

from a single natural resource, being extracted almost entirely for export, can distort investment, and leave the country's economy vulnerable to global commodity price fluctuations – actually constraining development¹². In 1998, for example, the Asian financial crisis led to a 40% decline in Zambian copper sales, its primary export, nearly doubling that country's inflation rate¹³. This points to a failure to diversify, and to plan for a future in which the resource is depleted.

Sustain Regime Against Opposition and Fuel Corruption: Likewise, a non-democratic government's need to distribute economic benefits broadly in order to maintain social order may be reduced by revenue streams emerging from resource extraction, which can be used to reinforce the state's military capacity and 'buy off' the opposition. Likewise, wealth can be channeled from state coffers to private bank accounts through corrupt officials in non-transparent regimes. In spite of its oil wealth, for instance, Saudi Arabia's domestic debt exceeds its GDP. Nigeria made \$300 billion in oil revenues during the last 25 years, but 60% of its people live on less than \$2 a day¹⁴.

Rent-Seeking by Armed Gangs: Finally, armed groups may seek revenue or individual wealth, through exploitation and sale of natural resources, and through extortion of 'protection' funds from companies in the region. The World Bank hypothesizes that in many cases, "rebellions either have the objective of natural resource predation, or are critically dependent on natural resource predation in order to pursue other objectives"¹⁵.

The violence in Sierra Leone has been sustained by this country's readily accessible diamond wealth, which rebel groups have sold to international brokers to purchase arms and supplies¹⁶. Likewise, in the Democratic Republic of the Congo, the conflict is now driven by open competition for minerals and other easily looted resources. As a special assessment mission of the United Nations reported to the Security Council in 2001, "the conflict in the Democratic Republic of the Congo has become mainly about access, control and trade of five key mineral resources...Business has superseded security concerns. The only loser in this huge business venture is the Congolese people"¹⁷.

In short, mineral production can reduce the likelihood of conflict through economic development. On the other hand, large-scale mining may contribute to conflict by creating grievances – inequitable distribution of impacts and benefits - that contribute to violent uprising. Moreover, it may provide a source of funds to sustain the oppression, fuel corruption, or to attract armed bandits seeking easy riches. This is the 'curse' of

¹² Fafo, 2001, page. 10; see also; Waelde, T., *International good governance and civilised conduct among the states of the Caspian Region: Oil & Gas as a lever for Prosperity or Conflict*; (Centre for Energy, Petroleum and Mineral Law and Policy, University of Dundee, 2000).

¹³ Parris, B. Trade for development: Making the WTO work for the world's poor. World Vision, 1999:2.

¹⁴ Onishi, N. with Banerjee, N. Chad's Wait for its Oil Riches May Be Long. In New York Times, 2001/05/16.

¹⁵ Collier, *ibid.* p. 21.

¹⁶ Global Witness, 2000.

¹⁷ Report to UN Security Council, *The Role of Natural Resources in Conflict in the Democratic Republic of the Congo*, 2001.