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Päivi Lujala

Siri Aas Rustad

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HIGH-VALUE NATURAL RESOURCES:
A BLESSING OR A CURSE FOR PEACE?

by Päivi Lujala and Siri Aas Rustad*

INTRODUCTION

High-value natural resources have the potential to promote and consolidate peace. Too often, however, they make the path to sustainable peace long and hazardous. Valuable resources can help to jump-start development, secure sustainable growth, raise living standards, and increase economic equality.¹ They are also an important source of foreign currency for cash-strapped governments, can reduce dependence on international aid, and can support compensation and post-conflict relief for war-affected populations.² But the promise of a brighter and more peaceful future is often spoiled by deep-rooted corruption and patronage, which confer benefits on small groups rather than on the population as a whole, and by shortsighted management of the resources and the revenues they generate.³ In addition, the mere presence of high-value resources can jeopardize peace if the resources become the focus of violent disputes or provide financing for groups that seek to ignite (or resume) armed conflict.

In many post-conflict countries, revenues from high-value natural resources—such as oil, natural gas, minerals, gemstones, and timber—are an integral (and even dominant) part of the national economy and state budget.⁴ In post-conflict Algeria, Angola, and Sudan, for example, oil and gas account for more than sixty percent of government revenues and over ninety percent of all export revenues.⁵ See Figure 1. In Sierra Leone, following a brutal civil war that ended in 2002, when diamonds accounted for ninety-six percent of all exports.⁶ And in Chad, Iraq, Libya, and Nigeria—all of which were affected by armed conflict during the early years of the twenty-first century—oil and gas account for as much as seventy percent of gross domestic product and more than eighty percent of government revenues.⁷ In Niger, uranium and gold are important revenue sources,⁸ as are oil, cocoa, and coffee in Côte d’Ivoire,⁹ and diamonds and timber in the Central African Republic.¹⁰ In Burma, gas exports made up one-quarter of all exports, while forest products and gemstones were other important exports between 2008 and 2010.¹¹

When peace comes, the revenues from high-value natural resources—when managed well—can help finance reconstruction and other vital peace-related needs.¹² When mismanaged, however, resource revenues can undermine both economic performance and the quality of governance, and thereby increase the risk of renewed violence.¹³

Recent high-profile reports by the U.N. Secretary-General, the World Bank, the U.N. Environment Programme, and the United Nations have highlighted the need to more effectively harness high-value natural resources for development and peace-building.¹⁴ If managed effectively, high-value natural resources constitute substantial assets that national and international actors can use to support core peace-building objectives, including macroeconomic recovery, generation and support of livelihood, the reform of governance and political processes, and security improvement.¹⁵

The fact that so many resource-rich countries are unable to achieve long-term peace, however, raises some difficult questions about how high-value resources should be managed in post-conflict settings. For example,

*Päivi Lujala is an associate professor of geography at the Norwegian University of Science and Technology (“NTNU”) and a senior researcher at the Department of Economics, NTNU, and the Centre for the Study of Civil War (“CSCW”) at the Peace Research Institute Oslo (“PRIO”). Siri Aas Rustad is a researcher at CSCW, PRIO, and a Ph.D. candidate in political science at NTNU.

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how can the environmental effects of resource extraction be minimized? How can illegal extraction be curtailed without damaging livelihoods? How can one ensure that revenues are used to advance long-term development objectives? The goal of our analysis here is to provide insight into these and similar questions — for the benefit of national and local governments, national and transnational civil society organizations, extractive industries, and the international community. To this end, policy makers, field researchers, practitioners, and scholars—all of whom have close knowledge of the issues at hand—have been asked to share their views on the challenges associated with the management of high-value resources in post-conflict and conflict-affected countries.

**From Potential Prosperity to Conflict: What Goes Wrong?**

High-value natural resources have been associated with dozens of armed conflicts, millions of deaths, and the collapse of several peace processes; case study and statistical evidence confirms that such resources play a role in sparking and fueling armed civil conflict. According to data gathered by Siri Aas Rustad and Helga Malmin Binningsbø, between 1970 and 2008 the portion of armed civil conflicts that were in some way related to high-value natural resources ranged from twenty-nine to fifty-seven percent. See Figure 2.

Why is peace so difficult to achieve and sustain in the presence of these resources? High-value natural resources increase the risk of conflict in a number of ways. The risk of conflict can be directly increased when access to revenues motivates or finances belligerent movements, or when grievances are created (1) by unmet expectations or inequalities in the distribution of revenues, jobs, and other benefits, or (2) by the negative side effects of resource exploitation. The risk of conflict can be indirectly increased when resource sectors undermine a nation’s economic performance and the quality of its institutions. Thus, the three main avenues that lead from natural resources to armed conflict are resource capture, resource related grievances, and adverse effects on the economy and institutions.

Paul Collier, Anke Hoeffler, and Päivi Lujala suggest that the capture of resources for personal or regional enrichment is a possible motivation for rebel uprisings and violent secessionist movements. Although resource capture can be one of the goals of armed rebellion, it is rarely, if ever, the sole motivation. Even in Sierra Leone, where the Revolutionary United Front has been represented as the classic example of a predatory, greed-driven movement, the reality is far more complex. More often, resource capture is a means of financing warfare and attracting supporters. For example, the Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia, or “FARC”) has for decades relied on kidnapping and the production and selling drugs to finance its insurgency. As efforts to curtail FARC’s access to income from these activities have met with some success, FARC has turned to gold mining to support its violent campaign against the government.

Grievances can motivate armed conflict, particularly when the parties to a resource related dispute are divided along ethnic, religious, or other lines. Among the events that may spark violent uprisings are land appropriation, environmental degradation, population displacement, large inflows of migrants, and frustration over unfulfilled economic expectations. Examples of grievance-based conflicts include Aceh, in Indonesia; Bougainville, in Papua New Guinea; Kurdistan, in Iraq; northern Niger; and southern Sudan. Grievances do not necessarily arise in the context of potential regional autonomy, as was the case in Aceh and South Sudan. They may also occur in response to the abuse of power by local elites, as was the case in Sierra Leone.

With respect to economic growth and developmental outcomes, many resource-rich countries perform poorly in comparison to their less resource-rich counterparts. This phenomenon, often referred to as the resource curse or the paradox of plenty, is exemplified in countries such as Algeria, the Democratic Republic of the Congo, Iraq, and Nigeria. The resource curse has a number of potential causes, including the following:

- A government that is able to finance its budget through natural resource revenues rather than public taxation can easily become detached from, and therefore less accountable to, the populace.
• Resource revenues often fuel patronage, corruption, and rent seeking, all of which may promote the interests of a small and predatory elite. In Nigeria, for example, it is estimated that one percent of the population enjoys eighty percent of the oil revenues.

• When the group in power focuses on short-term gains (sometimes in an effort to meet popular demands), the results may include overspending, poor investment decisions, and ill-conceived economic policies.

• In countries whose economies depend on a few valuable resources, the weakness of political and economic institutions may be compounded by exposure to price shocks, which occur when rapid shifts in raw material prices lead to abrupt fluctuations in resource revenues.

Political and economic underperformance is endemic in many resource-rich countries—which, according to empirical studies, renders them vulnerable to conflict. Several studies have documented that armed civil conflict is more likely to occur in poor countries than in rich ones. Research also shows that dysfunctional institutions and low state capacity are positively correlated with an increased likelihood of conflict.

Supporting the case study evidence, several statistical studies document strong and significant relationships between particular natural resources and conflict, but few have been able to disentangle the possible mechanisms behind the relationships. James Fearon and David Laitin, for example, have found that oil increases the likelihood of conflict—a finding that has been confirmed by the work of Indra de Soysa and Eric Neumayer, Macartan Humphreys, and Päivi Lujala. Lujala has also found that when oil and gas are located in the conflict area, conflicts tend to be longer and more severe. Taken together, Lujala shows that (1) oil-producing countries are 1.5 to 2 times more likely to experience armed civil conflict than nonproducers, and that (2) when internal conflict occurs in a region that has oil reserves, it lasts twice as long as conflicts that occur in areas without oil reserves, and combatant deaths are twice as high.

Diamonds and other gemstones have also been subject to statistical studies. Fearon and Lujala have shown that gemstones have effects similar to those of oil—namely, conflict is more likely and tends to last longer. The role of timber, opium, and other high-value crops is less clear. There is some evidence that opium cultivation makes conflicts last longer, but little systematic evidence links timber production to civil war.

### Resources for Conflict

Because natural resources have varying characteristics, they are not equally relevant to conflict—and those that are relevant may be so for different reasons. High-value resources, for example, may be either renewable or nonrenewable, although most—such as oil, gas, rutile, coltan, cobalt, diamonds, and gold—are nonrenewable, and tend to be located in geographically limited areas. What all high-value resources have in common, however, is the potential to yield substantial revenue.

Some high-value resources are limited to confined areas and depend on sophisticated and expensive extraction methods or require special types of transportation (e.g., pipelines). Because such resources are difficult to loot and are generally securely controlled by the government during periods of both peace and war, they provide fewer opportunities for conflict financing. Thus, the revenues from resources such as oil, natural gas, kimberlite diamonds, copper, and rutile are likely to accrue to the central government and those who control it. Such resources may nevertheless play a role in conflict: rebel movements may seek to oust the government to gain control of them, and if the resources are located in more remote areas, they may play a role in secessionist uprisings. Rebels may also loot existing stockpiles of commodities or may attempt to bring extraction or transportation to a halt, in order to cut off the central government from its revenue source. Finally, the large revenues derived from high-value resources may increase the risk of conflict through adverse effects on political and economic institutions.

Some high-value resources are linked to conflict because of their financing potential. However deep grievances may be, rebellion is unlikely to begin or to be sustained without financing opportunities. Since the end of the Cold War, financing from the superpowers has declined and revenues from valuable natural resources have gained importance as a source of conflict financing. The resources most suitable for wartime looting have extremely high value-to-weight ratio and can be easily extracted, concealed, smuggled, and sold. Easy extraction is a particular advantage: a resource that can be extracted by individuals or small groups using simple tools (that is, through artisanal mining techniques) can be readily exploited by rebels who either undertake the mining themselves or use forced labor. Among the commodities with high price-to-weight ratios that can be artfullyand mined are alluvial gold, alluvial diamonds, and...
gemstones such as rubies and sapphires. Rebels do not need to rely on extraction directly; they also engage in illegal taxation of trade and export routes. In some cases, including Colombia and Nigeria, rebels have succeeded in obtaining ransoms from extractive firms by threatening to blow up oil pipelines or by kidnapping personnel working on installations.

When it comes to conflict financing, many natural resources have another advantage: they are generic, which means that their origins cannot be traced as easily as those of manufactured products. Because generic illegal commodities can be readily integrated into legal trade channels, they are a particularly lucrative form of contraband, with trade prices that differ only marginally from those of their legal counterparts. Another advantage of some high-value resources is their scarcity. Some occur in only a small number of countries and have few substitutes, and are, therefore, of strategic importance. Demand for such resources may sometimes override other considerations, such as the legality of the exploitation, the behavior of the government that has granted exploitation rights, and the role of the commodities in financing warfare.

Of course, resources other than high-value minerals may play a role in conflict or have adverse effects on economic and political institutions. Most notable are coca and opium, which have been linked to conflicts in Latin America and Asia, respectively, and timber, which has been connected to a number of conflicts in Africa and Southeast Asia. Fisheries have also been used to finance conflict; in Somalia, for example, some warring groups have sold false fishing licenses for offshore tuna reserves.

**Conclusion**

When conflict ends, many of the original causes often remain unresolved—whether they relate to resources or not—and may even have been aggravated by the grievances and economic and political havoc associated with the conflict itself. Post-conflict countries thus face daunting challenges when it comes to building peace, reducing poverty, and managing natural resources—particularly when poor resource management may be undermining both peacebuilding and poverty reduction. It is clear that many resource-rich post-conflict countries are unable to sustain peace. This observation has been confirmed by empirical studies: for example, Rustad and Binningsbo’s analysis of 285 episodes of armed civil conflict shows that when natural resources play a role, the period of post-conflict peace is forty percent shorter than when they do not.

The difficulty of sustaining peace when high-value natural resources are involved has two key implications: (1) the conflicts involving such resources are generally harder to resolve; and (2) thus far, the measures that have been used to manage natural resources and their associated revenues are generally unsatisfactory. Thus, improved management of high-value natural resources and the associated revenues is fundamental to peace building.

This article is an edited version of the first chapter of a volume entitled *High-Value Natural Resources and Post-Conflict Peacebuilding*, which addresses a full range of challenges associated with high-value resources in post-conflict settings. This volume reflects the perspectives of forty-one contributors and considers the experiences of eighteen countries with analyses of additional countries.

The volume’s chapters are grouped into five sections that examine specific challenges and opportunities within each stage of the resource chain:

1. The ways in which host governments, extractive industries, and the international community can strengthen the management of extraction to promote peace.
2. The instruments used to track commodities and revenues.
3. The pros and cons of various options for revenue distribution, including whether producing regions should receive preferential treatment in revenue distribution, as well as measures for stemming corruption.
4. The role of revenue allocation and institution building, including several in-depth case studies on various approaches.
5. The importance of taking local livelihoods and economies into account in the design and implementation of approaches to managing high-value natural resources.

Taken together, the chapters in the volume offer a consistent message: proper management of high-value natural resources is crucial in the aftermath of armed conflict. Effective management of these key assets can support a range of peacebuilding objectives—from livelihood and macroeconomic recovery, to good governance and inclusive political processes, to improved security. The volume also demonstrates that there is no single, universally applicable approach to natural resource management in post-conflict settings.

**Endnotes:**

3. See Philippe Le Billon, *The Political Ecology of War: Natural Resources and Armed Conflict*, 20 Pol. Geography 561, 566-67, 578 (2001) (asserting that although many patronage systems are corrupt, the phenomenon of patronage is distinct from that of corruption).
Resource data: Rustad & Binningsbø, supra term “paradox of plenty,” which refers to the destabilization of states endowed with abundant natural resources, including detachment from the electorate and increased risk of armed conflict; Terry L. Karl, The Paradox of Plenty: Oil Booms and Petro-States 242 (1997) (coining the term “paradox of plenty,” which refers to the destabilization of states endowed with natural resources).


See Humphreys, supra note 20, at 512.


Kalu, supra note 39, at 125.


See Collier et al., supra note 24, at 180; see also World Bank, supra note 15, at 19.


See, e.g., Collier & Hoefler, supra note 14, at 588; James D. Fearon & David D. Laitin, Ethnicity, Insurgency, and Civil War, 97 AM. POL. SCI. REV. 75 (2003); Hegre & Sambanis, supra note 43, at 531.

See, e.g., Fearon & Laitin, supra note 44.

See Ross, supra note 31, at 35.


Lujala, supra note 47, at 16.

Id.


Id. at 277.

Michael Ross, What Do We Know about Natural Resources and Civil War, 41 J. of Peace Res. 337, 338 (2004).