Beyond the Resource Curse: From Resource Wars to Sustainable Resource Management in Africa

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Introduction

Integrity and governance, the theme of this conference, are two concepts that rarely go together when it comes to analysing governance on the African continent. However, with the rise to prominence over the past two years of the notion of ‘resource nationalism’ there is a new urgency to address this challenge. The literature on the causes of Africa’s long-term crisis of governance tends to be dominated on the one hand by institutional perspectives that focus on accountability and on the other by perspectives that emphasize its poverty and structural underdevelopment. This paper proposes an alternative framework that elaborates on the ‘resource curse’ thesis as originally proposed by Sachs and Warner and subsequently further developed by Collier (Collier 2010; Sachs & Warner 2001). It is argued that the disconnect that exists between the ‘failed states’ literature and the ‘resource wars’ literature is not helpful when it comes to figuring out the longer-term implications of the compelling but still vague notion of ‘resource nationalism’ that seems so appealing to African Governments at the moment (The Economist 2012).

Paul Collier’s classic and highly influential thesis is as follows:

‘[T]he political systems best suited to harnessing natural assets are those least likely to develop once natural assets have become important in the economy.’

(Collier 20101106)

This profoundly pessimistic conclusion is derived from econometric analyses that correlate the prevalence of national resource endowments with the state of governance capabilities. The evidence is compelling: the greater the resource endowment, the greater the probability of weak governance. Hence Collier’s influential conclusion.

The obvious question this raises is whether Collier’s thesis is an ‘iron law’ of African governance, or whether there are ways out that make it possible to associate
governance with integrity. This is a particularly pertinent question today in light of the fact that Africa is emerging as one of the fastest growing economic regions in the world.

This paper will address Collier’s thesis by initially reviewing the changing nature of Africa’s economic fortunes and the key role that resources – and therefore resource conflicts - continue to play in determining the nature of governance in Africa. It is emphasized that ‘failed states’ are frequently those wracked by simmering resource conflicts and overt resource wars. To promote a new approach to ‘resource governance’ based on integrity, a range of interventions are proposed that are aimed at decoupling the seemingly intractable relationship between ‘failed states’ and the ‘resource rents’ made possible by substantial natural resource endowments.

Failed States and Resource Wars

As the global economy has expanded and as ever larger quantities of finite primary resources get extracted from the Earth, it is not surprising that resource depletion has become an increasingly significant cause of violent conflict at global and local scales (United Nations Environment Programme 2009). These conflicts have become known as ‘resource wars’, and if nothing is done to change the way resources are extracted and consumed, ‘resource wars’ will spread inexorably across an increasingly unsustainable world. At least a quarter of the violent conflicts during the 1990s were about resources, which resulted in the death of 5 million people and the displacement of 20 million more (Renner 2004). It can only be assumed that things have got worse, with resource wars in places such as Iraq and Sudan setting the pace. Furthermore, there is an overlap between resource wars and ‘failed states’, with as many as 2 billion people living in countries governed by ‘failing states’ (Ghani & Lockhart 2008).

Although large deposits of key resources such as oil would usually be considered a blessing for the development prospects of a country, it often turns out to be a ‘resource curse’ (Collier 2010; Sachs & Warner 2001). This is particularly the case in countries that suffer from ethnic and religious conflicts, and in which poverty is widespread and governments unstable. Under these circumstances, the valuable natural resources such as oil often heighten the danger of civil war, and once violent conflict has erupted it can become endemic and almost impossible to resolve.

Furthermore, a dependence on natural resources can make a country more susceptible
to civil war when overall growth declines and poverty increases (Ross 2003). It is paradoxical that a ‘gift’ from nature, such as oil, tends to cause economic distress. Various studies have found that generally speaking, resource-dependent economies grow more slowly than resource-poor ones because it is easier to simply sell extracted resources than invest in innovation and human skills (Ross 2003). Collier’s work shows that better governance enhances the potential value of natural resource endowments, but the greater the resource endowment of a country the more likely it will suffer from poor governance.

Abundant resource endowments have tended to inhibit the kind of economic diversification that is vital for long-term growth. Resource abundance, such as oil, also reinforces the ‘rentier state’, which according to Kahl tends ‘to be narrowly based, predatory, authoritarian or quasi-democratic and characterised by high degrees of patronage and corruption as well as low degrees of popular legitimacy’ (Kahl 2002:270). The demand for oil and certain strategic minerals is such that ‘they are worth controlling and fighting over precisely because they are valued in the global economy’ (Dalby 2002).

Spreading resource wars and the related increase in the number of failed states will combine in deadly ways to exacerbate global political instabilities, with increasingly authoritarian responses being the inevitable outcome. Unless unsustainable resource use is seen as the root cause of rising levels of political instability, the wrong solutions will be formulated by powerful political leaders (Swilling & Annecke 2012).

Two strategic moments marked the different modalities of the resource wars of the post-Cold War era. In October 1999 authority over US military forces in Central Asia was transferred from Pacific Command to Central Command. This little-noticed event marked a decisive turning point because the Central Asian region (which stretches from the Ural Mountains to China’s Western border) had hitherto been a peripheral and insignificant part of the world for military strategists in the Pentagon and NATO. For veteran resource war watcher M.T. Klare, the only reason for this shift in command was to put in place the strategic and military capacities required to manage a highly unstable region in which vast oil and gas reserves had recently been discovered. The Cold War was over; the global war over diminishing resources had moved into a new phase (Klare 2001a).
On 6 April 1994 the President of Rwanda was killed in a plane crash that triggered the horrors of the 100-day genocide that left 800,000 Rwandans (mainly Tutsis) dead. This was, however, merely the spark that ignited a violent reaction to decades of simmering local conflicts over access to a key resource in a society without an energy infrastructure – firewood. As trees disappeared so did the soil nutrients, which exacerbated intense land shortages created by population increases in Africa’s most densely populated country. By the 1990s hundreds of localised land conflicts were at breaking point as many people started to run out of food in a country in which ethnic identities had been actively politicised by colonial and post-colonial elites (Mamdani 2002). Settling a land dispute meant eliminating the threat of land claims posed not just by a particular individual but also his extended family whose rights were entrenched by centuries of common law. Once this technique of settling disputes turned violent, entire families and their communities were killed in a bloody land grab that shocked the world. In a post-Cold War world in which local warlords could no longer access funding from one or other rival superpower to run their murderous little wars, looting the resources of rival groups became an attractive alternative. The Rwandan ‘popular genocide’ was in reality a resource war, which spun out of control as it connected to deep-seated conflicts over the consequences of depleted soils in a context of high population growth.

These two historical moments – April 1994 and October 1999 – illustrate two things: the central role that resources have come to play in contemporary conflicts, and the wide range of types of conflicts that exist. Although the notion of a ‘resource war’ emerged from the US security establishment in the early 1980s, it is now used across an ideologically diverse literature (Dangl 2007; Gedicks 1993; Klare 2001b; Le Billon 2001; Le Billon 2005; Renner 2004; Tull 2008). A ‘resource war’ is, in essence, a violent conflict over access to – and control of – a key (often diminishing) natural resource. Oil is, by far, the most significant of such resources today, but there are others including gas, gold, bauxite, minerals, timber (especially virgin forest that contains valuable hardwoods), fish, gemstones, arable land (for mass monocultures such as cotton or rice production or biofuels), biodiversity (mainly for genetic material and tourism) and water. The contemporary literature depicts the following kinds of resource wars:
1. Conventional civil wars or superpower interventions that turn into resource wars. Examples include Angola where oil and diamond revenues financed a civil war after superpower funding dried up after the Cold War; in Afghanistan where the anti-Soviet Mujahadeen relied on opium trafficking to partly finance their war against the Soviets who wanted Afghanistan’s natural gas; and Colombia where coca/cocaine and oil money has fuelled conflicts for years.

2. Resource wars that get initiated to capture a particular resource. In Sierra Leone it was about control of the diamond fields; in Liberia Charles Taylor waged war on his citizens so that he could fell the indigenous forests for a profit; in Sudan it was about control of the oil fields that by a freak of geography located right in the centre of an already divided country, and in the DRC many factions (including the Angolan, Zimbabwean and Rwandan armies) secured rich pickings from many different resources (minerals, gemstones, timber, fuel), which not only funded the DRC wars but also the survival of Robert Mugabe’s brutal dictatorship.

3. Violent conflicts caused by the resource extraction operations of multinational companies allied with powerful political elites and secured via foreign debt that invariably leaves communities impoverished and environments destroyed. Examples include conflicts over oil in the Niger Delta, natural gas and timber in Aceh and West Papua in Indonesia, copper in Papua New Guinea, oil in Equador, and water in Bolivia.

4. Formal resource wars executed by governments, in particular the US. Examples include the military conflicts related to Caspian oil and gas resources; the invasion of Iraq; the covert war against Hugo Chavez in Venezuela; military support for the anti-Gadhafi insurgency; and the disastrous intervention in Somalia to protect oil supplies during the Clinton years.

5. State-society conflicts over resource control, where social movements go up against authoritarian states which are seen to be unjustly using and allocating key strategic resources. Although not strictly speak ‘wars’, some of the literature does depict the vast number of such conflicts over land, water, food supplies, seeds, fish, energy and forests across the developing world as ‘resource wars’ (see Dangl 2007; Gedicks 1993).
There is an obvious connection between resource wars and what has come to be referred to as ‘failed states’ in the American foreign policy literature (Fund for Peace and Carnegie Endowment 2005; Ghani & Lockhart 2008; Haims et al 2008; Tull 2008). According to the US-based Fund for Peace, failed states are defined in terms of how far they deviate from a Western democratic norm: a competent domestic police force and correctional system; an efficient and functioning civil service or professional bureaucracy; an independent judicial system that functions under the rule of law; a professional and disciplined military accountable to a legitimate civilian government; and a strong executive/legislative leadership capable of national governance. Using this definition, there were between 40 and 60 ‘failing states’ in countries that were home to nearly 2 billion people by 2006 (Ghani & Lockhart 2008). The number of actual ‘failed states’ has been growing steadily. In terms of the ‘Failed States Index’, which rates countries on a scale of 1–120 (with 120 meaning total disintegration), a score of 100 and above spells state failure, with terrible consequences for ordinary people and wider regional stability. In 2004 there were 7 countries with scores of 100 or more, increasing to 9 in 2005 and 12 in 2006; 8 out of 12 of these failed states were in Africa, with Sudan in first place with a score of 113.7 (Fund for Peace and Carnegie Endowment 2005). The other African ‘failed states’ in 2006 were Somalia, Zimbabwe, Chad, Ivory Coast, Democratic Republic of Congo, Guinea and the Central African Republic. The four non-African failed states were Iraq (second after Sudan), Afghanistan, Haiti and Pakistan (Fund for Peace and Carnegie Endowment 2005).

For our purposes, what is important here is that the list of places in which resource wars have occurred overlaps with the list of ‘failed states’ – Sudan, Afghanistan and Iraq invariably appear at the top of both lists. Significantly, 17 of the 32 weakest states on the Failed States Index in 2008 were African states (The Fund for Peace 2008). Nearly 50 per cent of the countries that experienced an end to conflicts (many of them over resources) since the 1980s have reverted back to full-scale or partial conflict, thus thwarting efforts to build ‘capable states’ in these countries (Ghani & Lockhart 2008). However, despite the obvious overlap between conflict over increasingly scarce resources and state failure (Brown 2008), the current concern with ‘failed states’ has more to do with the fact that they are a security threat and cannot foster environments for foreign investment.
A recent, influential text by two former World Bank officials fails to make the connection between failed states and resource wars, and focuses instead on the need to change the rules of international relations to allow the global governance institutions to take over directly to rebuild state institutions where state failure has become endemic. For them, the problem is political leadership and institutional weakness (Ghani & Lockhart 2008). Despite its eloquence, the authors recommend a solution that ignores the underlying problem and gives Western governments even greater control over these territories in the name of ‘state building’. After decades of destroying these states via debt, structural adjustment, neoliberal economic theory and resource extraction at rates well below the value of these resources, this is a cruel recipe which will change nothing.

In his highly influential book, Plan B 3.0: Mobilizing to Save Civilization, Lester Brown provides a more appropriate perspective on ‘failing states’ when he writes:

<QUOTE>As the stresses from these unresolved problems accumulate, weaker governments are beginning to break down, leading to what are now commonly referred to as failing states. Failing states are an early sign of a failing civilisation. The countries at the top of the lengthening list of failing states are not particularly surprising... And the list grows longer each year, raising a disturbing question: How many failing states will it take before civilisation itself fails? No one knows the answer, but it is a question we must ask. (Brown 2008)

If Lester Brown is right, surely the solution to failing and failed states is not just to fix them institutionally (invariably using a new generation of remedies concocted in Western policy think tanks and management schools), but rather to find a new way of negotiating the equitable apportionment of the world’s remaining resources. Without this, resource wars will spread and so will the number of failed states.

The new scramble for African resources

Two recent volumes by mainly African researchers have raised critical questions about the implications of changed and escalated involvement in Africa by the world’s major economic powers (Ampiah & Naidu 2008; Southall & Melber 2009). In his comprehensive introduction to one of these volumes, Southall captures a consensus view when he notes that ‘[t]he thrust of the new scramble is to systematise the
exploitation of Africa’s natural resources and markets’ (Southall 2009:20). However, the new scramble is different from the old scramble for Africa: what has changed is that there is a new global configuration of economic and political power; what has not changed is the fact that Africa remains a resource exporter and importer of capital goods and consumables (Southall 2009).

At the same time there is a new wave of optimism sweeping across Africa as growth rates climb, consumer spending rises and returns on investment are higher than in most other parts of the world since the onset of the economic recession in 2007. By 2008 Africa’s collective GDP was US$1.6 trillion, roughly equal to Brazil’s and to Russia’s. Real GDP has increased by 4.9 per cent per cent per annum since 2000, more than twice what it was in the 1980s and 1990s. During the decade 2000-2010 Angola’s economy grew faster than any other economy in the world. Although these levels of growth are not uniform across all of Africa’s sub-regions, at current growth rates, GDP by 2020 is projected to be US$2.6 trillion underpinned by a rapidly urbanising youthful and increasingly educated population, with over 128 million households expected to be moving into the middle class to become vibrant consumer spenders (McKinsey Global Institute 2010). According to the African Development Bank’s 2010 African Economic Outlook Report released in May 2010 (African Development Bank 2010), the average 6 per cent per cent growth rate for 2006–2008 dropped to 2.5 per cent in 2009. However, the report was optimistic that growth would rebound to 4.5 per cent in 2010 and 5.2 per cent in 2011 due to sound macroeconomic policies, counter-cyclical interventions, sustained aid flows and increased international loans. In reality, it was continued strong demand, despite the economic recession, for primary resources from other fast industrialising Asian countries (in particular China, but also India and Russia) that has been significant in protecting Africa from steep declines in GDP growth rates.

Although the boom in resource prices has clearly been a dominant driver of African economic growth, it would be a mistake to assume that other economic sectors remained stagnant. In reality, growth was spread across a number of sectors with resources reduced to 24 per cent of Africa’s total GDP by 2009 (McKinsey Global Institute 2010: 3)

The McKinsey Global Institute has clustered Africa’s economies into four distinct clusters (see Figure 1). The ‘diversified economies’ (Egypt, Morocco, South Africa
and Tunisia) are Africa’s ‘growth engines’ having significant manufacturing and service industries. These economies are characterised by growth in the service sectors, rapid urbanisation and growth in consumer spending of between 3–5 per cent. The ‘oil exporters’ have the highest GDP per capita, but they have the least diversified economies. Their key challenge is to ensure that oil wealth is reinvested in education and infrastructure as a basis for more diversified growth. The ‘transition economies’ such as Ghana, Kenya and Senegal have lower GDP per capita than the diversified economies and oil exporters, but they are growing steadily as they gradually diversify and benefit from intra-African regional trade. The ‘pre-transition economies’ are very poor but are growing rapidly, albeit in unstable ways. Much will depend on whether they can get the ‘basics’ in place, such as stable governments, macroeconomic stabilisation, and reliable food production (McKinsey Global Institute 2010:5–6).

Figure 1: Africa’s four clusters
(Source: McKinsey Global Institute 2010:4)
The optimistic picture painted by the McKinsey report under-emphasises the significance of the fact that primary resources still make up 80 per cent of Africa’s exports (which is the highest compared to all other regions). Furthermore, it ignores research by Paul Collier which shows that resource-dependent growth tends to stimulate short-run growth, but undermines long-term growth because there are limited incentives to diversify into sectors that could stimulate higher rates of growth. For example, after modelling various future scenarios, researchers cited by Collier concluded that the rise in resource prices since 2002 may well result in African output in 20 years’ time being 25 per cent lower than if prices had remained at a lower level. The reason for this is that rising resource prices increases dependence on the extraction and export of resources and reduces the incentive to diversify into higher value economic activities. In other words, rising resource prices is good for growth in the short term, but not over the long term (Collier 2010:1105). Future growth and development, therefore, will depend on whether resource rents are in fact reinvested in education/human capital, infrastructure (in particular urban infrastructure) and the effective management of resource exploitation (including ensuring sales at high enough prices).

In 2000, the export of primary natural resources accounted for 86 per cent of all exports from Africa (Mayer & Fajarnes 2005:8). This was much higher than the rest of the world – the export of primary natural resources accounted for only 31 per cent of all exports from all developing countries in 2000 and 16 per cent of the exports from advanced industrial countries in the same year. According to the 2012 Report on Africa by the UN Conference on Trade and Development (UNCTAD), Africa is a net exporter of resources (United Nations Conference on Trade and Development 2012). Figure 2 shows that Domestic Material Extraction increased by 87% between 1980 and 2008 (from 2.8 billion tonnes to 5.3 billion tonnes). Figure 3 reveals that exports have increased from 400 million tonnes to over 700 million tonnes, with fossil fuels playing a dominant role. However, Figure 4 reveals that imports are significantly less than imports.

**Figure 2: Domestic Material Extraction (billion tonnes), 1980-2008**
(Source: United Nations Conference on Trade and Development 2012)

Figure 3: Africa’s Physical Exports (million tonnes), 1980-2008

(Source: United Nations Conference on Trade and Development 2012)

Figure 4: Africa’s Physical Imports (million tonnes), 1980-2008
It is clear from Figures 2-4 that Africa is a net exporter of non-renewable resources and a net importer of biomass. As far as fossil fuels are concerned, Africa exports 500 mt and imports 100 mt (mainly refined fuels). Africa exports 14.5 mt of biomass, and imports 95.8mt (mainly cereals followed by biomass-products - mainly vegetable fats and oils, timber and sugar crops).

In a remarkable 2006 report entitled *Where is the Wealth of Nations?*, the World Bank estimated the ‘genuine savings’ of all countries by adjusting the national income and savings accounts by deducting the costs of resource depletion and pollution, and then adding investments in education (World Bank 2006). Resource depletion includes the gradual depletion over time of natural assets, which include forests, mineral reserves, and energy resources (such as oil). Echoing the clusters described in the McKinsey report cited earlier, the countries that were the most dependent on exports of primary resources and lowest capital accumulation (measured in terms of ‘genuine savings’) included some of the largest resource exporters, namely Nigeria, Zambia, Mauritania, Gabon, Congo and South Africa. Indeed, the World Bank report shows that the more dependent an economy is on resource exports, the poorer it becomes over time if the full costs of resource depletion and pollution are taken into account. This, of course, is the end result of trade liberalisation over 20 years and structural adjustment. Contrary to the development strategies pursued by the successful Asian tigers over the same period, African Governments were forced to lift protective tariffs, thus killing off
local industries that were unable to compete with the prices of imported goods. In the name of increasing trade, the opposite was achieved. According to Christian Aid, ‘[t]rade liberalisation has cost sub-Saharan Africa $272 billion over the past 20 years. Overall, local producers are selling less than they were before trade was liberalised’ (Christian Aid, 2005: 3).

Despite increased demand for primary resources caused by Chinese and Indian growth and in line with the general trends, the real value of Africa’s primary resource exports generally declined up until the start of the commodity boom in 2002. This is particularly true for agricultural products (declining from US$15 billion in 1987 to US$13 billion in 2000), but also – according to the World Bank – for non-oil exporting sub-Saharan countries whose terms of trade declined by 119 per cent between 1970 and 1997 (Bond, 2006: 60–63). The global rush for African oil (28 per cent of China’s imported oil came from Africa in 2008), as well as minerals and forest products are visible examples of African resources that are extracted for little return. In the biotechnology sector there are mounting examples of global firms that are exploiting the commons with either no – or at best minimal – returns for Africa. This is set to increase as the so-called ‘bio-prospectors’ comb the African continent for DNA for insertion into all sorts of genetically modified applications with vast commercial value in global markets. The current examples include a diabetes drug produced from a Kenyan microbe; a Libyan/Ethiopian treatment for diabetes; antibiotics from a Gambian termite hill; an antifungal from a Namibian giraffe; an infection-fighting amoeba from Mauritius; a Congo(Brazzaville) treatment for impotence; vaccines from Egyptian microbes; multipurpose medicinal plants from the Horn of Africa; the South African and Namibian indigenous appetite suppressant, Hoodia; antibiotics from giant West African land snails; drug addiction treatments and multipurpose kombo butter from Central and West Africa; skin whitener from South African and Lesotho aloes; beauty and healing Okoume resin from Central Africa; skin and hair oil from the argan tree in Morocco; skin care from Egyptian ‘Pharaoh’s Wheat’; skin care from the bambara groundnut; endophytes and improved fescues from Algeria and Morocco; and nematocidal fungi from Burkina Faso (Bond, 2006: 87). These bio-resources, and many still to be discovered, will become increasingly valuable in the years ahead as the global biotechnology industry continues to develop at current rates of expansion.
If Africa continues to get poorer as it increases exports of primary resources at discounted prices, it will never build up the financial resources required to invest in the kind of human capital and physical infrastructures that are required for poverty-eradicating development strategies. An obvious question is what can African governments do to ensure better prices for their exported materials? Unfortunately, all resource-rich countries in the developing world – but especially in Africa – have been pitted against one another within a global free-trade system that is regulated by the rules of the World Trade Organisation (WTO). As intended by the World Bank/IMF designers of the system, they are all locked into debt agreements that force them to maximise production output to finance debt repayments, while cut-throat competition in the global market allows buyers to keep prices low. They suffer, therefore, from the consequences of both over-production and low prices. Cartelisation to control both output levels and prices along the lines of OPEC is an obvious solution, but this has not emerged for various complex reasons, not least the influence of powerful players whose interests in cheap resources would be threatened by such a move.

Even the very slight improvements in prices for African resources that were made possible during the growth period before the 2008 crash are now threatened by those who have the power to call the shots. In response to global recessionary conditions the European Union has concluded that ‘[d]espite recent price falls, raw material prices are still very high from a historical perspective’. In the same statement it responds to this problem in a way that is worth quoting in full:

*Raw materials are an essential part of both high tech products and every-day consumer products. European industry needs fair access to raw materials both from within and outside the EU. For certain high tech metals, the EU has a high import dependency and access to these raw materials is getting increasingly difficult. Many resource-rich countries are applying protectionist measures that stop or slow down the export of raw materials to Europe in order to help their downstream industries. Many European producers suffer from such practices. On top of this, some emerging countries [Read: China and India] are becoming very active in resource-rich countries, particularly in Africa, with the aim of securing a privileged access to raw materials. If Europe does not act now, European industry is put at a competitive disadvantage. In response to this challenge, the European Commission launched today a new integrated strategy which sets out targeted measures to*
secure and improve the access to raw materials for EU industry. (European Commission 2008 - emphasis added)

To deal with this problem, the European Commission strongly recommends that the commission, member states and industry ‘identify and challenge trade distortion measures taken by third countries using all available mechanisms and instruments, including WTO negotiations, dispute settlement and the Market Access Partnerships, prioritising those which most undermine open international markets to the disadvantage of the EU’ (European Commission 2008 November - emphasis added).

To enforce this idea of ‘market access partnerships’, by 2005 the EU had developed no fewer than four Economic Partnership Agreements (EPAs) for sub-Saharan Africa. Critics and many African governments see the EPAs as mechanisms to dump subsidised EU-produced products and to ensure preferential access to EU-based investors in African economies, with special reference to infrastructure development opportunities.

The most significant aspect of the remarkably frank EU statement is the implication that Africa’s desire to increase prices to build up its own industries (which, of course, create jobs and reduce poverty) is a practice that ‘undermine(s) open international markets’ and must, therefore, be resisted by using all the powerful levers available to developed economies, namely the WTO, aid and trade partnerships. ‘Open international markets’ are seen by the EU as the best means to keep resource prices down. The fact that these resource-rich countries sell their resources at a loss in real terms is completely ignored. Nor is the link between low resource prices, resource wars and failed states acknowledged. Although it is all politely articulated in the technocratic language of global diplomacy, this approach reflects very clearly how the global economy is actually managed in the real world of global governance. The direct effect of this approach is the intensification of resource wars and the spread of failing states in the resource-rich countries. So when the EU acts in the interests of the citizens and economies of its member states by pushing down the prices paid for African resources, it is simultaneously promoting an increasingly insecure and unsafe world. Is this, it must be asked, in the best interests of the European Union’s citizens and businesses? Does this kind of blood consumption really contribute to world peace?
The EU has always competed with the USA for resources, but it must now also compete with China and India, who are clearly blamed in the EU statement for ‘trade distortions’. China, in particular, has become a major economic player in Africa (see Ampiah & Naidu 2008; Campbell 2008). By 2007 China was a greater contributor of “economic assistance” to Africa than either the USA or Japan. Trade volumes between China and Africa have grown from US$81.7 million in 1979 to $6.84 billion in 1989 to $39.7 billion in 2005 (Campbell 2008). To build on these economic foundations, in November 2006 China organised the China-Africa Forum– or what is generally referred to as the Beijing Summit – for government leaders to consolidate long-term relations between China and Africa. By emphasising the fact that it was not implicated in the slave trade, colonialism or structural adjustment, the Chinese government has convinced Africa that it is a ‘friend-in-development’, offering a better deal than either the USA or the EU. To back up this commitment, China has agreed to double its economic assistance, increase preferential loans to US$3 billion and preferential buyer’s credits to US$2 billion, cancel all debts owed by heavily indebted countries, and set up a US$5 billion investment fund which Chinese companies can access for investments in Africa (Campbell 2008). Nevertheless, China has been prepared to back African governments who have shown no interest in the welfare of their citizens or the protection of the environment – two cases in point being the governments of Sudan and Zimbabwe (supplying both with arms as well as other means).

A recent report from within the US-security establishment identifies southern Africa as a strategically important resource provider but potentially threatened by resource conflicts and wars. The report deliberates on how the US can secure continued ‘access’ to key resources such as the platinum group metals, chromium, manganese, cobalt, uranium and the rare earth metals. It refers to shortages of supply, politicisation of mining and, in particular, China’s aggressive strategies to secure monopoly control of resource supplies (Burgess 2010).

Resource wars are the outcome of two related processes. Firstly, as the competition for increasingly scarce resources escalates between major global powers, these powers are prepared to intervene in various ways to protect their interests, including militarily. John Perkins, in his bestselling book *Confessions of an Economic Hit Man*, makes it very clear that these powers maintain a sophisticated legal and clandestine
infrastructure to secure their interests by economic and coercive means. Secondly, a context is created for intensified conflicts between local elites within resource-rich countries as they struggle to secure access to resources and position themselves as the key interlocutors in these globalised value chains. Many must extract these resources so cheaply that the costs are carried by exploited populations and degraded environments. Again, they are prepared to use any means necessary, including the organised deployment of conventional military forces and, when necessary, less formal militia when it comes to killing and/or dispossessing large numbers of people (as in Darfur and the DRC).

What most citizens of developed countries do not realise is that the prices they pay for their high-consumption lifestyles are possible only because of the low prices resource-rich countries receive for their exported primary resources. Resource wars and the increasing number of failed states are the logical corollary of this system. ‘Blood diamonds’ is the term that was coined to refer to the diamonds that were sold into the international market to fund resource wars – maybe we need to extend this idea and start referring to ‘blood consumption’ if the world’s consumers continue to insist on paying discount prices for Africa’s primary resources thus reinforcing weak governance and the authoritarian extraction of surpluses.

Sudan, which tops both the ‘resource war’ and ‘failed states’ lists, demonstrates in horrifying ways how a resource-rich environment and society can be ransacked, raped and destroyed so that large quantities of valuable primary resources can be sold at discounted prices into global markets.

**Integrity, Governance and Resource Extraction**

It is clear from the evidence presented thus far that Africa’s future economic prosperity will depend to a large extent on how Africa’s endowment of natural resources is exploited. The core question is obvious: will resource rents be re-invested in the infrastructure and human capabilities needed for a post-depletion future? Unlike any other economic sector, the state is the central player when it comes to determining the beneficiaries of resource exploitation. It therefore follows that government decision-makers can determine the answer to this core question. On the
surface, the rise of ‘resource nationalism’ seems to signal that African states are, in fact, taking seriously the need to generate greater social returns on resource exploitation. This was part of global trend with 25 countries announcing their intention in 2011 to extract more profits from mining companies (The Economist 2012). And this is unsurprising given that, according to Ernst and Young, 7 of the 10 largest mining deals in the world that were concluded in 2011 were in Africa (cited in The Economist 2012). However, much closer attention needs to be paid to the institutional micro-dynamics of resource governance before one can become too optimistic about the longer-term social benefits of ‘resource nationalism’.

Returning to Collier, the problem statement is clear: as resource rents increase, the integrity of resource governance is weakened; simultaneously, weak governance reinforces the mismanagement of resource rents (Collier 2010:1126). For Collier, it follows that interventions are required that counteract both these trends at the same time.

To counteract the damage inflicted on political governance systems by the flow of resource rents, three positive institutional interventions aimed at promoting what could be called ‘resource use integrity’ are worth noting. The first is the Kimberley Process which put in place a tracking system for diamonds which, in turn, has made it far more difficult to finance resource wars from the proceeds of blood diamonds. In 2008 the Nigerian President proposed a similar system for oil.

The second is the establishment of Extractive Industries Transparency Initiative (http://eiti.org). Modelled on the success of Transparency International which tracks and exposes corruption, the EITI tracks resource extraction activities in order to place strategic information in the public domain so that it becomes more difficult for companies to cheat governments and rent seeking government officials find it more difficult to steal public funds. Although both are insufficient on their own to fundamentally reverse deeply entrenched rent seeking behaviours, they are examples of international collaborations that could over time improve accountability and diminish the damage caused by these behaviours.
The third is a Sovereign Wealth Fund (SWF) similar to what Norway established to capture the benefits of North Sea oil. A Norwegian funded aid programme to Angola is aimed at installing a similar structure for that country. Nigeria has similar plans. The underlying logic is that resource rents are ring-fenced so that they can be reinvested in socially beneficial projects. If successful, this kind of approach could demonstrate a way of reducing the corrupting effect of resource rents.

Again, following Collier, there are various institutional interventions for improving the integrity of resource governance (Collier 2010). The first of these is to replace secret negotiations with extractive industries with public auctions. Secret negotiations undertaken by a small group of government representatives provides the ideal opportunity for companies to bribe the officials who, in turn, also have limited knowledge of the real value of the proposed resource exploitation initiative. A public auction of the extraction rights (partially) solves both problems: the real value is revealed by the level of royalties companies are prepared to offer, and the process takes place in the public domain. Although still corruptible, it is a process that easier for the likes of EITI to track.

The second set of interventions must address the short-term calculations made by extractive industries and governments. Extractive industries working in unstable environments have an incentive to extract as much as possible as quickly as possible which, in turn, limits the long-term developmental benefits of this economic activity. Governments also have an interest in ensuring that as much as possible is extracted as quickly as possible because they want to minimize access to the resource rents by a rival political elite that could be elected at the next election. Just as independent Reserve Banks have emerged to manage monetary stability across electoral periods, a similar solution lies in establishing a long-term multi-party commitment to deploy resource rents in a certain way. A SWF that can ring-fence resource rents might be one option, while the Nigerian Fiscal Responsibility Act or the South African approach to mandatory reinvestment of resource rents in economic activity after mine closures might be other options. Another option might be the types of deals that the Chinese prefer, namely instead of paying royalties in the form of monetary payments they build infrastructures that (in theory) promote economic development. In such
deals, resource rents are directly translated into public goods thus reducing the risk of rent seeking.

A third set of interventions should be aimed at creating the basis for broad-based civil society mobilisation underpinned by information. While the EITI tracks resource extraction activities, UNEP’s International Resource Panel (IRP) (http://www.unep.org/resourcepanel/) is steadily building up an understanding of global resource flows and why economic growth needs to be decoupled from rates of resource extraction. However, such initiatives are insufficient. They need to be coupled to normative initiatives such as the Natural Resource Charter movement that is spearheaded by an eminent group supported by renowned economists (see www.naturalresourcecharter.org). As this movement has gathered momentum, it has effectively set a new ‘gold standard’ for sustainable and accountable resource governance. As the crisis of resource depletion deepens and the social and economic costs of resource wars mount, there is a distinct possibility that the principles of the Natural Resource Charter could well become the basis for what will be needed at some point in the future – namely a global accord on how to best extract and use what is left. Like the UN Charter which emerged from two world wars, documents like the Natural Resource Charter are effectively humanity’s response to the devastating consequences of spreading resource wars.

Although the institutional interventions referred to above are important, they are primarily focussed on the deployment of resource rents generated directly by resource exploitation. However, it is really beneficiation\(^1\) that will make the greatest impact over the long run. This, in turn, will depend on the development of the human capabilities, infrastructures and institutional environments that will be required to foster innovation. Following Swilling and Annecke, the historical mission of the developmental states of the future is not to drive industrialisation directly but to promote “sustainability-oriented innovation systems” that merge the need to manage resources sustainably with the need to reboot manufacturing as a long-term job creator (Swilling & Annecke 2011: Chapter 4).

\(^1\.\) Beneficiation refers to the process of converting primary materials into a wide range of manufactured goods (ranging from foodstuffs to furniture) and services (e.g. energy).
Conclusion
As the continent where the most vicious and protracted resource wars are located, as well as the continent where the extractive industries sector is growing the fastest, it seems logical that Africa has a moral mandate to lead a global initiative to create a new global natural resource accord. 15 African Governments have already joined EITI\textsuperscript{2} and a number of key African opinion-makers are associated with the Natural Resource Charter. Although the rising popularity of resource nationalism stems from cash-strapped governments who want more benefits from the commodity boom, this could either translate into inflated revenues for rent seekers and thus more failed states or it could create opportunities for developmental resource governance that increases investments in infrastructure and human capabilities for sustainability-oriented innovations.

REFERENCES


\textsuperscript{2} Although Madagascar has been suspended.


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