

Assessing the Nexus of Global Resource Governance, Civil Conflicts and Strategic Peacekeeping

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Abstract:- The aim of this paper is to stress upon the need of further examination of footholds of development policies, global resource governance, resource revenues, and effective and sustainable utilization of resources. The present scenario warrants further examination due to change of consciousness with regard to resource extraction. With a better understanding of the mechanisms with regard to empirical evidence, this paper assesses the pivotal development policy alternatives needed to be formulated and to be executed concretely for holistic social development.

I. INTRODUCTION

At the outset, Collier and Hoeffler (2012) explore the uneven distribution of natural resources vis-à-vis development. In the trajectory of their argument, they explore the inter-linkages between dependence on natural resources, income and conflict. Using these inter-linkages as a foothold, they assess the policy alternatives that can be adopted to counterbalance the same. In this paper, I intend to critically

examine Collier and Hoeffler’s (2012) paper, and further engage with the debates on the natural resources and conflict to suggest policy alternatives. Upon reflection, it is essential to understand that many developing countries’ exports rely on agricultural produces and natural resources to a large extent—for instance, ‘Colombian coffee, Malaysian timber and South African gold’ (Krugman and Obstfeld 2000, p. 683). Additionally, according to Collier and Hoeffler (2009), high value natural resource rents and open democratic systems mitigated the growth of developing countries, which coincides with my argument. In this context, when Collier and Hoeffler (2012) extensively cull out instances of conflict induced by natural resources in developing countries, ranging from Nigerian secessionist movement to financing of rebel groups in Cambodia. To further validate my argument, Figure 1 illustrates the ‘negative association between risk of internal conflict and GDP per capita income’ in certain countries, and reflects that countries with high risk of civil unrest and violence are less developed on an average—Nigeria, Bolivia, amongst others. (Farzanegan, et al. 2013, pp. 2-3).

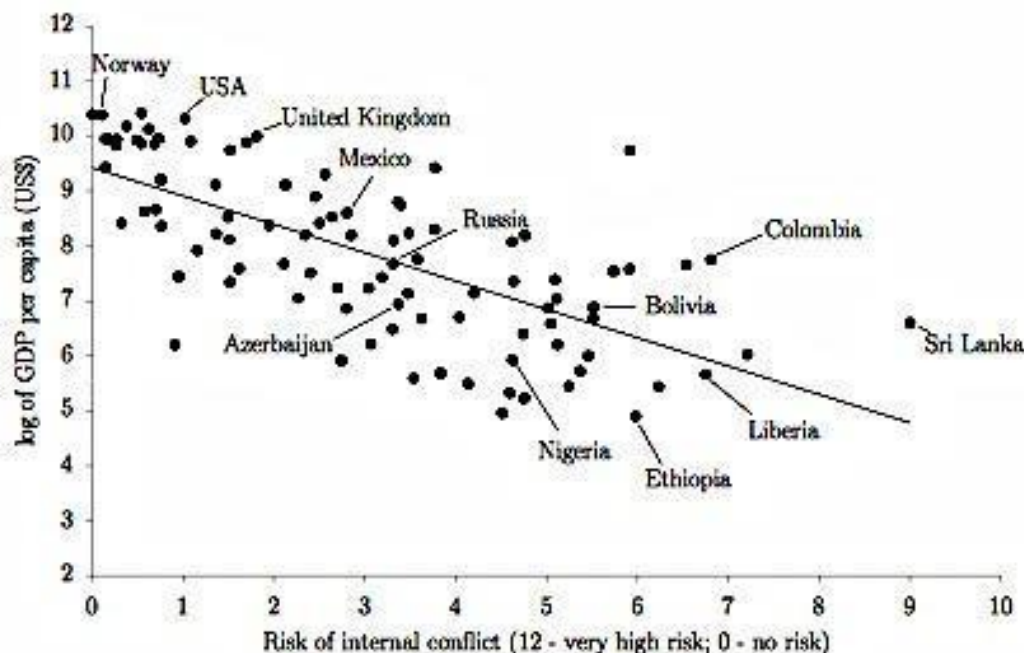


Figure 1: Conflict and economic development (1984–2004)

(Source: Farzanegan, M.R., Lessmann, C. and Markwardt, G., 2013. Natural-Resource Rents and Internal Conflicts-Can Decentralization Lift the Curse?. p. 2)

II. DEVELOPMENT AND NATURAL RESOURCES

Collier and Hoeffler (2012) touch base with empirical evidence to corroborate the directly proportional relationship between dependence upon natural resources and susceptibility to civil war.

This argument is followed by the negative repercussions on development that is stimulated by dependency: (1) The interest groups may have a disagreement over natural resources’ ‘honeypot’, (2) access to natural resources, especially with physical proximity, by political groups encourages exclusion. Thus, the dependence on primary commodities and other natural resources may encourage an ‘ideological or secessionist civil war’, stemming from interests in local ownership, (3) financing rebel groups and thereby, perpetuating violence and ‘predation of natural resources’. This is further segregated into ‘point resources’ which ‘motivate rebellion’, and ‘diffuse resources’ which are used to ‘finance rebellion’ which have varied rents with regard to resource extraction, (4) a government’s accountability decreases when dependency is high on revenue that is generated from natural resources, and in addition, it is easier to disguise. This unaccountability is a ‘trigger of violence’ and a ‘potential cause of rebellion’, (5) with the increase in exploitation of natural resources, the manufacturing sector tends to decline; thus, causing the

economy to ‘deindustrialise’. This is termed as the ‘Dutch disease’. They further draw an analogy between aid and natural resources, and argue that they have the same effect on ‘real exchange rate’ and the law of diminishing returns is applicable to in both cases, (6) lastly, dependence on natural resources exposes an economy to ‘price shocks’ which have a direct influence on increment of poverty, loss of income and susceptibility to civil war subsequently.

Collier and Hoeffler (2012) have examined different facets of extensive reliance on natural resources leading to tribulations in development. However, I contest that lack of focus on profit-maximising and incessant exploitation of resources cannot lead to environment degradation. This facet of resource dependence has been amiss from Collier and Hoeffler’s analysis. Perkins et al (2006) cite the instance of fishing. As illustrated in Figure 2, with an increment in fishing efforts, the total revenue rises and reaches its peak at E2. The rate of depletion i.e. widening gap between growth of fish and fishing from E1 onwards reflects the ultimate occurrence of extinction. In this graph, TC is the total cost of effort, TR is the total revenue, and the outcome of E1 and E2 is the marginal revenue at E*. On the x- and y-axis, I have computed the efforts made by fishing and total revenue generated by fishing respectively. It is also important to note that ‘natural resources regenerate over a longer period of time than mammals’ (Perkins et al 2006, p. 764).

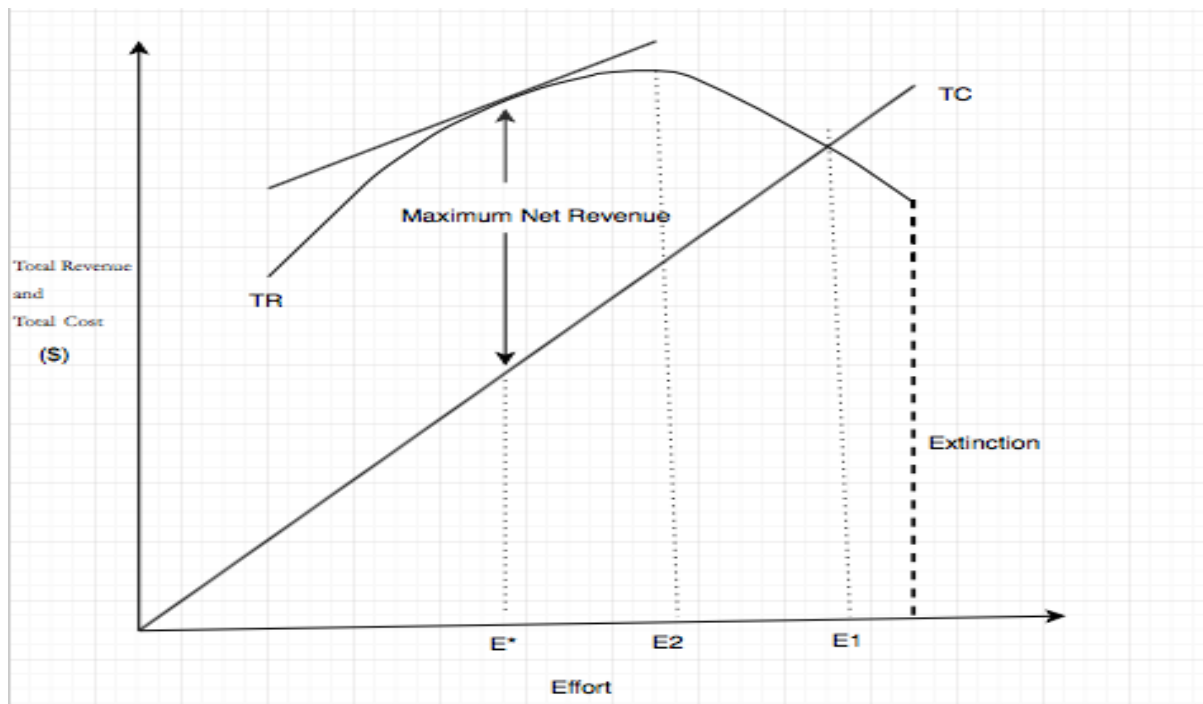


Fig 2: Relationship between fishing efforts and total revenue

(Source: Perkins, D., Radelet, S. and Lindauer, D. (2006). *Economics of development*. 1st ed. New York: W.W. Norton & Company. p. 763)

A system that depends on ‘exhaustible natural resources’, such as fossil fuels, cannot sustain indefinitely (Dinpinah and Lashgarara 2008, p. 60). Thus, I agree when Dinpinah and Lashgarara (2008) argue that shifting reliance to renewable resources is necessary for sustainable

development; thus, promoting reduced resource depletion. Humphrey (2005) argues that natural resources are distributed more unevenly than wealth, and the extraction procedures induce grievances in terms of migration and

externalities of extraction, such as ‘environmental damage and loss of land rights’ (Humphreys 2005, p. 512).

It is pivotal to foster the relationship between ‘economic development and environmental management’, as opposed to seeing them in juxtaposition (Perkins et al 2006, p. 758). With lessened air pollution amongst other forms of environmental exploitation, the production costs will reduce; thus, increase ‘economic output and welfare’ (Perkins et al 2006, p. 758).

III. FORMULATION OF POLICY ALTERNATIVES

Collier and Hoeffler (2012) examine policies that can be adopted to address the aforementioned causations: (1) introducing a participatory process along with ‘transparency’ to create accountability and reduce secessionist pressure by maximising the benefits, (2) transparency and scrutiny are a mutually exclusive process that as the latter is more domestic. In post-conflict countries, due to fragility and/ or failure of the state, the ‘detachment’ of the nation from its government increases. Both of these aspects can help put forth the idea that natural revenues are a public resource and they are essential to domestic politics, (3) ‘commodity tracking’ helps in mitigating illegitimate revenue usage; thus, increase transparency as well. Physically tracking commodities along with information on financial transactions for which banks are accountable will augment this process, additionally, (4) by ‘diversifying the economy’ of a nation and making it less vulnerable to changes in prices in the natural resources’ sector. Therefore, reducing price inflation and deflation and effectively utilising public funds, this course of action can expedite further. Although these interventions cover a wide array of issues, implementing a single policy will have limited effect on the causations (Collier and Hoeffler 2012, p. 306).

Humphrey (2005) argues that revenues generated from resources deteriorate state’s structure and induce grievances. To counteract this, he states: (1) the ‘management of intertemporal revenue paths’ by monitoring the expenditure incurred by the government annually, (2) by associating resources’ revenue to social development can be an effective mechanism. It is important to note, in this context, countries like Botswana, though have extracted resources extensively, have managed their resources in a ‘prudent and productive manner’ (Perkins et al 2006, p. 63). Botswana being one of the largest diamond deposits and mining, accounting for ‘fourty percent of country’s output’, has transformed their accessibility through upgrading infrastructure, electricity and a increasing stock of housing, schools and clinics (Perkins et al 2006, p. 63). There has been reduced corruption within the bureaucracy as well. Though challenges within Botswana remain, their remarkable economic development through ‘strong policies and institutions’ implicates efficient utilisation of natural resources, amongst other factors (Perkins et al 2006, p. 63), (3) finally, providing clear information to the public on the income and expenditure of resources revenues. ‘Civil society groups’ can facilitate this as well (Humphreys 2005, pp. 534-535).

Anand and Sen (2000) argue that transformation of resource rents generated from non-renewable resources to ‘capital formation—physical or human’. They further state that this policy will allow sustenance of income and ‘capacity to consume of the present generation’. From a utilitarian perspective whereby there is maximum utilisation of welfare across generations, the welfare of one generation is traded off with another. Ross (2004) assesses the relationship between mining of natural resources and conflict. He states that to resolve the grievances produced by mining augmentation of community involvement by mining firms is necessary. I agree with Humphreys (2005) when he shapes his argument around policy debate and states that policies should focus more on creating a functioning criterion for which regimens have to be supported and when external stratagem can be pursued.

Roy (2016) talks about ‘ exclusionary lootable resource management’, and observes that it disrupts opportunity-based conflicts induced by resources. She further states that this strategy emphasises on post-conflict government control, militarisation and industrialisation over small-scale resources. This practise, she argues, can avoid impeding of post-conflict stability (Ross 2016, pp. 8-9).

IV. CONCLUSION

Collier and Hoeffler (2012) argue that aid is predominantly talked about whilst assessing poor countries, and many of these countries are categorised as post-conflict societies. I concur when they say: ‘... *natural resource revenues that accrue to developing countries are far larger than aid flows, but they are analytically similar. Policy coherence demands that the international community focus on raising the returns from natural resource revenues, just as it has struggled to raise the returns on aid. Indeed, the payoff for raising the returns on natural resource revenues dwarfs the effects of raising the returns on aid. Some of the actions required—such as domestic scrutiny—are similar; others are very different. But the prolonged international debate on the effectiveness of aid contrasts sharply with the neglect that has prevailed, until recently, with respect to international policy toward natural resources*’ (Collier and Hoeffler 2012 p. 309) Papyrakus and Gerlagh (2004) argue that the wealth that is received from natural resources increases growth and indirect effects thereby are excluded. Furthermore, the effect of natural resources on growth is powerfully negative. Humphreys (2005) states that weak institutions and conflict driven societies produce resource dependence and it is pivotal to promulgate alternative models for facilitating development. Natural resources are often utilised unjustly causing a resource gap. The negative correlation between resources and institutions determine the influence institutions have on resources. Also, a positive correlation between resources and conflict reflects that resources trigger conflicts. Thus, the nature of causality is a concern for development especially for conflict driver societies, and needs to be assessed further. Formulation of policy alternatives—commodity tracking, transparency of revenue generation, diversification of an economy and initiation of participatory processes, amongst other factors—are pertinent to impede the causations of conflict induced by dependency on resources.

Moreover, the aim of this paper was to highlight how there is an increasing divergence between the two opposite ends as far as resources, conflict and development is concerned. The societies belonging to the from the developing countries' strata cut across several facets, such as lack of transparency and accountability and authoritarian government, amongst others producing new patters of power relations, both endogenously and exogenously. Also, the overall divergence observed between two polar opposite strata emphasizes the need to take cognizance of new technological innovations which promulgates sustainable development—geothermal energy, wind energy, etc.; thus, mitigating exploitation of natural resources. The pressing need is to take into account the new grounds covered and simultaneously move away from the old ideas inherited. In consonance with the aim of my paper, it is necessary to stress upon the need of further examination of footholds of development policies and resource revenues and effective utilization of resources. However, the present scenario indicates more optimism due to change of consciousness with regard to resource extraction, though a better understanding of these mechanisms with regard to empirical evidence is necessary for development policies to flourish and be executed concretely.

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