The Resource Curse: Why People Continue to Starve in Countries Rich in Resources

“Why are you people so bad at managing your wealth?” is a question frequently asked of those who live in countries that are plentiful in resources such as oil, diamonds and rare minerals.

War and civil strive are obvious immediate causes of famine and starvation. While Nigeria is country wealthy in resources, one small state, which is the size of Belgium has more displaced people than the entire refugee influx that arrived in Europe in 2016. The violence of Boko Haram, the jihadist group that still controls parts of the region, is characterised by child killing, abductions and sexual abuse. A million children have no access to school due to armed conflict. Health services have been decimated and cholera and polio, once eradicated, have returned. Save the Children says there is a real threat to 400,000 children right now. However there is a more insidious underlying reason for the war in Nigeria; the Resource Curse.

The Resource Curse.

The resource curse refers to the paradox that countries rich in resources have higher rates of poverty and lower human development, lower economic growth and more authoritarian government and more corruption than their counterparts. This was also called “Dutch Disease”, due to the hardship that befell Holland after the discovery of North Sea gas, which constituted a large part of the economy. The Dutch were paid for gas in US dollars, which led to a sharp rise in the Guilder. As a consequence, home production of agricultural goods and manufacturing fell sharply, being undercut by cheap imports.

In Nigeria, which is the second richest country in Africa, the oil economy has had a much more pervasive effect than in Holland. The Nigerian economy is an oil economy. Swamped by cheap imports from China and elsewhere, Nigerian manufacturers of clothing and machinery find it impossible to compete and so these non-oil sectors have failed to grow. Massive revenues from oil paid by BP and others flow directly from Big Oil to the ‘Big Man’, as African dictators are often called. The Nigerian government has thus no need to depend on revenues from taxes paid by its citizens. Corruption flourishes as the ruling clique have siphoned off vast sums from oil payments, which they then dispense as patronage whenever an election comes around, and so the circus continues. The resource curse has had a drastic effect on the lives of ordinary citizens. For example, at almost $35,000 in 2010, the average income per head in Equatorial Guinea was the highest in all of Africa. Yet, 75% of the population lived on less than $700 a year. This is effectively a kleptocracy and democracy in name only.

Angola, Libya, Sudan and Venezuala are ranked by Transparency International as the most corrupt countries in the world – all suffer from the resource curse – Nigeria ranks 136 out of 167. High levels of corruption are unsurprising because the power of groups that could otherwise challenge government power is reduced. For example, the arrival of vast oil wealth in Saudi Arabia wiped out the power of the middle merchant class, making it possible for the royal family to abolish democracy. An additional problem is the constant instability that is a consequence of relying on one source of revenue, which fluctuates considerably over time. When the price of oil drops, as is now the case, this has a massive effect on the economy, which disproportionately hits the poorest. This in turn increases the chances of armed conflict. Paul Collier of Oxford University argues that the chances of civil war occurring in an African country in any five-year period are 1% for a country not suffering from the resource curse and 25% for those with such riches. In Nigeria the lack of equitable distribution of resources has led to the growth of Boko Haram in the North of the country.

What has this got to do with us?

*British Companies have Colluded in Corruption.*

For years our politicians and Big Oil, including British Petroleum (BP) have shored up corrupt governments with bribes. There are attempts to do something to address the resource curse. Tony Blair and George Soros have put pressure on Big Oil to declare exactly what it pays to governments and even BP and EXXON are apparently beginning to do something about this. Nigeria, described as “fantastically corrupt” by British Prime Minister David Cameron is planning to establish a register of foreign companies bidding for public contracts and blacklisting corrupt ones. But progress remains at a snail’s pace; there is much backsliding on commitments and the Trump administration is unlikely to push this agenda.

*London is a Centre used to Launder Corrupt Cash.*

Britain’s “dirty secret” is the corrupt cash laundered through the City of London. The sums are not small: recently a former Nigerian state governor pleaded guilty to a £50 million fraud. In 2001, it emerged that a former Nigerian dictator laundered $1.3 billion through London banks. It is estimated that the annual figure is somewhere in the region of £70 billion annually, although it could be much higher. Given that this money has effectively been robbed from the citizens it is astonishing that the UK government has done so little to curb this. A small step forward is that since September 2016, illicit Nigerian cash laundered through Britain and seized by British police can be returned to Africa to help with development projects.

What Can I Do?

The causes of famine are systemic and complex. The uncomfortable truth is that as UK citizens we are implicated through the policy of our government and business and have benefitted in kind – we cannot wash our hands and pretend we have nothing to do with it. There is a lot one can do, but first one has to want to do it – if you want to get involved then please contact a member of the Justice and Peace group.

Sources

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