



# WORLD DEVELOPMENT REPORT 2011

BACKGROUND PAPER

## RETHINKING RESOURCE CONFLICT

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## **1. Introduction**

Resource conflict is one of several destabilizing phenomena commonly cited as defining many of the extractive economies of the global south. In the post-Cold War in which stability has become a key concern of international governance and investment it has also been an issue that has encouraged a proliferation of scholarly and policy interest. In these studies and policy discussions a large number of terms are now in use in an attempt to account for the complicated state of affairs faced by resource-rich countries in the global south: intractable conflicts, new wars, resource wars, complex political emergencies, conflict trap, resource securitization, petro-violence, blood diamonds (Collier 2005; Kaldor 1999; Kaplan 1994; Nafziger & Auvinen 1996; Watts 2008). The consensus built between these different terminologies and theories is that an abundance of natural resources is frequently at the root of violent conflict. As a result general acceptance has been made of the existence of a paradox of plenty (Karl 1997) i.e. that the vast majority of conflict prone and war ravaged states in the global south, including those recently emerging from violent conflict, are extractive economies who are endowed with strategic natural and mineral resources yet cannot avert declining into debilitating violence and war. Equally puzzling for many scholars is the observation that while these states contribute essential inputs to the global economy, they largely remain underdeveloped and politically unstable with a sizeable majority of their citizens living on less than a dollar a day.

In this thematic paper I will reconsider the connections between natural resources and conflict. Aimed at producing a state of the art review of the research on the connections between natural resources and conflict, the paper will outline and discuss the mainstream theories and policy initiatives that have been created to address this issue. The paper underlines in line with Rosser (2006) and Wennmann (2007) that whilst there is, as the general consensus of scholarship suggests, considerable evidence that natural abundance is associated with various negative development outcomes, this evidence is by no means conclusive. Whilst recognizing the value of existing ideas and practices, in highlighting the lack of consensus, gaps and weaknesses of current theoretical and practical approaches, the paper suggests that other complementary approaches need be developed. It is argued that this demands an extension beyond what have almost exclusively been macroeconomic and national governance studies and initiatives, to approaches that qualitatively acknowledge the role of historic grievances and conflicting *resource sovereignties*. In stressing the social nature of economy and state, and the often inconclusive and ideological nature of existing theories and policy, the paper proposes the need for recognition of a new socio-economics of resource governance. This socio-economics picks up on the current scholarly drift towards reinstating grievance alongside greed as a factor defining natural resource conflict, and suggests the further study of contrasting resource epistemologies as another layer in such friction. Such an approach moreover moves the focus away from only looking at civil wars, to one in which sub-level and regional conflict are recognized and studied. The inclusion of a larger spectrum of conflict reveals the importance of civil society, and with it of bargaining and confrontation to secure public agreements on natural resource management and the distribution of rents. The paper's review of current short and mid-term policy initiatives reveals a developing corpus of relevant solutions, but also the limited impact of the international community through anti-corruption and transparency measures. Side by side analysis of the problematics of both renewable and non-renewables I suggest reveals the everyday and working relationships between resource that exist in peoples' minds, and the possibility of drawing from a wider range of policy experiments in the search for specific and

generalized solutions to conflict. Here, I argue, it becomes obvious that research and policy needs to work harder to not only pick up on the rationale of patronage systems, but on how political elites fit into larger systems of class and ethnicity, and how resources link to organized and petty crime. Moreover, it demonstrates that as well as clear examples of success and failure, recognition must also be made of median advances of countries that are struggling with the question of resource rents and management. These are conclusions that in stressing a focus on collective identities and recognizing the challenges of cohesion, match the forthcoming World Development Report's expressed proposals to broaden and deepen shared interests and values.

## **2. Resource Curse?**

Prior to the late 1980s, the conventional wisdom concerning the relationship between natural resource abundance and development was that the former was advantageous for the latter<sup>i</sup>. Since the late 1980s, there has however emerged a sizeable scholarly literature that suggests that natural resource abundance (or at least an abundance of particular types of natural resources) increases the likelihood that countries will experience negative economic, political and social outcomes including poor economic performance, low levels of democracy, and civil war. This literature has become extremely influential and the idea that natural resources are bad for development is now widely accepted by researchers and officials at the major international financial institutions<sup>ii</sup> as well as by many NGOs<sup>iii</sup>. So influential has this literature been that the conventional wisdom is now arguably the exact opposite of what it was prior to the late 1980s. The term *resource curse* (Auty 1993; Sachs & Warner 1995) is now commonly applied to describe how countries rich in natural resources are unable to use that wealth to boost their economies and how counter-intuitively these countries had lower economic growth and development outcomes than countries without an abundance of natural resources. The resource curse thesis shifted critical discussions on poverty and development away from earlier explanations centered on imperialism, dependency and the impacts of foreign intervention to an analysis largely concerned with the failures and inefficiencies of national economic planning and state institutions. In origin the resource curse was used to refer to a broad range of economy types reliant on non-renewable and renewable resources (timber, coca, oil, and diamonds). However, as the debate surrounding the resource curse has developed it is notable that two non-renewable resource types vital to the world economy have captured focus and influence in policy circles. i.e. minerals, hydrocarbons (oil & gas). Vital analysis has been made of the problems and possibilities of managing these resources, but growing awareness of the limitations of analytical frames and persisting importance of other extractive economies (particularly in an era in which climate change is driving a search for alternative energy sources) have meant that despite the dominant focus on the resource curse of hydrocarbons, other perspectives and other resource remain of great concern. In this wider literature on resource governance issues of power and grievance return to the fore and water and land (and forest areas in particular) are recognized as central resources in ongoing conflicts.

### **2.1 Minerals**

Mines have long been associated with appalling labour conditions, unsustainable patterns of development and growth and violent conflict. The most well known material focus of the connection between minerals and conflict has, however, in recent years been blood, or conflict diamonds. Conflict diamonds are diamonds illegally traded to fund conflict in war-torn areas, particularly in central and western Africa. Conflict diamonds captured the world's attention during the extremely brutal conflict in Sierra Leone in the late 1990s. Illicit rough

diamonds have also been used by rebels to fund conflicts in Angola, Liberia, Ivory Coast, the Democratic Republic of Congo and the Republic of Congo. Added to the commonly cited diamond trade it is also notable that over the last decade and a half there has been a dramatic growth in mining activity and connected violent protest in many countries in the global south (Price-Waterhouse-Coopers, 2007: 49–50). As investment has expanded in the global south mining has moved into new territories and countries, some with no prior history of the industry and others with recent histories of significant political disorder (Bebbington 2007). In some cases such expansion has also elicited growing resistance and protest<sup>iv</sup>.

## **2.2 Hydrocarbons**

Rather than fulfilling the intuitive expectations of economic prosperity, the discovery of oil and gas has frequently been linked with high rates of poverty and conflict (Humphreys, Sachs & Stiglitz 2007). It is now widely recognised that oil extraction hits the poor at a number of levels. At the national level, there is also a growing consensus amongst economists that the disruptive economic effects of oil investments act to drastically reduce growth and undermine the non-oil economy (dutch disease), as well lead to a weakening of governance and democratic structures (Mehlum, Moene & Torvik 2006; Robinson, Torvik & Verdier 2006). Lynn Karl (1997) contends that oil countries, while seemingly disparate, are characterized by similar social classes and patterns of collective action. In these countries, dependence on petroleum leads to disproportionate fiscal reliance on petrodollars and public spending, at the expense of statecraft. Oil booms, which create the illusion of prosperity and development, actually destabilize regimes by reinforcing oil-based interests and further weakening state capacity<sup>v</sup>. Whilst examples such as Suharto's Indonesia have been highlighted as cases where political stability has for a time been created by the government's ability to distribute rents, the reliance on "petrodollars" has been shown to retard the development of state and technical capacity and with this effective and long term oil production (Seda 2005).

## **2.3 Water**

In 2000 The World Water Council recommended privatisation as a response to the global water crisis and successfully pushed the Council to endorse a for-profit principle: water is not a basic human right, but a commodity best delivered by the private sector (Seabrook 2003). This approach to water management has been perceived by local communities in both the global north and south as a direct threat to their ideas of public and local ownership of water resources (Milich & Varadt 1999). As a result campaigns and militant protests in opposition to large-scale water projects and the privatisation of local water have severely destabilized the local and national politics of many developing countries<sup>vi</sup>. Whilst it is noted (Wolf et al 2005: 84) that "no states have gone to war specifically over water resources since the city states of Lagash and Umma fought each other in the Tigris-Euphrates basin in 2500 BC", the perceived international competition and existing low-intensity conflicts as severe enough to inspire Ismail Serageldin, then vice president for Environmentally and Socially Sustainable Development at the World Bank<sup>vii</sup>, to declare in 1995 that, "If the wars of this century were fought over oil, the wars of the next century will be fought over water."

## **2.4 Land**

Given that the mass majority of people in the world still live in rural areas, land remains as one of the most likely common sources of natural resource conflict. Continuing processes of land colonisation, which take place either with state sanction and assistance or despite state planning, raise the spectre of fierce competition for agrarian resources between newcomers and groups that are native to the area- frequently indigenous peoples (Gieger, D 2008). Apart from the loss of land, the locals often face the fact that settlers and their descendents take

control of local trade, lucrative extractive industries (timber as well as water, hydrocarbons and minerals) and local institutions, and monopolize employment opportunities. Mass immigration by settlers with non-intensive agricultural techniques, moreover, threatens local ecosystems, leading to the denudation of forests and the degradation of soils (Margolis 1977, Pichón 1996). While earlier studies on the confrontation of peoples in colonization stressed the more or less peaceful acculturation of indigenous peoples (Spicer ed 1961), a number of contemporary authors highlight the corrosive effect of frontier settlement on ethnic peace, order and stability (Li 1999; Nathan and Kelkar 2004).

### **3. Theorizing Conflict over Natural Resources**

In recognising the range of difficulties related to natural resource governance on a global scale, a series of theories and proposals have been made by researchers and international organizations aimed at first explaining the effects and secondly searching for mechanisms that can abate the resource curse. In this section an outline will be made of the theories and proposals that have had most influence on recent international policy making. Before making a short survey of these effects and mechanisms, it is worth highlighting a preliminary distinction. The literature on the resource curse consists in fact of three separate main sub-literatures, each with a considerable degree of overlap.

#### **3.1 Economic Performance**

Early work on the economic performance of resource abundant countries suggested that the causal mechanisms linking natural resource abundance and economic performance were essentially economic in nature. Singer (1950) and Prebisch (1950), for instance, argued that resource abundant countries had suffered from declining terms of trade over time, in turn constraining their prospects for economic growth and development. Other scholars such as Nurske (1958) and Levin (1960) argued that the problem for resource abundant countries was that international commodity markets were inherently unstable and that any instability within them could easily be transferred to domestic economies, in turn affecting the reliability of government revenues and foreign exchange supplies and dramatically increasing risks for private investors (Rosser 2006:13). In the early 1980s, several commentators argued that resource abundant countries were susceptible to the so-called ‘Dutch disease’ – a condition whereby a resource boom leads to appreciation of the real exchange rate and in turn damages manufacturing and other tradable sectors (Corden and Neary 1982; Bruno and Sachs 1982).

Most of these explanations are now regarded with some scepticism. Subsequent studies of trends in international commodity prices have suggested that while in overall terms international commodity prices have declined during the twentieth century, this has been due largely to declines in the prices of commodities that are exported exclusively by developed countries or more or less exclusively by relatively successful developing countries (Rosser 2006:14). Nonetheless, whilst more recent studies have turned to other variables than commodity prices to explain economic performance, the argument that an abundance of natural resources can reduce economic growth has been continued<sup>viii</sup>. In contrast to a stress on the negative economic consequences of natural resource discoveries, some authors now argue that the answer to the association with conflict lies with the extent to which countries are abundant or dependent. Resource abundance or resource wealth means that there is a high production per capita of the resources in question, while resource dependence implies that the resources constitute a high proportion of the country’s exports<sup>ix</sup>.

Recent work on the economic effects of resources have also focused on a discussion on which types, and particularly non-renewable vs renewable resources, are most clearly connected to

conflict. To the extent that the two types of resource figure in conflict narratives, focus is either on abundance of non-renewables that tend to have a high market value, or on scarcity of renewable resources with lower value (Samset 2009). While several studies have found a connection between resource scarcity and conflict (Homer-Dixon, 1999; Kahl 2006), recent statistical analysis has found the connection to be weak (Binningsbø et al 2007); Theisen 2008). Discussion is also made of the “lootability”, or ease to which resources can be appropriated. The more a resource tends to be more “lootable” the less capital intensive the process of extracting it is, the higher market value it has per unit of weight, and the further it is located from centres of state power. As one study notes however, the term “lootability” implicitly assumes that the main motivation for looting is economic, and does not recognise that in the context of violent conflict may be spurred by other reasons<sup>x</sup>.

### 3.2 Regime Dynamics

Work on the relationship between natural resource abundance and economic performance now also gives greater attention to the role of political variables in mediating this relationship than earlier writing. On the one hand, economists have increasingly incorporated ideas from political science into their work on the resource curse, particularly, although not exclusively, ideas from neoclassical political economy and the new institutionalism (Eifert et al. 2003; Rodrik 2003; Isham et al. 2002; Auty 2001b, 2001c; Torvik 2002). On the other hand, political scientists have entered debates on the resource curse, bringing with them analytical frameworks such as behaviouralism, public choice theory, Marxism, institutionalism/statism, dependency and world systems theories, and fiscal sociology, all of which give central attention to the role of political factors in shaping economic outcomes. From this a number of particular perspectives have become particularly influential.

Behaviouralist perspectives have suggested that natural resource abundance leads to various types of emotional or irrational behaviour on the part of political elites, in turn contributing to poor economic policy-making and institutional deterioration. In particular, it is argued, resource booms induce myopia, sloth, and/or over-exuberance in political elites (Rosser 2006: 14). Mitra (1994:295) has for example argued that resource booms produce a ‘tendency to optimism’ in countries that benefit from such booms, in turn leading to excessive government spending. Similarly, Krause (1995: 322) has suggested that natural resources lead to ‘wishful thinking’ among policy-makers in resource-rich countries.

In contrast to behaviouralist perspectives, rational-actor perspectives portray political actors as rational utility-maximising individuals. Accordingly, they have suggested that the problem with natural resource abundance is not that it leads to irrational behaviour on the part of political actors but that it provides them with an opportunity to line their own pockets by engaging in rentseeking. Most scholars have suggested that members of the political elite are the main problem in this respect. Ross (2001), for instance, argues that when governments receive windfalls from a resource boom, rational political elites will take the opportunity to either directly seize the rents created by resource booms or gain control over the right to allocate them – a process he calls ‘rent-seizing’.

State-centred perspectives suggest that natural resource abundance leads to poor economic performance not by influencing the behaviour of political elites or social actors but by influencing the state’s capacity to promote economic development (Mahdavy 1970; Beblawi 1987; Luciani 1987; Tanter 1990; Chaudhry 1994; Vandewalle 1998; Gunn 1993). Karl (1997: 16) has also argued that dependence on oil revenues leads to the emergence of ‘petro-states’, that is, states that are geared towards the ‘political distribution of rents’ rather than

promotion of private investment, production and economic growth. The emergence of petro-states, she suggests, is particularly likely where oil's domination of the economy coincides with the process of state formation (Vandewalle 1998: 33–8). Responding critically to the rentier state paradigm in terms of saying something about the potential for violence Mick Moore (1998; 2001), highlights that the abundance of natural resources and pathological rent-seeking generate contradictions in terms of a disproportionate relationship between elites and subaltern classes.

Historico-structuralist perspectives suggest that natural resource abundance has pernicious economic effects not because of its effects on the behaviour of political elites or the institutional capacity of the state, but because of its effect on the relative power of different social groups or classes. One group of researchers, for instance, has suggested that natural resource abundance strengthens well-connected business groups, in turn increasing pressure on governments to pursue economic policies that serve the interests of these groups rather than the common economic interest or the interests of the poor (Urrutia 1988; Broad 1995).

Whilst recognising the possibilities for predation expressed by the last three of these approaches, Dunning (2008) questions their determinism. He highlights along with other writers (Humphreys 2005) that significant variations exist in the rentier dynamics of mineral-exporting states. Analysis limited to predation is now seen as too pessimistic, even dismissive, of the rentier states of the global South, who are castigated as incapable despite their efforts to break from the rentier web and conflict traps. The generalising tendency to assume that rentier states as perpetuating underdevelopment and conflict is also seen as problematic: there are exceptional cases where the rentier state have proved relatively peaceful e.g. Malaysia, Norway, Botswana. Another issue also shown to determine the outcome is the ownership of mineral wealth, where state ownership has largely been assumed in existing analysis despite the existence of public-private ownership models (Jones Luang & Wienthal 2006; Stiglitz 2007).

### **3.3 Civil War**

Numerous studies that suggest that natural resource abundance is associated with the onset of civil war and influences the duration and intensity of civil war – that is the number of battle-related deaths<sup>xi</sup>. Some researchers have also suggested that natural resource abundance may lengthen the duration of civil wars. Collier and Hoeffler (1998) found that natural resource abundance and the duration of civil wars also had a curvilinear relationship. Similarly, Doyle and Sambanis (2000) found that natural resource wealth was significantly and negatively correlated with the success of peace-building initiatives. As Ross (2004: 341) has noted, in so far as there is a link between the failure of such initiatives and the duration of civil wars, this finding suggests that natural resource wealth is associated with longer wars. Fearon (2004) found that countries that are rich in contraband resources such as opium, diamonds, or coca tend to experience longer civil wars and Ballantine (2003) found that natural resources served to prolong civil wars in a selection of resource rich developing countries.

The debate over the causal mechanisms linking natural resource abundance and the onset of civil war needs to be understood within the context of the wider debate over the causes of civil war. In broad terms, this wider debate has centred on two main arguments (Rosser 2006). The first of these, which reflects behaviouralist ideas, has emphasised the motives of rebel organisations. It has suggested that civil wars are caused by grievances stemming from inequalities of wealth, limited political rights, or ethnic and religious divisions. The second

argument, which reflects ideas associated with the rational actor perspective, has emphasised the economic incentives and opportunities facing rebel organisations. In contrast to the grievance argument, it assumes that rebellions are caused by greed – that is, by a desire on the part of rebel leaders to enrich themselves and their followers. Of these it is the second argument that has been granted greatest influence in policy-making circles over the last few years. Collier notes the enabling environment for the economy of war: ‘a country with large natural resources, many young men and little education is very much more at risk of conflict than one with the opposite characteristics’ (Collier 2000: 97). Thus he argues that economic agendas constitute a key causal factor in most recent civil wars (other factors remain insignificant or *ceteris paribus*). He argues that the ecology of civil wars in resource-rich states is influenced largely by ‘greed’ rather than ‘grievance’: the true causes of much civil war are not the loud discourses of grievance but the silent force of greed (ibid: 101). Warlords and rebel forces are driven by the opportunities of lootable resource rent as a means of survival and perpetuating the ‘war economy’, the latter described by Keen (1998) as economics by subversion.

The consistent finding, i.e. *ceteris paribus*, the greater the dependency on natural resources, the greater the risks of civil war, has been rejected by some scholars. Ross (2004b) suggests that rather than being caused by the looting or grievance mechanisms, civil wars in resource abundant countries are typically caused by various alternative mechanisms. The other causal mechanisms for which he finds some support in his study are what he labels the ‘foreign intervention’ mechanism – a mechanism whereby ‘resource wealth increases the probability of civil war by increasing the probability of foreign intervention to support a rebel movement’ – and the ‘booty futures’ mechanism – a mechanism whereby ‘resource wealth increases the probability of civil war by enabling rebel groups to sell the future exploitation rights to minerals they hope to capture’ (ibid 2004b: 57–8).

A series of other criticisms of the thesis have also been made (See Omeje 2008) i.e.

- The arbitrary language and measurements of the thesis have been highlighted i.e. overly restrictive tools are used to define key concepts such as “conflict”, “war”, and “violence” e.g. conflict is quantitatively described by the existence of 1000 or more battle deaths per year - this effectively excludes lower but significant figures (e.g.999).
- Highlight is made of the ambivalence between causality and reality: the ecology of civil war is determined by a host of factors, and the reality might appear to overwhelm the cause (Ross (2004a). For instance, the “war economy” is likely to be perpetuated by warlords, whether or not initial causal factors are still active. Furthermore, civil wars are not recognised as beginning until they have at least generated 1000 combat deaths. This leaves the possibility of lower-level regional and sub-regional conflicts focused on resource capture.
- The configuration of variables is misleading: the thesis is based on the relationship between two key variables: civil wars (dependent) and natural resources (causal). This neglects the role of intervening variables such as corruption, predation, prebendalism, lack of fiscal discipline, absence of rule of law etc.
- The relevance of reverse logic is ignored: much as the existence of natural resources provides a causal factor for civil wars, by reverse logic, it potentially provides an incentive for avoiding descent into war.
- Previous experience is ignored: the thesis assumes that civil wars will be a priori detached from the past.

Attempting to address some of these problems and provide a more nuanced approach to resource conflict Le Billon (2001) and Colin Kahl (2006) use a multidisciplinary perspective to capture the political ecology of resource abundant states and attendant implications for conflict. Other approaches also concerned with historical specificity suggest that after the end of the Cold War, civil wars have taken on a distinctively economic character (Duffield 2001;

Kaldor 1999; Keen 1998). The new war argument ascribes the reasons for this economic turn not to the factors already mentioned, but rather to processes subsumed under the heading of “globalisation” that have gained sway since the early 1990s. These include the reduction or end of superpower financing of opposing civil war belligerents; the further liberalisation of world trade; the growing demand and enhanced competition for certain materials in the wake of the rise of China, India and other regional powers.

#### **4. Mechanisms to Abate the Resource Curse**

The literature on the resource curse contains a wide variety of recommendations to help resource abundant countries overcome its ills. These recommendations build on earlier recognition of the need for resource rich countries to adopt sensible macroeconomic policies and, in particular, avoid large foreign and domestic debts, accumulate budget surpluses, control inflation and pursue competitive exchange rates (Usai 1997; Mikesell 1997; Sarraf and Jiwanji 2001). A number of economists have also emphasised the need for resource abundant countries to diversify their economies so as to reduce their dependence on natural resources (Auty 1994; Collier 2000). These measures, it is argued, are likely to be particularly important in terms of helping these countries to avoid Dutch disease (Usui 1997). Other crucial recommendations and policy experiments have also been launched. A review of the most central of these initiatives is given below, together with some specific examples illustrative concrete cases and policies. It should become clear from the details given that a functioning tool-box for assisting resource management is slowly being put together, but that serious inconsistencies and gaps also exist suggesting the need for further improvement and addition.

#### **4.1 Short-Term Confidence and Peace-building**

##### **4.1.1 Curbing Conflict Financing**

The early conclusion that resource wealth seemed linked to civil war inspired a series of efforts to target sanctions against armed groups and their supporters. For example, in 1998 the UN added to a pre-existing travel ban and asset freeze by starting sanctions against the diamond trade of Angola’s rebel group- UNITA. Beyond such “smart” sanctions other efforts have included legal attempts to reduce the impunity of actors involved in the resource trade with armed groups, and efforts to repatriate ill-gotten gains. UN appointed expert panels have also monitored the implementation of commodity-oriented sanctions, and peace-keeping missions have been given the mandate to identify the violators of sanctions. The most successful example of this has been the introduction of the Kimberley Process Certification System. As a result of pressure from the United Nations in 2000 the global diamond industry made clear to the international community its zero tolerance policy towards conflict diamonds<sup>xii</sup>. These measures have now been shown to have had success in conflict zones, such as the Democratic Republic of Congo. However, sanctions termed “targeted” or “smart”, such as asset freezes and travel bans have been found to involve serious operational challenges due to “technical inadequacies, legal loopholes, institutional weaknesses, budgetary and staff scarcities and political constraints” (Tostensen & Bull 2004: 40). Another study finds that “sanctions have a poor overall record” for conflict termination and peace-building, but adds that “major improvements have been noted since the late 1990s in terms of monitoring and enforcement” (Le Billon & Nicholls, 2007: 629). Studies of the so-called Kimberley process to regulate the global trade in diamonds conclude on a note of cautious optimism, yet agree that major challenges remain to solidify the tracking and labeling process (Grant & Taylor, 2004; Wright, 2004). Beyond measures that clearly have been or are being

tested out, academic literature has suggested a number of other policy initiatives such as mandatory measures for business and prosecution of violators as means to address resource-related conflict financing. These are seen as tools that are available mainly to governments and multilateral organizations (Ballentine & Nitzschke, 2005; Pugh et al., 2004; Le Billon, 2005; Turner, 2006).

Targeted sanctions and efforts to regulate trade in certain commodities are, however, also recognized as being overly narrow and technical measures to address what are in reality broad dynamics. Natural resources constitute only one out of many sources of finance for armed groups; groups that tend to flexibly adapt to changing circumstances (Wennmann 2007; Le Billon & Nicholls 2007). There is also an increasing questioning in the literature of the assumption underpinning sanctions and commodity-focused measures, namely that the civil wars are mainly about these resources. Wennmann (2007: 440) sums this up: “the question is whether money follows motivation or motivation follows money”. The idea undermining the sanctions-regulations approach is the latter: money is the motivation, and once the promise of gain is reduced the conflicts will somehow die out. Yet as e.g. Weinstein’s (2007) perspective suggests, some insurgencies are “activist” and draw on a social rather than an economic endowment to soldier on. Measures are not likely to be effective unless the other reasons why individuals and groups fight are thoroughly addressed.

## Conflict Minerals

Diamonds and the illicit trade in gems have long served to provide a ready source of finance for conflict protagonists and known examples of their role are particularly prevalent throughout African history ( Grant & Talyor 2004; Taylor and Mokhawa 2003). Diamond revenues have not only served to sustain rebel groups, they have also been used to bolster the position of corrupt autocrats. For example, while Sierra Leone's civil war did not begin over diamonds *per se*, government mismanagement, corruption and overall bad governance concerning revenue sources such as diamonds did provide fertile conditions or at least initial support in some quarters for rebellion. By the mid to late 1990s, control over the diamond mines, particularly in Sierra Leone's Eastern Province (i.e. Koidu and Tongo), was a major prize for civil war combatants. During this time, some US\$300 million to US\$450 million in diamond revenues were taken out of Sierra Leone—over 90% bypassing government coffers and exiting through illicit channels via neighbouring Liberia and Guinea as well as nearby Côte d'Ivoire (Hirsch, 2001).

Responding to this common feature of conflict in Africa and a growing international civil society campaign led by Global Witness seeking to restrict the diamond industry, in 2000 the United Nations started a diplomatic process supporting the creation of an international certification scheme for rough diamonds. The Kimberley Process is now a joint governments, industry and civil society initiative to stem the flow of conflict diamonds used by rebel movements to finance wars against legitimate governments. The Certification Scheme (KPCS) it established entered into force in 2003 and imposes extensive requirements on its signatories to enable them to certify shipments of rough diamonds as 'conflict-free' and prevent conflict diamonds from entering the legitimate trade. Under the terms of the KPCS, participating states must meet 'minimum requirements' and must put in place national legislation and institutions; export, import and internal controls; and also commit to transparency and the exchange of statistical data. Participants can only legally trade with other participants who have also met the minimum requirements of the scheme, and international shipments of rough diamonds must be accompanied by a KP certificate guaranteeing that they are conflict-free.

Following the example of the Kimberley process, other conflict minerals are now also been highlighted by the international community. Indeed, there is now increasing pressure on electronics companies to ensure that their products do not contain illicit minerals from the war-torn areas of eastern Congo. Congo's mineral wealth did not spark the conflict in eastern Congo, but war profiteering has become a fuel that keeps the region in conflict and lies beneath the surface of regional tensions. Both the United Nations and the International Peace Information Service (IPIS) estimate that armed groups and military units control over 50% of the 200 mines in eastern Congo. One of the most effective ways touted by NGOs and some analysts to achieve this goal is to ensure transparency in the consumer electronics supply chain to help certify that products are conflict free. However, with bills now passing through the US congress to curb the trade in these minerals, the electronics industry has spent \$2 million per month lobbying Senate officials to relax the legislation which would increase transparency in the supply chains for tin, tantalum and tungsten (Prendergast & Lezhnev 2009). These mineral ores, as well as gold, are key elements of electronics products including cell phones and personal computers, as well as advanced weapon systems. Many electronics companies maintain that their supply chains are too complex to make transparency cost-effective because of the sheer numbers of actors involved in moving minerals from mines in Congo to the gadgets in our pocket. This is contested by pressure groups (e.g. [www.enoughproject.org](http://www.enoughproject.org)) which highlight that the minerals supply chain is less intimidating than the industry would have consumers believe.

### 4.1.2 Reconstructing War Economies

Research on war or conflict economies departs from a criticism of the sanctions/regulations approach by arguing that the targeting of specific groups and commodities risks being counterproductive if this is not part of an effort to transform the economies that are shaped by prolonged violent conflict. Recommendations (Ballentine & Nitzsche 2005; Le Billon 2005; Muggah 2008; Nitzsche & Studdard 2005; Pugh et al 2004; Woolcock et al 2001) from this perspective focus on transforming the economy of the conflict zone i.e.

- By generating decent jobs and income-generating activities for the civilian population, with particular attention to the reintegration of demobilized combatants
- By formalising informal economic activities, thus enabling better tax collection by the government and the provision of rights protection to more workers and peasant farmers
- By measures to build 'social capacity and political consensus' in resource abundant countries in order to help these states develop the required ability to manage conflicts.

Finally, war economies can only be transformed into less militarized economies if the armed groups' sources of finance are dealt with in an integrated manner, beyond natural resources and beyond the war zone (Wennmann 2007, Le Billon 2008). For this reason there is now an interest in the development of programs studying and looking for means to clamp down on capital flight to different tax havens around the world<sup>xiii</sup>.

### **Resources, Civil War and Demobilisation in Colombia**

Unlike many other conflicts that had their origin in the Cold War and wound down with the end of the Soviet Union, the Colombian civil-war experienced considerable intensification in the course of the 1990s. The guerrilla and paramilitary's taxation of the illegal drug trade and legal palm oil industry, land appropriation and the tapping of increasing oil rents from local government fuelled the escalation of conflict and the spread of conflict to previously unaffected areas (Guáqueta 2003). These events have also led to the internationalisation of the conflict, in terms of spill-over effects to neighbouring countries, direct international intervention and merger of the conflict with international crime syndicates and terror networks (Metz 2000). Recognising these increasing threats of destabilization the Colombian government, with international support, has introduced over the last ten years a series of interventions to reduce armed violence. Research and evaluation on the impact of DDR demonstrates that the application of recent DDR initiatives in Colombia have generated positive dividends in terms of encouraging the reconstruction of the domestic non-war economy. (Restrepo & Muggah 2009)<sup>xiv</sup>. However, argument is also made (Restrepo & Muggah 2009) by non-governmental organisations and local minority associations that the Colombian state has failed to establish justice mechanisms to prosecute human rights cases. Highlight is made of the failure to generate an adequate state and democratic presence in areas of the country where demobilisation has taken place. Despite the costly efforts of the Colombian armed forces and police to establish a presence in what were once considered isolated and marginal areas of the country, the continuation of the conflict and the emergence of new groups are driving new forms of violence that undercut DDR gains. As highlighted by non-governmental organisations, the Colombian government's inability to handle criticism- or provide satisfactory justifications for DDR- has undermined the country's reputation and embittered domestic opposition. Despite a swathe of important judicial reforms, the Colombian states' continued restrictions on the trade union politics and political organisation raises questions about the democratic intent of the DDR process and real consequences and possibilities that exist for ex-combatants following demobilisation. Out in the open following demobilisation, combatants have been persecuted and marginalised from educational and labour opportunities. Also, as a result of the political favour shown the demobilised paramilitaries critics argue that DDR is a farce, and that demobilisation is the final, definitive incorporation of para-militarism into the Colombian state and economy (Hristov 2009)

#### **4.1.3 Conflict Sensitive Business**

Over the last twenty years there has been an increasing interest in corporate social responsibility (CSR) in resource abundant economies. Some scholars have even suggested that resource abundant countries should consider privatising their natural resource sectors (except for forestry) to forestall the problem of rent-seizing (Ross 2001). Wienthal & Jones Luong (2001) argue that countries that sell their natural resource sectors to domestic interests are more likely to develop sound taxation systems than those that either do not privatise these sectors or sell them to foreign investors. However, in spite of emerging corporate social responsibility standards, business actors continue to face a number of difficulties when operating in conflict zones. These include the difficulty of balancing local expectations of welfare provision, and not relieving the government entirely of its service-provision duties towards the citizenry (Zandvliet 2005). It also includes recognition of evidence demonstrating that corrupt rulers use foreign firms to circumvent state bureaucracies, to collect revenue, defend territory and conduct diplomacy on their behalf (Reno 1997). Emerging recommendations in this area, beyond the issue of transparency, include:

- Conflict impact assessments by companies, and the international community, of CSR activities prior to launching, and throughout their operation
- Improved engagement and dialogue with local communities, in order to build trust and ensure the appropriateness of benefits.

- Engagement with other stakeholders, such as NGOs, UN agencies and government representatives in order to reduce the chances of activities provoking local tensions.

### **CSR and a “Heart of Darkness” in Angola**

Much of the newly established academic research on Corporate Social Responsibility (CSR) is critical to actual practice by corporations. Highlight is made of the gap between company rhetoric on social responsibility and the way in which they operate in practice (Utting 2007). Criticism is also made of the failure of corporations to identify what is important for development in the context of operation. As a result of these tendencies the most frequent result of CSR initiatives are well intended, but narrow philanthropic initiatives that do not reflect the interests of local society, or build on the knowledge of development specialists. Blowfield and Frynas (2005) argue for example that ideas of paying tax or creating employment are frequently ignored in discussions about CSR. At times CSR is also blatantly manipulated as a media strategy to cover otherwise unethical practices<sup>xv</sup>. Also problematic is the fact that more often than not CSR initiatives are focused on the local level and without consideration of larger development questions such as institutional conditions at the regional or national levels (Blowfield 2005; Prieto-Carrón 2006). Frynas (2005) highlights in particular that oil companies CSR efforts are also carefully designed to avoid “rocking the boat” of relationships and policies necessary for ensuring a good positive political climate for extraction. Oil companies have therefore had little interest in taking up explosive questions of institutional weakness, democratic accountability and human rights in resource rich countries. Whilst British Petroleum’s (BP) attempt to play a constructive role in creating transparency on the issue of signature bonuses in Angola and profits in Azerbaijan is an example to the contrary, it is one of few. Indeed, the consequence of this was that BP was asked to leave Angola in 2002 (Global Witness 2002). Sætre (2009) in writing about this event and placing it in larger context where other companies have remained in Angola- and particularly addressing the continuance of Norwegian Statoil in the country- proposes that what we see here is an expression of a “heart of darkness”. Although Statoil operates within Norwegian accounting law (where records of all financial transaction are on public record in a national registry) and company employees clearly express the commitment of company to lead the way in ethical business practice, Sætre questions whether their unwillingness to confront questions of openness in the country itself does not result in their condoning questionable practices. Global Witness (2002) have detailed the way in which rising oil revenues in Angola have been diverted into parallel budgets of what they call a “shadow state”. According to economists involved in the analysis of Angola’s oil sector up to 1.4 billion USD- a third of all state revenue- was unaccounted for in 2001.

## ***4.2 Medium-Term Legitimacy and State-building***

### **4.2.1 Fiscal Transparency**

In resource-rich environments, key actors often have an interest in secrecy. Governments may want to hide figures on natural resource and other revenues in order to maximise their bargaining power vis-à-vis foreign investors, while firms may have a similar interest since their market position may deteriorate if they “publish what they pay” while other companies do not (Ballentine & Nitzchke 2005). Fiscal transparency, on the other hand, can enhance the accountability of the regime and of their own business partners towards the citizenry, and thus strengthen state-society relations and societal trust deemed crucial for state and peace-making. Possible resistance against transparency from governments and companies should therefore be addressed. It has therefore been proposed (Ballentine & Nitzchke 2005) that the international community make the disclosure of revenues from natural resources by governments and/or companies a pre-condition for development aid, investment and credit.

## Rewarding Transparency

Several international donor and non-governmental-supported transparency initiatives focused on national government and individual corporations now exist. Important examples of these initiatives are the state-sponsored Extractive Industries Transparency Initiative (EITI)<sup>xvi</sup> and non-governmental Publish What You Pay (PWYP)<sup>xvii</sup> Campaign. EITI is a voluntary initiative that support improved governance in resource rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. Broadening the focus of EITI's revenue transparency agenda, in 2008 the World Bank President announced intentions to develop a "EITI++" which he stated would take a more holistic, integrated approach to managing extractive industry resources i.e. covering the entire extractive industries value chain from the award of contracts and licenses, to regulation and monitoring of operations, to collection of taxes and royalties, to revenue management and distribution, to expenditure on sustainable projects and programs for growth and development. PWYP is a global civil society coalition that helps citizens of resource-rich developing countries hold their governments accountable for the management of revenues from the oil, gas and mining industries. PWYP works closely with civil society groups to monitor and research their countries' extractive regimes and budget processes and reach out to governments, companies and international financial institutions to advocate for greater revenue and expenditure transparency. In contrast to EITI the coalition also calls for the disclosure of licensing arrangements and extractive industry contracts.

Whilst clearly pressing for important changes, current approaches to transparency, such as EITI, have tended to focus on transparency in public revenues. Given the centrality of public expenditure in patronage politics in resource rich countries, the focus on revenues has been criticized as not necessarily being the most effective one for addressing corruption (Kolstad & Wiig 2009). Nor is the largely voluntary approach of current initiatives likely to have much of an effect where public officials forgo substantial rents by implementing the principles in question (Kolstad & Wiig 2007). Policies in this area require deeper analysis to be made of the modes of transparency, the mechanisms by which they matter, and the ways in which they can be implemented. As Kolstad & Wiig argue "the most one can say on the basis of the existing studies, is that if transparency is important, it is so to the extent that it impacts on the basic mechanisms underlying the resource curse, which are rent-seeking and patronage" (2009:527). The monitoring and training work being done on the issue of disclosure PWYP with local civil society organizations and industry promises to be one way to collect a better understanding of these issues, but it is also clear that governmental support is needed for obligatory mechanisms at the national and international levels.

### 4.2.2 Sharing of Resource Revenues

The governance problems associated with resource abundance can be addressed through different mechanisms for revenues sharing. These can be introduced as part of peace agreements following civil war, or as institutionalised in peace time as natural resource funds. Le Billon and Nicholls (2007) examined 14 revenue-sharing deals included in peace accords from 1989-2006, and find revenue sharing to be a deceptive quick fix. Whilst followed by a peace, this peace was rarely lasting. When revenue sharing was combined with sanctions, however, peace implementation was more likely to succeed, or at least more likely than cases where only military intervention was implemented. Conclusions on this are, however, tentative due to the small number of cases involved and dearth of research on wealth-sharing agreements. It is more commonly held that a wise way of managing resource wealth is to establish so-called natural resource funds, which serve to smooth expenditure patterns over time. Models for such funds vary as regards to how they should be managed and by whom (Humphreys and Sandbu 2007; Ballentine, 2005; Eifert et al 2003)

## Sowing Rents: Norway or Bolivia?

The most commonly praised example of a profit sharing through a petroleum fund is the Norwegian Global Government Pension Fund<sup>xviii</sup>. The fund is regularly cited in academic papers and referred to in media reports as having played a key role in helping to transform the Norwegian economy following the discovery of oil in the Norwegian North Sea sector in 1969 into one of the richest in the world. Whilst Bolivia is interested in the experience of the oil fund and state-ownership to extent of courting assistance from Norway in drawing up a new regulatory system for its hydrocarbon industry, the new government in the country have chosen another policy path to that suggested by the Norwegian Oil for Development Programme. As a major step to making public use of the new levels of income coming from the newly nationalised hydrocarbon industry, the Morales government established a new Direct Hydrocarbons Tax<sup>xix</sup>. As a result of its new oil and gas policy, as well as propitiously high market prices, the Bolivian government's income from gas and oil has significantly been increased<sup>xx</sup> Whilst these policies are militantly opposed by the political opposition in the country- and sullied by a series of corruption cases, localised protest over the expansion of oil and gas extraction, and failure to reduce illegal coca production- the generation of these new resources have been used to found new forms of social expenditure. As a result of its new oil and gas policy, as well as propitiously high market prices, the Bolivian government's income from gas and oil increased from \$173 million in 2002 to an estimated \$1.57 billion in 2007<sup>xxi</sup>. Drawing on new levels of public funds a national pension scheme (*Renta Dignidad*) has been created moving a previously created subsidy (Bonosol) to the hydrocarbons tax and increasing the amount paid to pensioners to 342 USD per year for those without any pension whilst maintaining the amount of 256 USD for those with some kind of contributory pension. Drawing the examples of conditional cash transfers employed in neighbouring countries (such as the *Zero Hunger* programme in Brazil) the Bolivian government have also introduced a series of cash subsidies targeting infant mortality in poor families<sup>xxii</sup> and illiteracy<sup>xxiii</sup>. Whilst important questions are being raised by the international community and national analysts about the plausibility and ideological leanings of the Morales government's "economic solidarity" development program, it is important to note that these individual transference programs have been praised by a series of international commentators, including the International Monetary Fund<sup>xxiv</sup>. Mirroring the results of the Economic Commission for Latin America and the Caribbean (ECLAC 2008), the IMF concludes that "through these benefits the poverty level in the country has been reduced to 60 percent from 64 percent before 2007". It is also of note that the most recent national level report (2008) on work towards the Millenium Development Goals in Bolivia supports these conclusions<sup>xxv</sup>.

### 4.2.3 Prior Consultation and Participation in Planning

Governments are beginning to realize that they have not been able to manage their forests and water resources and in a sustainable manner and that local people (indigenous and other groups) have customary rights and claims to forests, as well as the backing of a series of international rights conventions. Whilst constitutional and judicial reforms in African and Latin American nations have been strengthening recognition of a customary rights a number of international organizations, including the International Labour Organization (ILO 169) and the World Bank (OP 4.10) have introduced influential conventions and operating principles for working with indigenous peoples which recognize indigenous peoples particular rights to land and natural resources and to "prior consultation" i.e. to be consulted and take part in decision-making processes relating to all issues that concern them. With the history of their operation and growing recognition of indigenous rights created by its own work group and international forum the United Nations also introduced the Declaration on the Rights of Indigenous Peoples (DRIP) in 2007. In addition to rights mechanisms, there is also increasing evidence that local communities can play an important role in managing forest resources in a sustainable manner while improving local livelihoods ([www.regnskog.no](http://www.regnskog.no)). Substantial areas have thus come under differing degrees of local management. Indeed, since the 1970s there has been an increasing interest in for community forestry and participatory water management initiatives<sup>xxvi</sup>. Several international donors have also introduced participatory development cooperation approaches in order to promote peace and security in regions of resource conflict or tensions<sup>xxvii</sup>. Whilst the security requirements of non-renewable industries make it more difficult to conceive of a role for local participation in the management of extraction, the

common requirements of labour, benefit sharing and of social and environmental monitoring suggest that this could be both possible and mutually advantageous.

### **REDD: A Source or Remedy for Conflict?**

The United Nations Framework Convention on Climate Change (UNFCCC) has since 2007 placed more focus on the role of deforestation and degradation of forests in climate change. According to the Intergovernmental Panel on Climate Change, deforestation and degradation of forests contributes approximately 20% of greenhouse gas emissions (IPCC 2007). Current negotiations seek consensus on the most effective methods and incentives for 'reducing emissions from deforestation and for degradation' (REDD), under which "northern" (e.g. Norway, Australia) countries would pay Southern countries (e.g. Brazil, Congo, Tanzania, Guyana) for sustainable forestry practices within their national borders. As well being supported as a cost-effective means to reduce greenhouse gas emissions REDD and accompanying financing mechanisms (i.e. REDD++) are being heralded as possibly important additional source of income for communities and governments. Indeed, as well as providing a new source of revenue for central and provincial governments, REDD activities are also billed to provide income or other appropriate means of support for local forest dependent communities. Despite the growing support for REDD by northern and southern governments it is important to note that serious calls for caution are being raised NGOs and indigenous organisations about the level of consultation being proposed by these initiatives. Indigenous organisations and other forest dwelling communities taking part in international climate meetings have been angered by the lack of space given to them to voice their interests and demands, or recognition of their communities rights in the official agreements made at these encounters. They point to the persisting practice of many of the governments taking part in these meetings and decisions use of land-use zoning and forest management policies to persecute their communities. They highlight evidence from existing voluntary carbon markets that local communities have been forbidden to use, or have been evicted from, land where carbon credits have been sold (Ghezze 2009). It is argued by local organisations that these problems are compounded when forest peoples lack recognition domestically as distinct groups or peoples, when individuals lack even recognition as citizens and/or when traditional governance institutions are not recognised by governments. These concerns have formed the basis of some indigenous groups call for the boycott and/or protest against the climate talks and REDD initiatives. NGOs and researchers have also criticised a number of REDD initiatives introduced by individual governments for their lack of prior study of social and political impact, and establishment in countries or regions (DRC, Amazonia) where their outcomes are likely to be severely influenced by ongoing civil war and/or regional conflicts. It is argued that without recognition of indigenous peoples and their rights REDD will act as contradictory source of conflict rather than its stated goal of acting as a means for environmental harmony.

## **4.3 Regional and Global Dimensions**

### **4.3.1 Petroleum Related Aid**

Petroleum Related aid can be defined as activities aiming to improve the development climate and impact of petroleum resources. These programs vary in their political support (see Norad, CIDA, USAID), as do their activities in terms of general capacity development and more specific anti-corruption efforts. However, although now widely applauded by the international community some studies suggest that the existing focus on revenue, resource and environmental management prevalent in petroleum related aid is too narrow and sector-specific to address overarching problems of accountability and unfavourable incentives that are at the core of the "resource curse". Nor does capacity building and technical assistance per se induce positive institutional change (Kolstad, Wiig & Williams 2008). While inducing such change is not easy, and is particularly difficult where key players benefit from below-par arrangements, donors' lack of emphasis on vertical and societal modes of accountability (democratization, support to civil society and free press) may actually be an impediment to necessary reform. In short many of the programs appear overly technocratic. It is also suggested that more could also be done to improve institutions for the private sector that act as an inducement to produce activities as opposed to rent-seeking, and may in the longer term create demand for domestic accountability. Anti-corruption activities are either absent or too narrow, and petroleum-related aid programs should therefore expand their anti-corruption

tool-kit. It is now proposed (Kolstad, Wiig & Williams 2008) that Anti-corruption strategies should focus on what is likely to work in a given country context, which implies a need to invest more in understanding the political economy of recipient countries.

### **Oil for Development**

Norway has provided petroleum related aid since the early 1980s. In 2005, the Oil for Development Program<sup>xxviii</sup> was launched in an effort to coordinate and extend this type of assistance<sup>xxix</sup>. The decision-making procedure for the program consists of three stages: The establishment of a platform for dialogue with a partner country, followed by a set of analyses including risk analysis, before a cooperation agreement is formally established with the country in question. It furthermore has focus on three “main integrated themes”: resource management, revenue management and environmental management and control. These three main themes account for c90% of country allocations, with resource management being dominant and amounting to two-thirds of this percentage. Previous evaluations of Norwegian petroleum related-aid have pointed to the lack of governance activities (Ekern 2005), which has led to more activity in this area. The majority of the program’s activities are directed at enhancing the capacity of government and civil service staff. This reflects the program’s emphasis on being demand-driven, where demand largely means government demand. It is, however, apparent that activities also reflect the available supply of Norwegian competence. No systematic or standardized analysis of the political economy of recipient countries is performed- this is done only sporadically in some cases. There is awareness amongst the program staff that institutional reform is easier to accomplish in countries that have entered at an early stage for resource extraction. A recent evaluation of Norwegian petroleum related aid to four countries also notes that there is disconnect with Norwegian development cooperation policy, since the “programs seldom address poverty reduction explicitly”, and “have seldom been followed by targeted efforts to ensure that petroleum revenue enters the state budget and leads to a poverty related redistribution of resources” (See Kolstad, Wiig & Williams 2008: 25). The main anti-corruption approach of the program appears to be support to civil society, though it is unclear to what extent this support is specifically about corruption (Kolstad, Wiig & Williams 2008). No country has been denied funding on the basis of the risk analysis, but there have been some instances of a freeze of ongoing projects, whereas high levels of risk result in a different mode of implementation where the influence of partner country governments is restricted.

### **4.3.2 Measuring Results and Outcomes**

As is made evident from the above review of existing theory and practice, whilst there is now a considerable corpus of thought and action addressing the links between natural resources and conflict it is also clear that there is no real agreement at either the international or national level on what are the causes or best steps to take in relieving the resource curse. Whilst the literature provides considerable evidence that natural resource abundance is associated with various negative development effects it is far from conclusive (Rosser 2006; Dunning 2008, 2005) Indeed, a number of analysts now question whether the whole discourse of a resource curse is a “red herring” (Brunnschweiler & Brundt; 2008; Wright & Czelusta 2004). There is increasing recognition that serious gaps exist in the kind and quality of the data on which the theories of the resource curse are built. Whilst the policies initiatives described above have international backing and are increasingly presumed in policy-making circles to have effect, their reliance on the premises of existing research and lack of careful testing over time has also resulted in doubts being raised to their real value in not only addressing the symptoms of a curse, but its root causes.

Despite the number of publications available, as a result of a general reliance on macro-economic data collected on the large scale there is still a severe lack of depth and clarity to existing studies. According to Ross (1999) the absence of careful testing has had two major consequences: scholars have been unable to produce a cumulative body of knowledge about policy failures of resource exporters; and with no apparent need to place their theories in testable form, their arguments are often left underspecified, with nebulous variables, ambiguous domains of relevant cases, and fuzzy causal mechanisms. Established theories which aim to explain and look for solutions to the connections between natural resources and

conflict are almost exclusively focused on macro-economic and national levels of governance. Whilst valuable theories and practices have been generated from these approaches, as a result study has been largely limited to contexts of large-scale conflicts and civil wars and stabilization/prevention efforts designed to work at the level of state institutions and economic planning<sup>xxx</sup>. Although Kaldors “new wars theory” (1999) has gained increasing international acceptance, sub-national and cross border violence before or after political settlement has not been sufficiently addressed by policies for resource governance. Whilst crime and violence are referred to in mainstream theory, other than policy proposals focused on addressing large-scale corruption and conflict diamonds there has been little consideration of the intricate linkages that exist between natural resource exploitation and organized crime and violence.

As Rosser (2004:3) argues, recommendations for overcoming the resource curse have generally not taken into account the issue of political feasibility. Researchers have been too reductionist. For the most part, “these recommendations follow from analyses of the resource curse that posit a rather deterministic relationship between natural resource abundance, various pathologies (irrational behavior and greed of elites; rent-seeking by social groups; weak institutions), and various negative developmental outcomes (poor economic performance, civil war, authoritarianism) (Rosser 2004:25). Recommendations for how change can be brought about are left unclear- indeed, most analyses of the resource curse suggest that they cannot be, at least as long as countries remain dependent on natural resources. Explanations of the links between natural resources and conflict do not adequately account for the role of social forces or external political and economic environments in shaping the development outcomes in resource abundant countries, nor for the fact that, while most resource rich countries have performed badly in development terms, a few have done quite well (Rosser 2004). Rosser concludes that “it will be only be by further exploring the dynamics underpinning variation in resource abundant countries’ development performance that we are likely to uncover potential levers that might be employed to trigger the required policy, behavioral, institutional or social changes” (Rosser 2004:25).

Accepting these conclusions and this reading of existing literature and policy it is clear that there is a need for qualitative social and historical analysis to be carried out. Although there has been a move to political ecology approaches (Le Billon 2001, Kahl 2006) and some recent work in economics that stresses the need to study “rent seeking behaviour” (Kolstad & Wiig 2009), the frame of study remains largely limited to a focus to self-maximising elites, politicians and bureaucrats and on institutions as instrumental devices imposing constraints to predatory behaviour. As such these approaches continue to abstract the nature of the state and fail to provide a suitably nuance explanation of the roots, causes of, or escape roots from these actions. Alternative approaches that develop a wider social geography and political economy (Watts 2000; 2008; Peluso & Watts 2001; Kaldor Karl & Said 2007; Ballentine & Sherman 2003; Arnson & Zartman 2005; Zalik 2009) of resource extraction appear more promising, but even here there is a need to better capture not only the dynamics of greed in politics and war, but to study the complexities of grievances in resource rich countries in the global south as well as the everyday operation of class divisions in resource distribution. As Stevens and Dietche (2007) highlight “parsimonious explanations that ignore time and historical context are unlikely to capture the dynamics of potentially more than one combination of a set of variables that can induce positive institutional change”. Omeje (2008), including contributions by Watts and Zalik, also highlights the apparent gap in most studies of resources and conflict of a firm historical foundation. The collection (ibid 2008:2) argues the need for a trans-historical multi-regional anatomy of rentier politics in extractive economies that rigourously explores the accumulation devices and tendencies of key stakeholders in their interplay with

the structures of domestic and international political economy. It is this largely unexplored or overlooked aspect of politics in extractive economies that, he argues, that seems to have the most decisive implications for dysfunctional conflict (or lack of it) in different countries and regions of the global south.

Of course such an extension of study towards qualitative study of the historical and contemporary social dynamics of resource management requires not only the utilisation of other methodologies, but also a paradigmatic shift- and for some an ideological shift- in thinking about society and state in the global south. As within the study of global governance, critics of the resource curse thesis also recognise that assessments of what good institutions are often based more on ideological perspectives than on scientific knowledge (Stevens & Dietsche 2007). Despite common reference to variables of legitimacy and capability and “risk” indexes there is no agreement between donor institutions and national governments in the north or south on the desired institutional or political design of resource rich states. International policy “tends to be guided by models that are framed by certain norms of what a state *ought* to look like, and how it *ought* to be run” (De Waal 2009). Although the idea of the “resource curse”, as with concepts and indexes of fragile and failed states were originally formed as a means of identifying countries that because of internal weakness needed assistance, the generalizations born into policy by these concepts often fail to take account of different state forms and have been all too easily manipulated by politicised efforts to discredit and therefore exclude countries undergoing regime change (Tadesco 2007). The discourse on the resource curse and fragile states are therefore at times related powerful ideological weapons that are drawn upon by rulers to legitimise policies and by opponents to criticise rulers (Eriksen 2008: 28). Whilst the International Country Risk Guide’s *political risk indicator* and the Journal of Foreign Policy’s *Failed States Index* are widely used as proxies for institutional quality, their indicators rely on subjective expert interpretation of country risk components and have not been designed for comparative research purposes.

Such ideological manipulation of concepts, ideas and numbers might be an unavoidable outcome of international politics, but in the search for a clearer understanding of the relationship between natural resources and conflict, more rigorous and testable criteria for “best practices” (Øyen 2002) as well as “fragility” appear necessary. Moreover, it is clear that a move must be made to accept that different forms of functioning states exist, and that study is needed not only of shining examples of success or of those mired in civil war, but of nations wrestling with the difficulties of choosing a model for resource governance that matches their development challenges and social complexities. It is in this light that the comparison between Norway and Bolivia becomes of increasing importance. It is perhaps also important here to stress the validity of anthropological and qualitative research that disentangles orientalist histories of “development failure” and efforts to discredit recent resource nationalism as populism. Although not sufficient to grasp all dimensions on its own, ethnography add a deeper qualitative exploration of the meaning of development, of how people adjust their lives to changing conditions and rethink their relationships through symbolic and practical action. By pointing to the histories of economic and social development these works reveal that as a result of incomplete processes of colonial government and the fluctuating influence of globalization, notions of state, market and law can be frequently be distant and distinct to those of European ideals (Eriksen 2009; Ferguson 2006). They furthermore require us to look beyond the formal trappings of functioning democratic institutions and the economy, to the relationships that exist between these structures and the population. In this process we discover differing, and often contrasting languages of *stateness* and legality that compete and interact over long periods of time to

define the state through dialectics of cultural struggle (Hansen & Stepputat 2001; de Sousa Santos 1995). In some cases, the lack of a capable and legitimate state has been a contributory factor to civil war that has also devastated the social fabric, but in other cases, dysfunctional states coexist with strong societies, and in all cases, some social ties and formations always remain strong (De Waal 2009). Of specific relevance to this essay, they moreover highlight the manner in which natural resources link directly with ideas of nationhood, legality and identity, and are used as tools to define ideas of social justice such as “our oil belongs to the people” (Coronil 1997; Apter 2005; Gledhill 2008).

The literature highlighting that states are social processes and not just a collection of abstract institutions, also recognises that it is from this dialectic, often militant and sometimes violent, that the nature of states and the nature of governance are defined. Indeed, new research (McNeish & Logan 2011) demonstrates that clashing understandings of ownership and different epistemologies of nature, law and participation emerging from local societies call into question the limits set for state policy on natural resource management. Resource wealth brings to the fore issues of political and social identity under the State and ultimately the ideological orientation and identity of the State itself. Following the study of the epistemological characteristics of these competing ideas through multi-level ethnographic research, proposal is made of the need to recognise the existence of contrasting *resource sovereignties* i.e. inter-connecting understandings of territoriality, identity, rights, use and nature<sup>xxxi</sup>. Although resources are most frequently thought of as natural things the use of the term *resource sovereignties* seeks to capture what is fundamentally a *social* relationship: the attribution of *value* by social groupings to attributes and capacities that provide functional (economic development) and/or symbolic utilities (social identification, membership and ownership). Indeed, accepting that the practices of exploration, surveying, measurement and experimentation by which resources come to be known (or discovered) have deeply social origins the conventional term, “natural resources” can be seen as a significant misnomer from both historical and philosophical perspectives, (Bridge 2008). The history of natural gas, for example, demonstrates how a single substance may be considered as variously a costly nuisance associated with oil production, an environmental pollutant, or a valuable natural resource depending on knowledge, price, social norms and expectations (regarding pollution), and the availability of alternative fuels. Recognition of the existence of contrasting resource sovereignties furthermore helps to underline that whilst violence, civil war and displacement are common outcomes of the claims of resource sovereignty, bargaining, protest and sometimes militant action are also sometime necessary processes to secure a democratic share of oil rents and build national consensus on resource management. Indeed, as the example of Colombia highlights above, the failure to broaden spaces for democratic contestation can jeopardize peace making initiatives including demobilisation and other economic regulation. The socialisation of a notion of resource sovereignty (through political contestation and bargaining) functions as a marker of government legitimacy, and wealth redistribution as an important measure of economic well being. Whether in the political exceptionalism of the Shetland Islands, criticised as ‘socialism in one country’ in the early 1970s, or in the rhetoric of 21st century socialism in Venezuela, contests over resource management have in this way (at least until present) circumvented prevailing ideological mantras both nationally and internationally.

By drawing together a more socialised understanding of resources, which highlights their connection to social relations and politics, the distinction between renewable and non-renewable resources is demonstrated to be at once relevant as an abstract scientific categorisation and irrelevant to the way in which people on an everyday basis view natural

resources. Whilst macroeconomic stability and transparent institutions might be widely seen as desirable outcomes, the desperation and poverty of the everyday may mean that as goals they are correctly prioritised by responsible governments in the global south below immediate goals of emancipation and immediate forms of assistance. Whilst the questions of renewability remain important for sustainable governance, recognition of this ontological holism makes it also self-evident that when considering policy initiatives and mechanisms for resource governance there should be some level of cross fertilisation between what have until now been held separate fields of study. Questions of revenue flows and corporate responsibility are just as important to the issue of illegal logging, as participation and rights are to the governance of hydrocarbon and mining rents.

## **5. A New Approach**

Significant improvements have been made in the study and governance of the connections between natural resources and conflict in recent years. Nonetheless, as the preceding pages make evident there are still considerable gaps and weaknesses in current approaches. It is therefore possible to argue for the need for a new approach to the study of natural resources and conflict. Rather than rejecting preceding research and policy a new approach needs to add to, and extend beyond, the limitations of current thinking and practice i.e. leading to a broadening and deepening of shared values and interests. Thinking in this way the following proposals for future research and policy are made:

### Research

1. *Natural Resources ≠ Conflict*. Whilst there is some evidence of a link between natural resources and conflict there is nothing conclusive in existing research that defines their causal relationship. The “resource curse” therefore needs to be interrogated as to what extent it represents a relevant discourse and more research needs to be conducted in order to tease apart and detail how resources in given contexts act as the catalysts for conflict.
2. *Quality and Quantity*. In general terms, research and policy-making has operated at a too general macro-economic level. There is a recognised need for qualitative in-depth contextual research that unpicks at close hand the historical, social, ideologies, political dynamics and legitimacy of decisions regarding rents and resources.
3. *Beyond Greed and Grievance*. Debates on the links between natural resources and conflict have attempted to theorize the causes of poor decision-making and failed state institutions. This debate has become largely dominated by behaviourist and rationale actor theories where a discourse of “greed” is identified as a key driving force. As more recent research has demonstrated, such an approach ignores the role of historical grievances and complications of religion, class, ethnicity, identity, ideology- elements of what might be termed *resource sovereignties*.
4. *Other Forms of Conflict*. Whilst there has been some recognition of the other levels of conflict and the spread of conflict across borders, the debate on natural resources and conflict has largely focused on overly abstracted notions of civil war. Recognition is needed of other forms of conflict existing at the regional and sub-regional levels.
5. *Resources and Criminality*. Whilst current policy focused on conflict minerals is rightly concerned with the tracing of resource commodity chains and the flows of resource capital out of conflict areas, little detailed research has so far be

conducted on the inter-relationships that seem to exist between extraction, campaigns for self-determination, corruption and organised crime.

6. *Resources and the Informal Economy.* As well as recognising the common link between resource conflict and organised crime, it is important to acknowledge the links that exist between the illegal trade in resources and other elements of informal economies. Indeed, there is often an overlap in the routes, mechanisms and human resources by which illegal goods, both manufactured and natural, are trafficked.

## Policy

1. *Bargaining and Contestation.* It is taken for granted in the literature on natural resources and conflict that all forms of conflict are negative and damaging. Whilst recognising that consensus is desirable, a more qualitative approach to the questions of rents and resources reveals that in some instances conflict, and certainly bargaining and militant contestation may be necessary elements of processes to secure access and fair distribution. In this light PWYP have it right in their emphasis on the role of civil society and the expansion of public organisational capacity and legal knowledge.
2. *State and Sovereignty.* Whilst the quality of institutions remains an important element in resource governance, there is no real consensus on the requirements for strong institutions. Indeed, current discourses on fragile states- which run parallel to resource governance- are often ideologically skewed and misused as excuses for northern intervention in the global south. Moreover, recent research demonstrates that competing ideas of stateness- and related to this, of resource sovereignty- operate in post-colonial contexts. Recognition of this can help to establish a more nuanced reading of the benefits and limitations of different contexts and models of resource governance.
3. *Renewable and Non-renewable.* Current debates are largely divided into the fields of renewable and non-renewable resources. Although the issue of renewability is important in terms of rents and extraction strategies, in terms of development possibilities most people think of resources as part of a whole. Moreover, the distinction is of little relevance in terms of identifying policy alternatives.
4. *Participation and Consultation.* The examples of community forestry and participatory water management planning demonstrate techniques that could also apply to non-renewables. Indeed, recognition of the existence of international rights conventions and of the role of bargaining in political decision-making should make it evident that (open, not externally managed) participatory and consultative mechanisms are undervalued tools for creating democratic agreement on resource governance.
5. *Alternative Means for Dispute Resolution.* Recognising the need to study the social relationship and patrimonial structures often involved in rent bargaining and resource management, moves need to be made beyond governance at the national and international level to the encouragement of dispute resolution mechanisms and democratic negotiation at the regional and local levels.
6. *Good Enough Governance.* With its focus on “best practices” or civil war and fragile states the existing literature and policies for resource governance paints an overly simplistic and polarised depiction of the realities of resource governance. Whilst certain contexts may not be heralded as great examples by the international community, they may nonetheless with closer study demonstrate “good enough

governance” (Grindle 2007) of natural resources and have generated innovative practices from which other countries can learn.

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## Notes

<sup>i</sup> In the 1950s, the geographer Norton Ginsburg argued that: 'The possession of a sizable and diversified natural resource endowment is a major advantage to any country embarking upon a period of rapid economic growth' (as cited in Higgins 1968: 222). Similar views were also expressed by mainstream economists during this period (see, for instance, Viner 1952 and Lewis 1955). In the 1960s, the prominent development theorist Walter Rostow (1961) went further, arguing that natural resource endowments would enable developing countries to make the transition from underdevelopment to industrial 'take-off', just as they had done for countries such as Australia, the United States, and Britain. In the 1970s and early 1980s, neoliberal economists such as Bela Balassa (1980), Anne Krueger (1980) and P.J. Drake (1972) put forward similar arguments, with the former, for instance, arguing that natural resources could facilitate a country's 'industrial development by providing domestic markets and investible funds' (1980: 2).

<sup>ii</sup> i.e. the World Bank and the International Monetary Fund (Bannon and Collier 2003; Sala-i-Martin and Subramanian 2003; Davis et al. 2003; Leite and Weidmann 1999; Sarraf and Jiwanji 2001; Isham et al. 2002; Eifert et al. 2003; Gelb and Associates 1988.

<sup>iii</sup> i.e. Save the Children 2003; Oxfam 2002.

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<sup>iv</sup> Recent protests and clashes between local communities in different parts of the Amazon, including Bagua in Peru, are cases in point.

<sup>v</sup> A study of OPEC members from 1965-1998 shows that their capita gross national product decreased by an average of 1.3% per year, whereas non-oil developing countries as a whole grew by an average of 2.2% over the same period (Gylfason 2002).

<sup>vi</sup> See Rio Hondo, Guatemala; Aguas Argentinas, Buenos Aires; Aguas de Tunari and Aguas de Illimani, Bolivia; Mato Grosso do Sol, Brazil; Aguas de Cartagena, Colombia; CONAIE Ecuador etc.

<sup>vii</sup> 1992-1998

<sup>viii</sup> Sachs and Warner (1995) have for example examined the experiences of a large and diverse set of natural resource economies between 1970 and 1989 and found that natural resource abundance was negatively correlated with economic growth. Leite and Weidmann (1999) and Gylfason et al. (1999) produced similar results, also using large datasets. Auty (2001) found that the per capita incomes of resource-poor countries grew at rates two to three times higher than resource abundant countries between 1960 and 1990. Other scholars have presented evidence to suggest that the economic problems of resource abundant countries have gone beyond poor levels of economic growth. Nankani (1979), for instance, found that mineral economies performed relatively poorly in terms of agricultural growth, export diversification, and inflation compared to non-mineral economies and were more likely to be characterised by poor savings performance, greater technological and wage dualism, high unemployment, high external indebtedness, and high export earnings instability. Ross (2003a) found that oil wealth and non-fuel mineral wealth are associated with bad outcomes for the poor in terms of poverty and human development levels.

<sup>ix</sup> As Le Billon (2008:354) shows, an economy can be fairly dependent on a resource that it hardly has an abundance of (e.g. Sierra Leone, where diamonds make up 17-18% of exports but production is worth less than 100 USD per capita).

<sup>x</sup> As MacGinty (2004:866) notes “the principle utility derived from the activity is non-material..., strategic looting is part of a wider politico-military project...while selective looting indicates that particular attention is paid to target selection”. High value resources that are easy to appropriate can also be associated with political order, as in Myanmar, or civil war as in Sierra Leone. The outcome depends on the institutions of extraction in the country in question, and the extent to which these institutions enable rulers to control the revenue stream from the extracted resources (Synder 2006).

<sup>xi</sup> After examining the experiences of 98 countries and 27 civil wars, Collier and Hoeffler (1998), for instance, found that natural resource abundance, defined in terms of the ratio of primary exports to GDP, is a strong and significant determinant of the onset of civil war, although they also found that the relationship between these variables was curvilinear: initially, natural resource wealth increased the risk of civil war but after a certain level of exports, it reduced this risk. In a subsequent study, they confirmed this finding using a better data set (Collier and Hoeffler 2000). In a third study, they examined the effect of natural resource abundance on different types of civil wars. They found that natural resources increased the risk of both secessionist and non-secessionist civil wars, but that the former were three times more likely to be associated with natural resources than the latter (Collier and Hoeffler 2002).

<sup>xii</sup> 74 governments have enshrined into their national law the Kimberley Certification System. As a result more than 99% of the world's diamonds are now registered as coming from conflict free sources.

<sup>xiii</sup> Baker and Nordin (2004) calculate that at least US\$500 billion flow out of developing countries each year – ten times more than they receive in aid. For Africa, it is estimated that 60% of trade transactions are not priced at the correct value, as a result of which 7% of the value of trade (worth US\$10–11 billion in 1999) leaves the continent each year. Oxfam has calculated that US\$50 billion disappears from developing countries each year as a result of tax competition and what rich individuals spirit away to tax havens (i.e. excluding transfer pricing and tax evasion by multinationals).

<sup>xiv</sup> DDR appears to have significantly lowered the homicide rate by 13% in the area of operation of demobilized groups. A further calculation observes that between 650 and 2,300 homicides were potentially averted due to the cumulative effect of all completed demobilisations. Criticisms that the DDR program produced a low ratio of guns being handed in have also been shown to be misleading. The ratio is shown to be higher than first surmised (Spagat 2007) and the high quality of weaponry delivered is thought by the authors of the study to suggest a degree of genuine intent by demobilised combatants.

<sup>xv</sup> In a study of the Norwegian owned Aracruz Celulose SA in Brazil it is argued that the use of PR companies and CSR consultants was at odds with the company's negative behavior towards local groups.

<sup>xvi</sup> <http://www.eitransparency.org/>

<sup>xvii</sup> <http://www.publishwhatyoupay.org/>

<sup>xviii</sup> The Norwegian oil fund is the third largest wealth fund in the world. As at March 2009 it was valued at NOK 2,076 billion (£214 billion), with a population of close to 5 million, this equates to approximately £43,000 per capita. As with many investment funds, the value of Norway's oil fund has been affected by the turbulence in

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global equity markets during 2008 with the fund's value falling by almost 9 per cent in the first quarter of 2009. However preliminary estimates suggest that these losses were reversed in subsequent months with initial estimates valuing the fund at NOK 2,384 billion at the end of June 2009. Over the longer term, the Norwegian Central Bank forecast that the fund will be worth nearly NOK 4,000 billion by 2015 (in 2008 prices) or £379 billion using current exchange rates.

<sup>xix</sup> *Impuesto Directo a los Hidrocarburos*, IDH: Supreme Decree 28701. The tax has created the conditions whereby overall taxes of hydrocarbon resources would be raised to 32% of total production. The law further adds that the IDH shall at no time be lower than 50% of the total value of the production of hydrocarbons.

<sup>xx</sup> i.e. From \$173 million in 2002 to an estimated \$1.57 billion in 2007. To further boost fiscal revenue, the Tax Code for the mining sector has also been modified. Rates were streamlined and differentiated levies were introduced depending on the type of product and the export prices.

<sup>xxi</sup> Republica de Bolivia Ministerio de Hidrocarburos y Energía, Nueva Política Hidrocarburífera del País: Distribución de I.D.H., Regalías, y Participaciones, La Paz, Bolivia, March 2007, p2.

<sup>xxii</sup> *Bono Juana Azurday de Padilla*. It consists of the payment of 50 bolivianos (7USD) for each of the four prenatal controls and 120 bolivianos (17USD) to help with the birth.

<sup>xxiii</sup> The *Juancito Pinto Initiative* is aimed at 1.6 million children between the first and fifth classes in public schools.

<sup>xxiv</sup> [http://www.la-razon.com/versiones/20091027\\_006893/nota\\_248\\_900657.htm](http://www.la-razon.com/versiones/20091027_006893/nota_248_900657.htm)

<sup>xxv</sup> <http://www.undg.org/docs/9645/Quinto-Informe-ODM-Bolivia-2008.pdf>

<sup>xxvi</sup> Although there are now a large array of different efforts in existence<sup>xxvi</sup>, the largest of the forestry programs is the government financed Integrated Social Forestry Program (ISFP) in the Phillipines initiated in 1982. This is centred on the concept of “stewardship”, granting exclusive rights to use and occupy land for 25 years, renewable for another 25 years, to individuals, associations and indigenous communities.

<sup>xxvii</sup> For example the Swedish Development Cooperation's (SIDA) policy “Promoting Peace and Security through Development Cooperation” (2005) identifies activities aimed at promoting dialogue, security and structural stability. This has inspired a series of initiatives that promote the sustainable use and control of natural resources in order to prevent conflict over them.

<sup>xxviii</sup> <http://www.norad.no/en/Thematic+areas/Energy/Oil+for+Development/127154.cms?show=all>

<sup>xxix</sup> The total budget of the Oil for Development Program was c31.6 million USD in 2007. The bulk of the funding goes to long-term programs in 10 countries, whereas projects in the other countries are more short-term. The biggest recipients in 2007 were East Timor and Iraq, while in 2008 the heaviest funding will go to activities in Sudan, East Timor and Angola. The secretariat for the program is located at Norad, the Norwegian government overseas development agency, and the Ministry of Foreign Affairs.

<sup>xxx</sup> One area of exception might be recent work being carried out to study the spatial patterns of resources and violence within countries (e.g. Buhaug, H; Gates, S & Lujala, P 2009)

<sup>xxxi</sup> This builds on the work of Agamben (1996); Blom Hansen and Stepputat (2005; 2001); Kapferer & Bertelsen (2009) and Bertelsen (2009)