clear-cutting, have been proved to be quicker and less expensive, but they have had significant negative effects on biospheres, including soil erosion, a rise in extinction rates, and the loss of the forest canopy. In addition, excessive logging decreases forests' capacity to store carbon dioxide, allowing the atmosphere to warm up more quickly. Since the future of humanity is still greatly impacted by these problems, definitive action must be taken to rein in the extractive sector.

Complications regarding concentrations in international trade

Due to a plethora of reasons, whether economical or not, trade relations vary wildly between different regions and even between two nations. Complications result from concentrated international trading. Concentrated trade connections can both reflect and promote efficiency improvements, on the one hand. On the other hand, disruption of concentrated trade flows may be especially troublesome if the products are difficult to quickly replace due to a lack of alternatives and visibility. Therefore, it would be prudent for

delegations representing nations dependent on international trade to consider the above factors.

V. Timeline of Resolutions, Treaties, and Events

Date	Description of event
1860	The first international free trade agreement between France and the United Kingdom (the Cobden-Chevalier Treaty) was finalized
1492-1600s	The Columbian Exchange, an international widespread transfer of natural resources between Africa, the Americas, and Europe, took place.
30 October 1947	The General Agreement on Trade and Tariffs (GATT) was signed and put into practice. The goal of this was to promote international trade without the systemic barriers of quotas or tariffs.
14 December 1962	United Nations General Assembly resolution 1803 (XVII) "Permanent sovereignty over natural resources" was voted in. This declaration laid out eight fundamental principles to follow regarding foreign investment, exploration of natural resources and sovereignty of host nations amidst growing trade.
1 January 1995	As a successor to GATT, the World Trade Organisation (WTO) was established in 1995 with 123 signing countries in comparison to the previous 23.
30 December 1999	The Geographical Indications of Goods (Registration and Protection) Act, 1999 (GI Act) was created and enacted by India to protect intellectual property of certain products created within the nation. Since then almost 400 goods have been added to the GI Act.

VI. Possible Challenges & Solutions

Destroying indigenous territory

In order to mitigate unnecessary conflicts, industry giants should seek explicit, written permission before obtaining and using any new land. Given that profit is always the first priority for these companies, negotiations with governments and local groups should bear that

in mind in order to reach a more efficient and fair compromise. The nature of the resource at stake also plays a crucial role within liaisons and their possible outcomes, therefore other factors like cultural significance and intellectual property should also be taken into consideration. Internationalisation brings forth many possibilities, but not without its own challenges to tackle.

The consequences of exploiting resources

In accordance with the many resolutions debated both past and present, all relevant groups should strive to follow the guidelines set forth by the UN and its affiliated organizations to minimize impact when extracting natural resources. However, this is not simply a matter of appeasing other parties- multilateral discussions must be held to achieve inclusive and sustainable development, even though it may take on an unconventional form.

Complications regarding concentrations in international trade

Firms and policymakers are reevaluating supply chains and trade partnerships in a world that demands resilience. A detailed strategy is needed to map concentrated trade links and make decisions about what to do next, such as whether to decouple, double down or diversify. Not all closely held relationships can lead to vulnerability. Additionally, not all products can be changed. Decision-makers may calibrate an effective approach and rethink, rather than shrink from, their global footprints by having a clear view of concentration. Risk management is merely one aspect of this. Combining the appropriate strategies to manage interdependencies with an open and current understanding of concentration can give an organization a competitive edge. Organizations that manage concentrated exposures carefully are likely to be more robust.

VII. Recommendations for Resolution Writing including Research

Delegates should think about how the policies of their own nation may or may not coincide with those of the international committee while formulating a resolution. There should be some common ground that can be explored and reached in order to produce a reasonable resolution, even when powerful stakeholder nations may have an entirely different viewpoint from that of a less developed country. To find appropriate allies, keep in mind to consider international alliances, trade agreements, and other organizations.

VIII. Bibliography

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