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## The Risks We Run, by Roger Moody

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*The Risks We Run*. By Roger Moody. Utrecht, The Netherlands: International Books, 2005. Pp. 322. \$25.00 paper.

Why did Enron receive \$289.2 million when its power plant project in India was mothballed after the company collapsed? The answer is Political Risk Insurance (PRI). Roger Moody's book, *The Risks We Run*, attempts to connect the dots between the tragedies caused by corporate projects in poorer countries and the entities that provide the necessary insurance to "kick-start" these activities. Moody takes a hard-line position against PRI. He asserts that projects backed by PRI are "so detrimental to what is now broadly understood as 'sustainable development'" that PRI should be eliminated. His stridency will fire up environmental and social justice activists and fuel their campaigns against damaging projects, although it may turn off readers who mistake his passion for bias. Moody counters this critique with thorough and detailed research, providing a bulletproof factual basis for his argument that the current system is broken and a solution is needed.

The author aims to bring this obscure form of insurance to the attention of ordinary citizens and not just insurance experts. One obstacle to achieving this is Moody's failure to clearly define PRI and related types of insurance early on for the reader who lacks familiarity with the subject. I understood PRI to be basically a form of insurance provided to companies embarking on major projects in primarily unstable or "developing" countries. The proponent companies purchase PRI from export credit agencies (ECAs), private companies, and the World Bank to secure their assets abroad. PRI protects companies from asset expropriation or devaluation, sabotage, attacks on staff, currency inconvertibility, political backlash, natural disaster, and more. The author proposes that PRI is not really a form of insurance, but rather a political tool to ensure that the money companies borrow to finance projects, debt finance, is sustained. With PRI, a company can continue to operate or recover losses in the event that something goes wrong, or even when a project collapses, causing strife in the host country.

I was left with many questions about the mechanics of PRI: what does a company have to do to obtain coverage, what are the terms, and how does it relate to the other types of products providing coverage for these projects? However, it was clear that with PRI backing, the corporate proponents' investments are protected while the people and governments hosting the projects are left to deal with the often disastrous consequences.

*The Risks We Run* is divided into two parts: (1) an overview and (2) six case studies of PRI-backed gold mines. The first section discusses the complex field of public and private international financial institutions that offer PRI. Initially, Moody surveys the eight most important ECAs in terms of their investment capabilities and global reach. ECAs are government-

backed public agencies that are currently the largest public financiers of infrastructure projects in the “developing world.” One of the many examples the author gives concerns the Export-Import Bank of the United States (Ex-Im). Ex-Im backed Enron’s Dabhol Power Plant in India. Ex-Im, along with other ECAs, provided Enron with both PRI and loans. Enron was able to lock a state utility in to a power purchasing agreement that required Indians to pay for the power even if it was not needed. The electricity from the Enron plant cost four times more than the power produced at other local plants. In 2000, the plant was shut down because of a dispute over the agreement, so when Enron declared bankruptcy in 2001, the plant was put up for sale. While the Indian people’s labor and natural resources were exploited, Ex-Im handed Enron \$298.57 million under its PRI policy to recover losses resulting from the agreement dispute.

Next, Moody turns to private insurance, reinsurance, and surety bonding. Similar to ECAs, insurance companies such as American International Group (AIG) offer PRI for large-scale projects such as mining. Here the book takes a bit of a side trip into the murky world of “political risks,” where Moody explores surety bonding, a type of financial guarantee to cover future liabilities. In some cases, governments require financial guarantees to cover future liabilities, such as a terrorist attack. By purchasing surety bonds, a company can meet government obligations and essentially free up “significant amounts of capital” to further develop a project. However, the surety market is collapsing due to events like the 9/11 attacks on the World Trade Center, making it harder for companies to secure the bonds or for bonding companies to pay out when a disaster occurs. Moody skillfully points out that if insurance, reinsurance, and surety bonding cannot fully cover a project against worst-case scenarios, then why are they “allowed to operate in the first place.”

Finally, the author looks at the role the World Bank plays in fueling destructive projects. The Multilateral Investment Guarantee Agency (MIGA), an arm of the World Bank, works like the other private and public agencies offering PRI. However, it differs from those entities in that projects directly funded by World Bank are subject to environmental review. Also, there is an Ombudsman and Inspections Panel to assess a project once underway. Despite the oversight, Moody demonstrates that the “World Bank has contributed to the very impoverishment it pledges to annul.” The insidious role the World Bank plays in devastating mining projects becomes clearer in the case studies.

While the first half explores the financial institutions insuring everything from power plants to the Twin Towers destroyed in the 9/11 attack, the second half focuses in on six case studies. The case studies are a survey of the struggles against destructive gold mines. They offer the perspective of people struggling literally on the mine-face, and their allies in the developed world helping to amplify their campaigns from abroad.

Moody draws on unique and diverse sources of material, pulling together research and writing conducted by members of non-governmental organizations (NGOs), a lawyer's complaint written on behalf of two plaintiffs who suffered from a breach of a mine's tailings dam, and a statement by indigenous women. Moody takes the reader on a whirlwind tour of six gold mines and their associated disasters.

The case studies range from a mine in Guyana to another in Papua, New Guinea. Two Canadian companies own the Omai gold mine located in Guyana. The mine's tailings pond cracked, pouring at least 3.5 million cubic meters of cyanide contaminated waste into Guyana's largest waterway. Despite the immense damage, the threat posed to thousands of people's health, and the mine's admitted responsibility, the companies retained their PRI worth \$49.8 million. The Lihir gold mine, situated in the caldera of an active volcano on an island off the coast of Papua New Guinea, stands out because it is one of the few examples highlighting an ECA that refused to provide PRI. All of these case studies make Moody's point that "where multinational corporate interests are at stake, notions of the rule of law, good governance and a respect for human rights take on a secondary importance."

This unique and enthralling part of the book is also its biggest weakness. The thesis of the book concerning PRIs is overwhelmed by the information about the gold mines. It is easy for the reader to get lost in the details about the environmental disasters and human atrocities and forget the author's main point: PRI should be eliminated. A reader may become hopeless and think the system is too complicated for ordinary citizens to make a difference. The book would have benefited from more analysis in between and at the end of the case studies to help the reader comprehend why PRI should be abolished and how that can be accomplished.

Despite this weakness, the importance of this book in the public debate far exceeds the author's shortcoming in connecting the dots. Unlike banks and governments, indigenous communities and their allies generally do not keep a record of their activities and struggles. Moody has done just that and framed it in a relevant and timely context as the western world wakes up to corporate misdeeds such as the Enron scandal. *The Risks We Run* is an exposé that any citizen, investor, or activist should read to gain a new perspective on the role of insurance and mining in perpetuating social and environmental disasters around the world.

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