THE LINK BETWEEN NATURAL RESOURCES, ARMED CONFLICTS AND POLITICS

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Abstract. *This paper has the purpose to analyse the connection between natural resources, armed conflicts and politics with the purpose to show what happens with countries that although are poor or underdeveloped, but they have immense amounts of natural resources and also the direct correlation with the fact that politics is quite inefficient when it comes to creating the best policy for improving the standard of living and the country's position when it comes to its own development.*

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5. INTRODUCTION

Unless a successful rebel organization is controlled by another country or by a large and financially disposed diaspora, the organization must generate revenue by operating a business alongside its military operations [1]. The question then becomes the type of activity in which a rebel group is likely to be competitive. Unfortunately, the obvious answer is that the only competitive advantage of rebel groups is their high capacity to carry out organized violence. Because rebel groups tend to be based in rural areas for military reasons, they engage in business activities, such as various forms of extortion and exploitation, and trade in primary goods [2].

Where rural areas produce high-commodity commodities with high economic rents, generally for export, it is a relatively simple matter for rebel groups to administer an extortion mechanism, levy protective duties on producers, or engage in some trade. The best-known examples are the conflict diamonds of Angola and Sierra Leone. Alluvial diamonds are particularly suitable as a line of business for rebels, because the technology is so simple that the group can enter directly into the extraction process, and diamonds are a small commodity, of great value, easy to hide and transport and have accessibility, easily accessible through the market [3-6]. A number of other commodities, such as coltan, drugs, gold and wood, were at various times linked to civil wars in developing countries. In the case of high-value agricultural exports, the rebel group is not directly involved in production, but levies informal taxes on producers and traders. The most spectacular example is that of illegal drugs, which, because of their illegality, have a very high value. But even lower-value export crops are sometimes the target of rebel extortion - the United Revolutionary Front in Sierra Leone began by collecting informal coffee taxes and transferred its payment to diamonds once the procedure was well established.

Some extractive industries require sophisticated technology, generally provided by a multinational company [7]. This also offers opportunities for extortion [8]. Rebel groups can target foreign companies and threaten expensive infrastructure and its functionality, such as an oil or gas pipeline. A particularly notable recent development is that rebel groups raise funding by selling advance mining rights that they do not control, but intend to control. This method of financing instruments of war by selling mining rights is what Ross [2002] calls "prey of the future" [1].

Violent secessionist movements are much more statistically likely if the country has valuable natural resources, as oil is particularly attractive in this case. Examples include Aceh (Indonesia), Biafra (Nigeria), Cabinda (Angola), Katanga (former Congo) and West Papua (Indonesia). There is some evidence that rebel leaders are maximizing and optimizing possible gains in control of resources.

This growth is accompanied by exaggeration, which is partly strategic, as secessionist leaders simply take up the issue of resources to build support for their movement. For example, the leaders of the GAM (Gerakan Aceh Merdeka) rebellion in Aceh spread the idea that secession would turn the province into another Brunei. Ross [2002] estimates that this was more than a tenfold exaggeration of reality [1]. But leaders themselves can also give in to the brilliance of the riches that can be obtained from natural resources and overestimate the probabilities of wind.

6. THE FUNCTIONAL LINK BETWEEN NATURAL RESOURCES AND CONFLICTS

The discovery of a new natural resource or a larger deposit of a known resource considerably increases the risk of conflict in low-income countries, especially if the resource is oil. In many such cases, ethnic cleavages can provoke rebellion [2].

All ethnically differentiated societies have a few idealists who dream of creating an ethnically "pure" political entity, but resource discovery has the potential to turn such movements from the idealist view into an effective and violent secessionist movement [3-7]. Although this type of secessionist movement appears on an ethnic basis and hides its belief in the rhetoric of ethnic discontent, it is a mistake to consider ethnicity or religion as the engine of conflict.

Poor governance and corruption can also exacerbate secessionist tendencies, especially if the secessionist group has a chance to fight for control of a valuable natural resource [8, 9]. If a region believes that resources are being stolen by a corrupt national elite and settled in that country's capital, the prospect of gaining control over natural resource revenues and using them for the benefit of the local ethnic majority can be a powerful engine for a secessionist system [10].

The ransom for the redemption targeted foreign mining companies and may also be a profitable business. In the 1990s, kidnappings became the third largest source of funding for Colombia's two rebel groups (the National Liberation Army and the Revolutionary Armed Forces of Colombia), after drugs and extortion. The abduction brought about $ 1.5 billion to the Colombian guerrillas between 1991 and 1999, and these revenues increased after that period, but decreased in intensity. A large number of victims of the kidnappers are employees of foreign companies that are part of the extractive industries. Oil companies are especially targets for frequent kidnappings, and in some regions, kidnapping has become a common routine for them. Rebel groups can also target foreign tourists for kidnapping, as happened in the Philippines. In Colombia, rebel groups have teamed up with city criminals to create a kidnapping market. The criminals carry out the kidnapping, after which they sell the victim to the rebel group, which then demands ransom.

Just as markets have emerged in some developing countries to trade in kidnapping victims, so have markets in developed countries to provide redemption insurance [11]. Kidnapping insurance, although understandable from a personal or business point of view, has the perverse effect of reducing the incentive to protect workers from kidnapping, increasing the size of ransom payments and lowering transaction costs for the rebel group.

In Colombia, the rebels are believed to have sometimes had access to the insurance company's data and were thus able to determine whether the detained or targeted victim had kidnapping insurance [14]. The estimated duration of the conflict is now more than double that of conflicts that began before 1980 [1]. There is no strong correlation, but one possible explanation is that nowadays it is easier to sustain a conflict than it was before. Even without the support of a superpower or a neighboring government, it is possible to find alternative sources of income to equip and support the rebel movements [13, 15].

Once the conflict breaks out, it tends to make things worse by its effect on the structure of the economy. Many natural resource exports are relatively unaffected by the conflict because they have high rents or operate in enclave-like regions with minimal back-and-forth links with the rest of the economy, in contrast to production or service activities such as tourism, which tends to have small margins and are slightly disturbed by the existence of the conflict.

Moreover, economic policies and institutions, which are essential for economic diversification, deteriorate significantly during the conflict and take a long time to recover. As a result, countries may find themselves even more exposed to natural resources than before the conflict began. This makes that conflict much more difficult to resolve and, when resolved, will increase the risk of returning to war.

More than a billion people live in low-income countries that have not been able to implement and support policies and institutions that will allow them to join the group of middle-income and more developed nations. These countries have generally been affected by the economic downturn and are dependent on primary goods. This group faces a high risk of civil war, which, if materialized, puts them on a path of reverse development. In other countries with low-intensity conflict or collapsed states, corrupt officials and their opponents, often involved in organized crime and terrorist networks, have diverted revenue from natural resources. In addition to sustaining conflict and undermining governance, resource exploitation has contributed to famine, disease spread, population displacement and severe environmental damage. Abundant natural resources, which should be a blessing for a low-income country, in most cases make people poorer and poorer.

The adverse effects of natural resource endowments go through a variety of channels, but most of them threaten development through concerted global policies and actions. Some of the actions needed to prevent civil wars must come from the governments of developing countries - for example, by making greater efforts to adopt policies and economic institutions that can stimulate growth but also reduce poverty, improve governance and transparency and recover reasonable dissatisfaction. However, some measures require concentrated global action.

Building a more peaceful world is not just a matter of encouraging tolerance and consensus. This should involve a practical agenda for economic development and effective global governance of markets that have come to facilitate rebellion and corrupt governance. In concluding this paper, we examine measures that can be seen as part of a global development agenda and measures that are most appropriately seen as part of global governance of natural resources and its link to conflict.

7. A COUNTRY'S DEVELOPMENT AGENDA VERSUS THE POSSIBILITY OF A CIVIL WAR GENERATED BY THE POSSESSION OF NATURAL RESOURCES

Successful development is the best protection against civil war. In particular, growth and sustaining economic growth, diversifying the economy and assisting countries to deal more effectively with commodity price shocks can help reduce the risk of conflict in low-income countries.

The positive evolution of economic growth; Faster economic growth would reduce the risk of conflict by increasing income levels and, indirectly, over time, by assisting diversification. The key issue is how to develop growth. There is a broad consensus that three instruments - domestic policies, international aid and access to global markets - are all effective for growth.

The exact way in which it operates is subject to debate, but there is no significant disagreement on the merits of market access. Some analysts argue that aid and policies complement each other, with aid becoming more effective as policies become better and, on the contrary, policy reform is more effective as aid inflows become larger. Other analysts argue that the beneficial effects of aid and policy are independent. The common reason is that where policies are reasonable, aid is effective and that, where policies are not reasonable, improving policies will increase growth. The intention is not to introduce these arguments here, but only to state that the old saying of "good policies supported by generous aid and market access" remains an effective long-term strategy for conflict prevention.

Diversification from borderline situations; An obvious way to reduce countries' dependence on natural resources is to help them diversify their economies. Countries with a more diverse export base are better protected from the adverse effects of price fluctuations and less prone to the curse of resources. On average, exports from developing countries are no longer predominantly primary commodities. But this average masks an inclined pattern - at one extreme, successful developers who have achieved amazingly rapid diversification, and at the other, a group of low-income The fact that the former group has succeeded shows that it is possible for the marginalized to do the same; however, diversification may not always be a realistic or even a desirable option - Botswana is a deserted country with few options in natural resources other than diamonds. For these countries, the priority should be for natural resource endowments to work effectively for development, as Botswana has done, but for many countries, diversification is certainly a viable option.

Three factors significantly reduce a country's dependence on primary goods: growth, aid and sustainable policy. On average, growth diversifies an economy, which reduces the risk of conflict, in addition to the direct contribution of growth to risk reduction. This does not imply that all policies that promote growth promote diversification, but there is an assumption that stimulating growth will normally help diversify. The aid significantly reduces dependence on primary goods. This may be partly the result of the Dutch disease, which, by increasing the availability of currencies, leads to an appreciation of the exchange rate and therefore reduces export incentives. The aid can also improve infrastructure - transport, electricity, telecommunications - which can help reduce business costs and improve the international competitiveness of non-location-specific activities and their profitability. Good economic policy also significantly promotes diversification. Collier and Hoeffler [2003] measure this using the World Bank's Country Policy and Institutional Assessment (CPIA) ratings [3]. On average, a 1-point improvement in the CPIA - roughly equivalent to the difference between African and South Asian policies - would reduce dependence on primary goods from 15.2% of GDP to 13.8%.

Reducing exposure to price shocks. Many of the problems caused by dependence on resources stem from international price volatility. Commodity prices are highly volatile, so countries that are heavily dependent on primary commodities regularly suffer from falling export prices. Studies show that commodity price shocks tend to promote corruption, weaken state institutions and create a number of budget and management problems. This is partly due to shocks that produce a multiplier contraction in production and severe fiscal pressures, which do not disappear when prices return. Recent research finds that when these shocks are high, they severely affect growth in the medium term - every dollar of lost export earnings generates another two dollars of production contraction [15]. There is also some evidence that much of this lost growth is never recovered. Therefore, negative price shocks can induce episodes of rapid and persistent economic decline that increase the risk of conflict.

8. CONCLUSION

The governments of low-income and shock-prone countries face macroeconomic management problems on a scale that developed countries have not seen since the 1930s. However, their plight received little attention from supporters. Shocks caused by natural disasters - earthquakes, hurricanes, floods, droughts - usually produce a massive and generous donor response, often overcompensating for the shock itself. Price shocks, such as those experienced by coffee producers today, although often much more devastating, have not historically triggered any significant response from supporters. Until recently, the international community had two tools to solve the problem: the International Monetary Fund (IMF) Compensatory Financing Facility (CFF) and the European Union (EU) Stabex Facility. For various reasons, neither of them worked well and both are dormant. CFF was a non-concessional lending facility, however, it is usually unwise for a country to borrow commercially at the onset of a severe negative shock. Stabex downloads were so slow that they tended to be cyclical, reaching the next price increase to reach their target, practically entering another cycle.

Even the governments of developed countries, with sophisticated teams of experts, would find it extremely difficult to manage such large shocks. Governments in developing countries usually lack the expertise and political freedom to effectively implement contracting policies. Therefore, there is a case for global action to cushion these shocks and help countries improve or transfer some of their risk management. International financial institutions, in particular the IMF and the World Bank, could consider redesigning existing instruments or developing new mechanisms to reduce the impact of price shocks. Beyond amortizing prices, there are reasons to reduce them, where possible. Attempts to control commodity prices have failed repeatedly and there seems to be little reason to propose them again. However, the trade policies of OECD (Organization for Economic Co-operation and Development) countries may exacerbate volatility for other countries. When the governments of OECD member countries increase their subsidies to domestic producers in order to amortize them from a fall in the world price of an agricultural commodity, the effect is to amplify price shocks for the rest of the world. The amortization that these subsidies provide to domestic OECD producers has the cost of increasing price volatility for producers in low-income countries - precisely for those who can afford the negative shocks and can have several ways to soften falling prices.

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