Norwegian Petroleum Fund Investments: Social/environmental not narrow financial strategy

by Patrick Bond
University of KwaZulu-Natal School of Development Studies and Centre for Civil Society

Presentation to the Attac Norway Conference on Oil, Climate and Justice
Oslo, 12 October 2007

OUR OBJECTIVE IS TO ADVANCE SOCIO-ECONOMIC AND ENVIRONMENTAL JUSTICE BY DEVELOPING CRITICAL KNOWLEDGE ABOUT, FOR AND IN DIALOGUE WITH CIVIL SOCIETY THROUGH TEACHING, RESEARCH AND PUBLISHING.
Should Norway’s Petroleum Fund invest in global financial markets or *world society and environment*?

**Clear choices:**

a) global markets’ potentially high returns of 4% (abuse of word ‘pension’)
   *unable to incorporate social and ecological values* (Stern Report)
   *extreme volatility* associated with *global stagnation* trends
   *portfolio capital* (‘hot money’) does severe damage to recipient countries
   *amplifies existing adverse global power structure* which creates poverty

b) continue Norway’s leading role beyond the ‘Washington Consensus’:
   *Fund’s *long-term* investment strategy can make venture investments*
   *Soria Moria* mandate
   *Government leadership in oil sector reform* (EITI)
   *Government partial cancellation of ‘Odious Debt’: 1970s shipping loans*
   *Government disinvestment from World Bank water privatisation fund*
   *Government retraction of earlier education privatisation in WTO GATS*
Soria Moria

Norway must adopt an even more offensive position in the international work to reduce the debt burden of poor countries. The UN must establish criteria for what can be characterised as illegitimate debt, and such debt must be cancelled. The Government will... ensure that the multilateral aid is increasingly switched from the World Bank to development programmes and emergency aid measures under the auspices of UN agencies. Norwegian aid should not go to programmes that contain requirements for liberalisation and privatisation, act as a spearhead for international agreements on new global financing sources that can contribute to a redistribution of global wealth and the strengthening of the UN institutions, such as aircraft tax, carbon dioxide tax, tax on arms trade or duty on currency transactions,...
in this spirit, Petroleum Fund could adopt far-reaching global leadership:

- Henrik Syse: ‘things that affect the global economy affect us’ ... ‘overall market issues often called externalities – but are to us internal’
- join critique of global markets – stagnant, volatile, unfair – and *disinvest*!
- support Bank of the South
- more actively join anti-corporate campaigns
- invest in ecological debt ‘*reparations downpayment*’ – what does Norway owe the South?
- instead of searching for a ‘cap and trade’ system ‘that really works’ – *because carbon trading can’t work!* – support alternative climate protection strategies
- leave the oil in the ground!
Context: Stagnation of world GDP growth

Globalisation and neoliberal economic policy correlates to slowdown

World GDP per capita growth, 1961-2003 (annual change in per cent)

Sources: World Bank, World Development Indicators 2003 (online version) and World Bank, Global Economic Prospects 2004.
Dubious statistics: Correcting the GDP bias (global)
Dubious statistics: Adjusting the data

- Subtract resource depletion;
- Subtract pollution;
- Subtract long-term environmental damage (climate change, nuclear waste generation);
- Add household and volunteer work (gender implications);
- Correct for income distribution (rewarding equality);
- Subtract crime and family breakdown;
- Add opportunities for increased leisure time;
- Factor in lifespan of consumer durables and public infrastructure;
- Subtract vulnerability upon foreign assets.

Source: Redefining Progress
volatility: US ‘economic calamities’

- radically overvalued dollar, still 12% above its 1995 low (was 30% too high in 2002)
- rapidly rising trade deficit, which in 2006 grew to more than $760 billion, or nearly 6 percent of GDP
- since 2001, loss of 3 million manufacturing jobs, or more than a sixth of the entire sector
- unchecked growth of the housing bubble, with short-term interest rate down to 1.0% in 2001; by 2006, prices were 73% higher than their pre-bubble values: $8 trillion in unsustainable ‘wealth’

(source: Dean Baker, Harpers, June 2007)
Increase in the price of existing U.S. houses

US housing bubble

Sources: World Bank; Office of Federal Housing Enterprise Oversight.
Stock market crashes

Sources: Thomson Financial I/B/E/S; and IMF staff estimates.
Stock market volatility: emerging markets

Emerging Market Equity Volatility
(In percent)

MSCI Emerging Markets index

1998 99 2000 01 02 03 04 05 06
Currency volatility: 2006

Index of euro exchange rates

Index Jan. 1, 2006 = 100

Financing of US capital inflows

Source: International Monetary Fund
Higher US interest rates to attract funding then decline to avoid financial meltdown

Source: IMF
Since 2002, substantial commodity price increases

Index, Jan. 2003 = 100

Metals and minerals

Energy

Agricultural products

World Bank (minimalist) adjustments to derive ‘genuine savings’
fixed capital (-), education (+), natural resource depletion (-), and pollution damage (-)
<table>
<thead>
<tr>
<th>Country</th>
<th>GNI per capita</th>
<th>Population growth rate (%)</th>
<th>Adjusted net saving per capita</th>
<th>Change in wealth per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin</td>
<td>360</td>
<td>2.6</td>
<td>14</td>
<td>-42</td>
</tr>
<tr>
<td>Botswana</td>
<td>2025</td>
<td>1.7</td>
<td>1021</td>
<td>814</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>230</td>
<td>2.5</td>
<td>15</td>
<td>-36</td>
</tr>
<tr>
<td>Burundi</td>
<td>97</td>
<td>1.9</td>
<td>-10</td>
<td>-37</td>
</tr>
<tr>
<td>Cameroon</td>
<td>548</td>
<td>2.2</td>
<td>-8</td>
<td>-152</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>1195</td>
<td>2.7</td>
<td>43</td>
<td>-81</td>
</tr>
<tr>
<td>Chad</td>
<td>174</td>
<td>3.1</td>
<td>-8</td>
<td>-74</td>
</tr>
<tr>
<td>Comoros</td>
<td>367</td>
<td>2.5</td>
<td>-17</td>
<td>-73</td>
</tr>
<tr>
<td>Congo, Rep. of</td>
<td>660</td>
<td>3.2</td>
<td>-227</td>
<td>-727</td>
</tr>
<tr>
<td>Côte d'Ivoire</td>
<td>625</td>
<td>2.3</td>
<td>-6</td>
<td>-100</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>101</td>
<td>2.4</td>
<td>-4</td>
<td>-27</td>
</tr>
<tr>
<td>Gabon</td>
<td>3370</td>
<td>2.3</td>
<td>-1183</td>
<td>-2241</td>
</tr>
<tr>
<td>Gambia, The</td>
<td>305</td>
<td>3.4</td>
<td>-6</td>
<td>-46</td>
</tr>
<tr>
<td>Ghana</td>
<td>255</td>
<td>1.7</td>
<td>16</td>
<td>-18</td>
</tr>
<tr>
<td>Kenya</td>
<td>343</td>
<td>2.3</td>
<td>40</td>
<td>-11</td>
</tr>
<tr>
<td>Madagascar</td>
<td>245</td>
<td>3.1</td>
<td>9</td>
<td>-66</td>
</tr>
<tr>
<td>Malawi</td>
<td>162</td>
<td>2.1</td>
<td>-2</td>
<td>-29</td>
</tr>
<tr>
<td>Mali</td>
<td>221</td>
<td>2.4</td>
<td>20</td>
<td>-47</td>
</tr>
<tr>
<td>Mauritania</td>
<td>382</td>
<td>2.9</td>
<td>-30</td>
<td>-147</td>
</tr>
<tr>
<td>Mauritius</td>
<td>3897</td>
<td>1.1</td>
<td>645</td>
<td>514</td>
</tr>
<tr>
<td>Mozambique</td>
<td>195</td>
<td>2.2</td>
<td>15</td>
<td>-20</td>
</tr>
<tr>
<td>Namibia</td>
<td>1820</td>
<td>3.2</td>
<td>392</td>
<td>140</td>
</tr>
<tr>
<td>Niger</td>
<td>166</td>
<td>3.3</td>
<td>-10</td>
<td>-83</td>
</tr>
<tr>
<td>Nigeria</td>
<td>297</td>
<td>2.4</td>
<td>-97</td>
<td>-210</td>
</tr>
<tr>
<td>Rwanda</td>
<td>233</td>
<td>2.9</td>
<td>14</td>
<td>-60</td>
</tr>
<tr>
<td>Senegal</td>
<td>449</td>
<td>2.6</td>
<td>31</td>
<td>-27</td>
</tr>
<tr>
<td>Seychelles</td>
<td>7089</td>
<td>0.9</td>
<td>1162</td>
<td>904</td>
</tr>
<tr>
<td>South Africa</td>
<td>2837</td>
<td>2.5</td>
<td>246</td>
<td>-2</td>
</tr>
<tr>
<td>Swaziland</td>
<td>1375</td>
<td>2.5</td>
<td>129</td>
<td>8</td>
</tr>
<tr>
<td>Togo</td>
<td>285</td>
<td>4.0</td>
<td>-20</td>
<td>-88</td>
</tr>
<tr>
<td>Zambia</td>
<td>312</td>
<td>2.0</td>
<td>-13</td>
<td>-63</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>550</td>
<td>2.0</td>
<td>53</td>
<td>-4</td>
</tr>
</tbody>
</table>

Note: All dollars at nominal exchange rates.
Jubilee South: ecological debt is ‘the debt accumulated by Northern, industrial countries toward Third World countries on account of resource plundering, environmental damages, and the free occupation of environmental space to deposit wastes, such as greenhouse gases, from the industrial countries.’
Types of ecological debt
(Joan Martinez-Alier):

- unpaid costs of reproduction or maintenance or sustainable management of the renewable resources that have been exported;
- actualised costs of the future lack of availability of destroyed natural resources;
- compensation for, or the costs of reparation (unpaid) of the local damages produced by exports (for example, the sulphur dioxide of copper smelters, the mine tailings, the harms to health from flower exports, the pollution of water by mining), or the actualised value of irreversible damage;
- (unpaid) amount corresponding to the commercial use of information and knowledge on genetic resources, when they have been appropriated gratis (‘biopiracy’);
- (unpaid) reparation costs or compensation for the impacts caused by imports of solid or liquid toxic waste; and
- lack of payment for environmental services or for disproportionate use of ‘Environmental Space’, e.g. (unpaid) costs of free disposal of gas residues (carbon dioxide, CFCs, etc) assuming equal rights to sinks and reservoirs ($75 billion/year).
Petro-mineral resources: Leave them in the ground?

- **Oil Watch** (October 2006, international meeting, Quito)
- **Movement for the Emancipation of the Niger Delta** (January 2007, Nairobi World Social Forum)
- **Rafael Correa** agrees with Accion Ecologia that Ecuador’s main oil reserve (Ishpingo-Tiputini-Tambococha, in Yasuní National Park) should stay in the ground (August 2007)
AMATEUR!

GLOBAL APARTHEID

SUBSIDISED OVER-CONSUMPTION

IMF WTO WORLD BANK