



How the “Resource Curse” Affects Stability in Africa: Part II

Marcus Noland describes the problems that occur when a country's wealth in resources and minerals corrupts its political system, leading to despotic rule or violent competition for control.

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Steve Weisman: This is Steve Weisman at the Peterson Institute for International Economics talking with Marcus Noland, deputy director of the Institute, about the resource curse and how it has played out specifically in the recent election in Ghana. Marc, you've been making the point that the existence of natural resources and minerals in countries can be a curse. Tell me more about how this curse has caused unrest in other parts of Africa. Is it a major factor in the fighting over the last 10 or 20 years?

Marcus Noland: Absolutely. Contesting resources, typically mineral resources, has been a central feature in the civil wars we observed in Liberia and Sierra Leone, the so-called blood diamonds. It has played a role in the breakup of Sudan and the establishment of South Sudan as an independent country, and it's currently fueling ongoing violence in the Democratic Republic of the Congo.

And indeed, in response to the blood diamond civil wars of West Africa, the world got together and put together something called the Kimberly Process by which diamonds were certified to be produced under legitimate means. The Kimberly Process has a lot of problems and we could probably devote another interview to that.

But the point is is that there was a system in place to try to regulate this, to try to reduce the incentives for warlords or others to start civil wars to capture these minerals. Now the United States government, oddly enough, as part of the Dodd-Frank legislation, has tried to do the Kimberly Process unilaterally in the Congo with so-called conflict minerals.

And that is there's some minerals, especially in Eastern Congo -- they're very valuable, they're used in electronics and you have a very similar situation. What we observed in West Africa 20 years ago where local militias, warlords and so on, get involved in the extraction of these resources and then once they are making money off those resources, those resources can fuel ongoing political insurrections.

Steve Weisman: You said there was a fear that this could tip into civil war in Ghana over the resources despite the recent election. Do you see any signs of that?

Marcus Noland: No, I want to be very clear. I'm not predicting civil war or even mass political violence in Ghana. This will be the sixth election that the Ghanaians have had since they moved away from military rule. They've had an alternation in power between the two major parties. One gets the impression that while the losing party is upset that the margin of the loss is sufficiently large that outside observers, and I think even people within the NPP [New Patriotic Party] will accept the loss.

But there has now been oil discovered all along Bight of Benin from Nigeria, west of Guinea. And if one looks at those countries, Ghana is clearly the most politically stable and the best developed. If the Ghanaians cannot manage this oil wealth very well, it's hard to have very much hope for some of the neighboring countries that will be starting from even weaker basis in terms of their political and economic institutions.

Steve Weisman: This problem exists in other parts of the developing world. Is it worse in Africa?

Marcus Noland: I think it's been unusually bad in Africa and the Middle East because those are the two regions that are both heavily endowed in resources, such as oil or minerals, but they're also the two regions of the world that are the most thoroughly characterized by arbitrary borders and multi-ethnic societies that also give rise to particularly intense contestation for political power.

But the general phenomenon and the resource curse, both in its economic and its political dimensions, have been seen all around the world – Latin America, of course, but other parts of the world, including Asia as well. Right now, one of the big focuses is on Mongolia, which like Ghana, is now growing at an extremely rapid rate due to the discovery of minerals. Burma is yet another where minerals play a very central role in the economy and where people are keeping a very close eye on political developments.

Steve Weisman: Is your book going to discuss this phenomenon around the world?

Marcus Noland: The book that we're writing on resources and development is a general book. It's going to treat both the economic and political aspects of resources and development. By nature, much of this material relates to sub-Saharan Africa and the Middle East. But as I just indicated, the issue comes up in other places like Burma and Myanmar, at Mongolia, Latin America, so we'll be discussing developments everywhere in the world. Not just in one or two regions.

Steve Weisman: Thanks Marc, looking forward to that book.

Marcus Noland: My pleasure.

