

Analyzing The Natural Resource Curse

The Natural Resource Curse

Many countries whose economies depend primarily on natural resources such as oil, diamonds, or timber, generally suffer from greater poverty, score lower on the UN Human Development Index, an annual report that measuring the general quality of life for citizens, and are more at risk for conflict than countries whose economies are more diversified. This paradox of wealth in natural resources combined with crushing poverty is known as the natural resource curse.

In an article published in the 2003 edition of the Foreign Service Journal, author Thomas Palley explains that the natural resource curse “occurs because the income from these resources is often misappropriated by corrupt leaders and officials instead of being used to support growth and development. Moreover, such wealth often fuels internal grievances that cause conflict and civil war.” (54).

The most oft-cited example of the natural resource curse is Nigeria, whose incredible oil wealth has failed to generate growth and has actually increased the number of people living on less than \$1 a day from 30% before oil was discovered to the current rate of 70%. Some countries rich in natural resources, such as Botswana, have seemingly escaped this curse, while others, such as Cote D’Ivoire remain embroiled in resource funded conflict.

Botswana

Botswana, rich in many natural resources including diamonds, has experienced stable economic growth for several decades. How has Botswana escaped the natural resource curse?

By examining Botswana, one can begin to understand both the causes of the resource curse, and possible preventative measures for other struggling countries. In 2002, Botswana exported \$2 billion dollars worth of diamonds, nickel, gold, and other natural resources.

Through good government policies, strong political leadership, and a sound long-term development plan, Botswana has seemingly avoided the effects of the resource curse, and provides quality public services such as education and healthcare to its citizens. Effective anti-corruption laws and high civil engagement has also forced representatives to be more transparent about how they are spending and distributing the country’s natural resource wealth.

In addition, Debswana Diamond Company, the Botswana branch of De Beers, is owned equally by De Beers and the government of Botswana, assuring stable revenue for the country. Debswana also invests in the community, building hospitals, schools, and recreational facilities for employees and local residents.

Because all aspects of the diamond trade, including mining, cutting and polishing, and manufacturing are managed by subsidiaries of Debswana, Botswana retains more of its diamond wealth than other nations that only export rough diamonds.

Cote D'Ivoire

In contrast, Cote D'Ivoire did not allocate its natural resource wealth equally, as most of the economic wealth and employment opportunities generated by the export of 26% of the world's cocoa was concentrated in the South. Northern Ivorians, who share close cultural ties with bordering countries such as Mali and Burkina Faso, were often discriminated against by the Christian controlled government in the South, and benefited very little from natural resource revenues.

Despite the country's developed infrastructure and longstanding history of peace, economic disparity, ethnicity, and religion all contributed to escalating tensions in the region. In December 1999, Cote D'Ivoire experienced its first ever military coup, and erupted in civil war in September 2002.

Despite several peace talks, Cote D'Ivoire is still plagued by violence and conflict between the Muslim rebels in the North and the Christian government in the South.

Unequal distribution of natural resource wealth has now turned into natural resource exploitation. Both sides are currently exploiting natural resources to fund sustained military campaigns. Government troops have taken control of cocoa producing regions, while rebel forces in the North smuggle diamonds to buy small arms, food, and medical supplies.

Despite a UN arms embargo prohibiting the sale of guns to Cote D'Ivoire, and despite the ban on the importation of rough diamonds from the country, loopholes in the system have allowed significant amounts of guns to enter the country, and millions of dollars worth of diamonds to be smuggled out.

As the conflict has escalated, so have human rights abuses. For example, both sides are actively recruiting child soldiers to supplement dwindling military forces. Since the beginning of the civil war, poverty has escalated, access to safe drinking water has decreased, and government services such as education and healthcare have all but disappeared.

Resources

Diamonds for Development - <http://www.diamondsfordevelopment.com/page/index.html>

Imi, Atsushi. "Did Botswana Escape From the Resource Curse?" IMF Working Paper. <http://www.imf.org/external/pubs/ft/wp/2006/wp06138.pdf>

Palley, Thomas I. "Lifting the Natural Resource Curse." Foreign Service Journal Dec. 2003: 54-61.

UN Human Development Report 2006 - <http://hdr.undp.org/>

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1. What is the natural resource curse?
2. What are two factors that contribute to the natural resource curse?
3. According to the case study, how has Botswana escaped the effects of the natural resource curse?
4. Until 1999, Cote D'Ivoire was renowned for its political and economic stability. What are the factors that led the country to civil war in 2002?
5. What role did natural resources play in the development of conflict in Cote D'Ivoire? How are natural resource revenues currently affecting conflict there?
6. Assuming peace agreements are negotiated in Cote D'Ivoire, what measures do you think the government of Cote D'Ivoire could take to prevent the effects of the natural resource curse in the future? What policies should the government adopt to achieve a more even distribution of natural resource wealth for all its citizens?
7. List two ways that the government of Botswana has worked with the diamond industry to assure that the country benefits from diamond revenue.
8. How do you think the international community could help stop the effects of the natural resource curse in Cote D'Ivoire and other developing countries?