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LINKING RENT-SEEKING ACTIVITIES TO NATURAL RESOURCE CURSE PHENOMENON: THE CASE OF AFRICA

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ABSTRACT

It has been shown that the growth scores of those countries with rich natural resource endowment have often turned out to be worse than those of countries with little or no natural resources. That is to say, "Resource curse" thesis emphasizes the presence of a paradox between natural resource surplus and economic growth. Furthermore, findings fundemantally support the proposition suggesting that "the higher the degree of dependence on natural resources becomes, the more unstable the economic outlook on growth will become." Africa owns extraordinarily rich resources, such as oil, natural gas, precious metals, mineral deposits and so on. However, as resource curse thesis stipulates, the extensive resource endowment has not been reflected on dynamic growth process of the likewise countries. Most often than not, resource abundance has fostered incentives for rent-seeking activities no matter how these practices were ethically unacceptable. The competion for obtaining resource rent paves the way for further corruption, internal conflicts, armed struggles, societal rifts, military interventions and so on. The Dutch Disease concept is set to explain the reasons for the underlined negative correlation between resource abundance and rate of growth. Despite the intellectual appeal and sound macroeconomic basis it accommodates, the Dutch Disease account of resource curse has generally been dismissed as being inconclusive. Additionally, the case of Africa has its own characteristics with regard to its social and economic structure, and geographical design and climate. Africa cannot be confined to the limitations brought in by the Dutch Disease concept. The findings of this study highlight that the majority of the selected resource rich African countries, during the selected sample period (1980-2013) have grown slower than those selected resource scarce countries.

Key Words: Natural Resource Endowment, Natural Resource Curse, Resource Extraction Industries, Dutch Disease, African Economies, Rent Seeking Activities.

ÖZET

Zengin doğal kaynaklara sahip ülkelerin büyüme performanslarının, çoğu zaman çok az yada hiç doğal kaynaklara sahip olmayan ülkelerden daha kötü olduğu ispatlanmıştır. Kaynak zenginliği ile ekonomik büyüme arasındaki paradoks'u vurgulayan Bu durum, "Kaynak lanet"i tezi ile açıklanır. Ayrıca, bulgular temel olarak, "doğal kaynaklara bağımlılık derecesi ne kadar artarsa, ekonomik durum ve büyüme o derecede istikrarsızlaşır" ifadesi ile temel olarak örtüşmektedir. Afrika kıtası, petrol, doğal gaz, kıymetli metaller, madenler ve diğer kaynaklar olarak olağanüstü kaynaklara sahiptir. Buna rağmen, bu zengin kaynakların varlığı, Kaynak Lanet'i tezinin iddia ettiği gibi, bu zenginliğe sahip olan ülkelerin ekonomik büyüme sürecine yansımamıştır. Çoğu

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zaman, her ne kadar etik dışı görülürse görülsün, kaynak zenginliği, rant sağlayıcı faaliyetleri teşvik etmiştir. Kaynak rantı elde etme alanındaki rekabet, yolsuzlukları, iç uyuşmazlıkları, sosyal çatışmaları, iç savaşları ve askeri müdahaleleri ve diğer olumsuzlukları tetikleyebilmektedir. Dutch disease (Hollanda Hastalığı) Kuramı, adı geçen doğal kaynak bolluğu ve büyüme arasındaki negatif ilişkinin nedenlerine açıklama getirmeyi amaçlar. Sağlam makroekonomik temellere dayanmasına ve entelektüel çekiciliğine rağmen, Dutch Disease Kuramı'nın Kaynak Laneti olgusuna getirdiği açıklama yetersiz bulunmaktadır. Buna ek olarak, Afrika Kıtası; sosyal ve ekonomik yapısı, coğrafi özelliği ve iklimi itibari ile kendine has özellikleri barındırmaktadır. Afrika'nın, bu durumu itibari ile Dutch Disease kuramının kısıtları içinde sınırlandırılması mümkün değildir. Bu çalışmanın sağladığı bulgular, verili dönem itibariyle (1980-2013),seçilmiş kaynak zengini Afrika ülkelerinin çoğunun, kaynak fakiri Afrika ülkelerinden daha yavaş büyüdüğünü göstermektedir.

Anahtar Kelimeler: Doğal Kaynak Bolluğu, Doğal Kaynak Laneti, Doğal Kaynak İşleme Endüstrileri, Hollanda Hastalığı, Afrika Ekonomileri ,Rant Sağlayıcı Faaliyetler.

INTRODUCTION

"The resource disease", the term I use interchangeably with "resource curse", or "resource trap" as conventionally received a broad coverage in literature. The resource disease, concerning the case of African States, is not intrinsically a macroeconomic phenomenon that celebrated Dutch disease approach is set to explain. As further elaborated elsewhere, the Dutch disease seek to gain ground for uniform applicability, but resource rich countries across the globe find themselves surrendered by diverse circumstances. Such intricacies involved therefore leave little room for its broader application, especially its application for African States. The resource curse phenemonen of Africa is primarily characterized by lack of democracy and democratic institutions, and lack of transparency as a result; and host of other ill-practises, mismanagement and misuse of resources; and bad governance of multitude levels.

It has been shown that the growth scores of those countries with rich natural resource endowment have often turned out to be worse than those of the countries own little or no natural resources. That is to say, Resource curse thesis emphasize that resource abundance tend to impede the natural growth process of these economies. Furthermore, findings on this fundemantally support the proposition that "the higher the degree of dependence on natural resources becomes, the more unstable the economic outlook on growth will become." Africa owns extraordinarily rich resources, such as oil, natural gas, precious metals, mineral deposits and so on. However; as resource curse thesis stipulates, the extensive resource endowment has not been reflected on dynamic growth process of the likewise countries. Nor did people of Africa by a large benefit from the gifted natural resources over the many decades. Despite the gloomy Picture drawn by the resource curse thesis, there exist a number of robust economies which have been growing significantly over the long period of time. The Dutch Disease concept is set to explain the reasons for the underlined negative correlation between resource abundance and rate of growth. Despite the intellectual appeal and sound macroeconomic basis it accommodate, the Dutch Disease account of resource curse has generally been dismissed as being inconclusive; and there exist strong evidence against its validity.

It has been indicated that the suggested negative correlation between resource surpluses and economic growth is largely attributable to the case where an economy is depending on a particular resource, (Murshed, 2004), (Auty, 1993), (Auty, 2001), (Auty, 2007), (Sachs and Warner, 2001), (Woolcock et. al., 2001), (Auty and Evans, 1994). Let's take an oil-rich country as an example: the windfall income generated in this extraction sector is not apt to spill- over in to the wider economy through multiplier effect. On the other sectors of the economy however; generated income can flow effectively and rapidly enough to penetrate into the larger economy.

Furthermore; there exist numbers of quantitative work which were undertaken from 1990s onwards, to challange the pressumed correlation between democratic regimes and economic well being. Regarding this; academics highlight similar findings but from somewhat different perspectives. Most of the findings points to the positive relationship between democracy, sound political tradition and institutions and; economic stability and development. Collier and Hoeefler (2004) show that how the occurrences of societal disruptions, internal conflicts and armed confrontations can drive a resource rich country into a poverty-stricken trajectory. They find that the initial destructive impacts triggered by the armed confrontations are to be perpetuated in the long-run. The long-run Outlook for economic growth is often a catasrophic one. Fiaschi (2011) considers, "a growth model where the fight for the appropriation of rents from natural resources between two groups leads to multiple equilibria. The range of initial income leading to the low-income equilibrium, characterized by strong social conflict (civil war) and stagnation of income, widens with the amount of rents from natural resources, the weakness of political institutions, the population growth rate, and the rate of depletion of natural resources and narrows with the level of per capita income, the investment rate and the life expectancy of individuals." (Fiaschi, 2011)

Among others, Barro (1996), Alesina, et al, (1996), Bhattacharya and Hodler (2009), Collier and Hoefler (2004) Collier and Hoefler (2009) found and eloborated the some versions of above mentioned correlation. As for the interpretations; it is challenged that the process of designing face value democratic rules are far from being able to elicit its intended results across the developing countries, whereas the presence of inherent checks and balances in advanced democratic traditions provided them with good enough power to safeguard the interest of the public by a large. Bhattacarya and Hodler (2009) present similar results in this respect. The struggle for appropriation of resource share within resource rich societies trigger antagonistic behavior and generate disruptive serious conflicts. (Olsson, 2007) The findings suggest that the causes of armed conflicts in resource rich countries are inflammed and dominated by attempts of rent appropriation where the governance is ineffective and such conflicts would not have emerged in the absence of natural resurces where prevalent robust institutions were present. Ross (2006) investigates the correlation between natural resource endowment and civil conflicts. As being showcased throughout this work; it goes without saying that any kind of ongoing autocratic rules or dictatorships over the resource rich, income poor countries are to be held responsible for their stagnant economy and poor economic performance. The following authors also bring evindence in this regard with similar findings but their focus varied, depending on their approach to the subject matter. Barro (2000), Jensen and Wantchekon (2004) present similar results in support of the above testimony.

The objective of this study is to show that majority of resource rich and resource exporting African countries have shown poor economic performance for decades and likely to continue to do so inspite of extraordinary natural resource wealth they possesses. This wealth of Africa is more than enough to transform the Continent, the findings and arguments of this work hoped to help to address the eminent issue and raise awareness. The rent-seeking conduct that opened the Gates of corruption is the main line of the argument to account for the Natural Resource Curse thesis. The structure of this work is as follows:

First, introductory Chapter presents the main argument, the Resource Curse phenomenon. Chapter 1 deals with the subject of economic growth and structural issues. This chapter investigates the issue of resource price volatility that might have serious impact on goverment spending and debt formation. Chapter 2 focuses on the argument that seeks a linkage between rent-seeking conduct and political instability. Along this line, Rent-seeking behaviour and social conflicts are related to the phenomenon of democratic deficit. Finally, chapter 3 concludes the results.

1. AFRICAN ECONOMIES AND RESOURCE CURSE: RENT-SEEKING ACTIVITIES AND POVERTY TRAP

1.1. Dutch Disease and Resource Rich Economies of Africa

One of the explanations of why resource rich countries get stuck in low income growth trend with lower real economic growth is the celebrated Dutch disease concept. It defends that economies with relatively high proportion of resource export share relative to their GDP will end up with an overvalued domestic currency which through accumulation of incoming capital from abroad. Through the channel of an appreciated national currency, some of the investment otherwise would be undertaken will be crowded out due to the fact that this alteration causes negative effect on net exports of goods other than items of natural resources. Through this process, the degree of general competitiveness in international trade is weakened: Dependence on a single resource in exports will sooner or later be backfired. Given the volatile nature of resource prices such as gas and oil, the sudden slumps in prices will be translated as dramatic contraction in oil revenues. Such cycles are doom to create sudden shokcs in goverment spending. This being the case, the debt accummulation process will remain as a serious burden for goverments. The lower prices can induce over production of natural resource and this process will observe drying down ofthe reserves of the national resources as well as future revenues. Under the context of Dutch disease, repeated cycles of this kind will help perpetuate the state of stagnation in the economy; lack of sustainable growth therefore becomes a long run reality. Although the so called Dutch disease brings intuitive insight into the study of Resource Curse phenemonen, it is not self evident that it can fully explain the notion of repetitive process or cycle as in a uniform dynamic process. Hence, the undesirable outcome implied by the price boom-bust cycle need not necessarily be taken as a priori consequences of upswings in resource prices. It is hard to attribute this way of explanation of Dutch Disease to resource abundant African countries since there is not sufficient evidence in support of its validity. Indeed; Africa equally has peculiar characteristics of its own, so Dutch Disease hypothesis alone would be inexplicable under the given circumstances of the resource rich Africa. The findings of Leite and Weidmann (2002), Sala-i-Martin and Subramanian (2003) point at the lack of support for the validity of Dutch Disease concept.

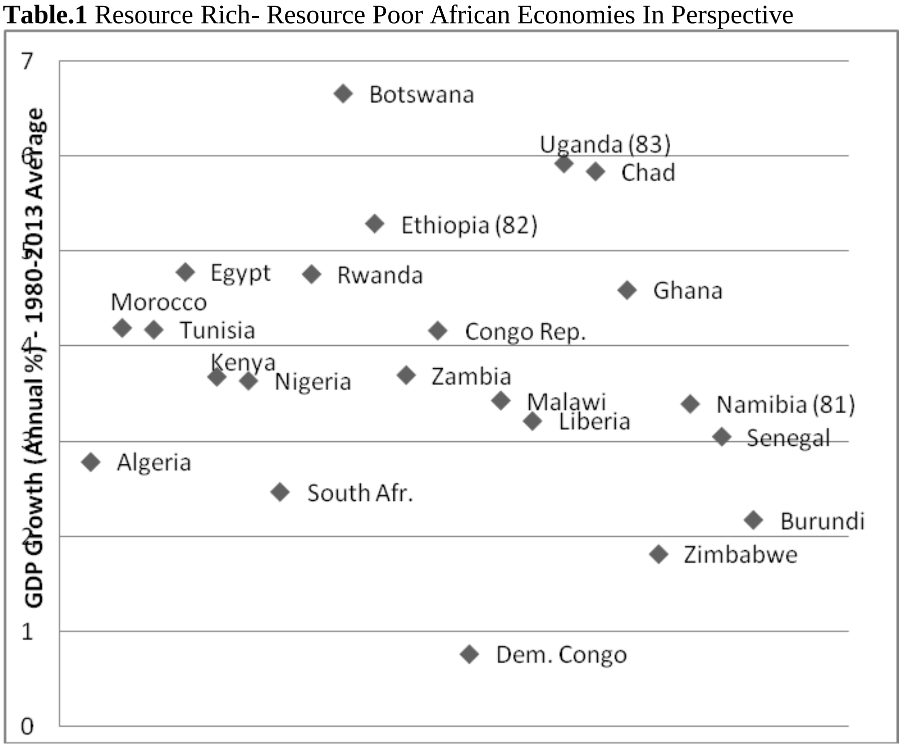
1.2. Resource Dependence and Volatility: The Issue of Lack of Fiscal Disciplin

Resource endowment has not been dispersed equally over the African continent; some states are abundant with the natural resource endowment while others enjoying the bounty of natural resources to a limited extent. While on the other hand, many countries are deprived of such privilege. The realm of resource endowment is the key element that helps to conceptualize the nature and functioning of African economies. The natural resource extraction is the main economic activity that many poor performing developing African economies must rely on in their bid to promote domestic economy's well-being. In some instances; the resource extraction activity becomes conspicously high proportion of overall economic activity, i.e. oil production stands out 90 percent of total economic activity or production carried out in Angolan economy. Hence; there is no case for product diversification in Angolan economy, consequence of which brings in "natural resources trap", intrinsically a trap that perpetuates poverty cycle.

The main problem with resource rich, especially oil exporting countries is the issue of resource price volatility. This in turn create boom and bust cycles to be interpreted as conjuctural upswings and downswings impacting economic activity. Price booms tend to create inflation; and downward movement in prices inclines to cause contraction in economic activity. At the times of price booms; the goverment ought to cut down public spending and accummulate public funds for the future use. However; goverments often fail to do so and consequently economies are inflicted by the rising tides of inflation. The next phase might become more painful since goverments would not have readily available funds in hands due to their extravagant spending when windfall revenues were available. The common feature of most resource rich countries, especially those of oil-exporting countries is the fact that they lack fiscal discipline. As eloborated below; this situation gets worse when goverment spending is artifically channelled to financing reelection to the power as suggested by the theory of the Political Business Cycle. Then, the debt burden increasingly becomes problematic and hard to sustain in the long run. Less accountable the institutions are more unbearable the undertakings will become. The problem with the most resource rich African countries is bigger than price volatility excessive spending; the goverments do not even perform basic obligations towards public, public services are often very limited and operated inefficiently. Therefore; the boom and bust cycle considerations that are often linked to the premises of Dutch disease concept, have limited explanatory capacity for the African economies under question. The rent-seeking activities and corruption are complementary features which inherently characterize the process of governance and poor performance of the economy.

As far as natural resurce extraction cycle in an economy is concerned, two defining points become conspicous that prevents potential income growth of the economy. First of all; the sectoral organization would be highly in demand of capital-intensive production methods. The income generated comes strictly from few resource hubs stationed in distant localities. A similar pattern is to be observed in the exportation process which promotes the degree of concentration that resource industry possesses. Relatively fewer enterprises are involved in this process and most of of them are happened to be foreign firms. In short; windfall resource revenues tend to generate high level of industrial concentration within which many interst groups are in competition with another to make most of rent-seeking activity. Since it often turned out to be a capital intensive industry; relatively few privileged employees are able to share the benefits of the industry of plenty. Whereas in some other sectors of the economy, such as agriculture, forestry, natural resources can provide a web of income distribution mechanism that would equally allow the larger section of the society to reap the benefits of the income created initially. Since likewise industries generate less concentration, they are conducive to economic growth and development. The presence of the underlined sectoral concentration-as eloborated further in these work-paves the way to air of corruption and fragulant behaviour of those involved in rent-seeking activities.

Table.1 Resource Rich- Resource Poor African Economies In Perspective



Source: World Development Indicators (2014)

1.3. Resource Rich and Resource Poor African Economies:Comparisons of Growth Rates

It is hard to discern that resource rich African countries can qualify as FDI paradayse without taking into account of their structurally low manufacturing expansion capacity. The size of Foreign Investment in natural resource related sectors; especially in oil-related industries have expanded during the last two decades but gained momentum and intensified during the course of last decade. In that; it is worthwhile to stress the Chinese influence; presence of which has given a fresh momentum to the growth of investment in Africa. In line with this trend of rapid increase in FDI, the production and exportation of oil-related products and some other precious metal items have grown immensely in many African countries. This wave of FDI flow and consequent production and export boom is in return reflected in the GDP performances of the number of countries regarded as "resource rich." Despite such a massive expansion in extractive industries, the resource rich African countries have grown less rapidly than resource scarce countries on average. However; resource rich Botswana has realized an exceptional achievement, the highest growing country between 1980-2013 within the selected sample countries. Botswana helped by natural resource endowment, has had gained great momentum in terms of economic growth and development. The resource rich countries, in some cases, supported also by geographical advantages, lagged behind of those with relatively disadvantaged circumstances, i.e. coastal resource rich country versus landlocked resource scarce country. Algeria, a coastal resource rich country with extensive oil and gas reserves and potential present production, stands out as a growth failure in this respect. The rest of the Picture is as gloomy as it looks: Undemocratic goverment structures prevail in most of the countries across the continent; some of them have gone through too far in that they are considered as failed states. In fact; there are some positive signs of some improvement in democratic standards of those countries formerly classified as "weak democracies" with relatively weak institutions.

It is possible to conduct some assesment and comparison based on statistical data provided by African Development Report (African Development Report, 2007) on resource rich countries for the sample period between 1981-2006. Given the sample period; resource rich economies has shown the performance of annual GDP growth rate of 2.4; lower than average African growth rate of 3.0; while resource scarce countries have performed a higher rate of 3.8 percent. Among the resource rich countries; oil exporting countries have performed average annual rate of growth of 2.4 percent; and mineral-exporting countries, of 2.4 percent; countries in both categories have fallen behind of resource scarce economies in the sample period. Landlocked countries outperformed resource rich countries for the same saple period with the annual growth rate of 3.3 percent. Resource rich, landlocked countries stands out with the best performance in given categories; Annual GDP growth rate of 4.5 percent. Resouırce-scarce, land-locked countries; despite their disadvantaged position, have performed relatively better than the average of resorce rich countries, scoring an Annual growth rate of 2.9 percent. Resource-rich coastal countries have performed annual growth rate of 2.3 percent, while on the other hand, Resource scarce coastal countries have performed almost twice as much; 4.1 percent rate of annual growth in the sample period.

The conclusion is that, resource rich countries, despite their previleged position, have failed to follow a trend of growth rate needed for further economic development to transform the society for the better. The fact that Resource-rich coastal countries have performed worst level of annual rate of growth, despite their most advantagous position, a unique position of having rich resources and; having access to easy and cheap of transportation. The underlined statistics to a certain extent shed some light on the notion of so called "resource curse", and bring some useful insight into further understanding of African case in this respect.

1.4. Economic Policy Concerns; Current Challanges

From the economic policy point of view, there are some core issues need to be addressed concerning resource rich countries. First of all; it is inevitable, at least temporarily, the resource production sector have better be removed from public agenda as a prior domestic sector or underlying matter of interest. This is a necessary trajectory to follow in order to diminish the appeal of rent accummulation drive of those concerned in the society. Second; Even if those sectors are run and functioned effectively, so long as they remained solely primary extraction sector, their direct contribution to domestic employment is strictly limited since such sectors are accommodating highly specialized production technologies. Third; natural resource prices, especially prices of oil and gas are highly vulnerable to volatile environment of global markets. This is the case for the emergence of recent slump in oil prices across the globe generated by political conditions as well as changing market environment. The oil price has plummeted with unexpectedly large proportion, merely pushing most of the oil-surplus countries in crisis situation. The resultant damage is loss of large amount of revenues both by multinational corporations and goverments. The sharp reductions in oil prices has created crises situation in major producer countries, hastily trying to find strategy to find a remedial solution. Russia had already been suffering from recent economic sanctions imposed by the west and U.S.A. before feeling the pulse of disturbances in oil markets. These drastic changes in market conditions had triggered hectic diplomacy among major oil producing countries. Ironically; OPEC members partake in another oil crisis as major players in oil industry, this time the phrase to define the reversed state of disturbance, might be, "the first downward facing oil shock". This time the roles are reversed, the main losers are the oil companies and major oil producing countries across the globe. The efforts by OPEC to raise the prices have y resulted in vain; the major producers are generally reluctant to cut down the amount of production from pre-crisis level. Under the given circumstances; it is unlikely that prices will drive up to pre-crises level in the foreseeable future. Severe implications for economic activity in general, and public spending in particular, are likely to show up in its intensity in the longer run. The longer the lower prices prevail, the higher the cost will become for goverment and society by a large. Finally; the rent creating natural resources are non-renewable sources with a limited life cycle; the excessive exploitation of the resources tend to increase its opportinity cost as long as extraction period is prolonged. Infact; some resources are strategically so important for the domestic use, so that preservation, rather than intensive exploitation of them for export revenues, must become a vital concern.

2.RENT-SEEKING AND POLITICAL ENVIRONMENT:AFRICAN COUNTRIES

2.1. Rent-seeking and Political Instability

The phenomenon of the natural resource trap is set to higlight a paradox: "richness in resources tend to restrain the economic growth process." Mehlum et. al. (2006) comes up with a further classification: For instance, growth losers, such as Niger, Zambia, Sierra Leonne, Angola, Saudi Arabia and Venezuella, are all resource rich, while the Asian tigers : Korea, Taiwan, Hong Kongand Singapore, are all resource-poor." There exist numerous studies undertaken up to date which comes up with the results in support of the above conclusion. It is argued that more resurce rich is a country, the higher number of enterprises seek to engage in rent related gains related to the resources in question, whether it is oil, gas production or gold or diaomond extraction, trade and other businesses closely related initial resource. Therefore; this tendency crowds out or slows down the process of productive investment and production in other industries otherwise could have been more prosperous. Torvik (2002) and Sandbu (2006) bring evidence in support of contractive rent-generation effect of resource abundance on likewise economies. Rent-seeking tendency is also common among goverment officials and rent-seeking activities and corruption in governance ia an interrelated issue. Among others, Barros (Barros, C. P.; 2012) stresses the importance of rent seeking activities of goverment officials through myriad of channels and accounts for their wider implications. He finds that the high goverment officials would endavour to accumulate personal wealth through malpractises of governance; he hereby presents profound linkages to higlight the relationship between goverment officials and and foreign corporations in charge of resource extraction. Others follow the similar junctures to highlight the various aspects of corruption, mismanagment, misuse of authority; and mishandling of resources accross the African continent. Among others, Ross (Ross, 2001), Mauro (Mauro, 1995), Wei (Wei,2000), Cole, Elliot and Zhang (Cole, Elliot and Zhang,2009) attempt to deal with the iss ues of corruption at varying degree of focus; and they endavour to articulate the ideas to tackle them.

Most often than not, resource abundance has fostered incentives for rent-seeking activities no matter these activities were ethically unacceptable or would be described as illicit under the principles of universal criteria. The GDP or per capita income indictors are useful indicators and often used at least as one of the most important measurement of economic performance and well-being. Despite its usefulness, it can be distortive if employed alone independently. Equatorial Guinea is a small country with a population of less than a million, and has been using its rich oil reserves for about a two decades. Thank to the windfall oil revenues that served few of previleged persons, the per-capita income statistics has been swelled artifically so high so that it promotes the country to the category of higher income group. Having judged on this score; Equatorial Guinea becomes the richest country in Africa. The other side of the picture illustrates totally opposite of what one might expect, the telling picture of reality. Infact this reality reports that most of the populations have been caught in perpetual form of poverty trap and struggling to survive. The prospect of many new African countries becoming oil or gas exporter; and some of the present producers enhancing their production in the future is highly predictable. The recent discoveries have already created new oil producers such as Ghana and Uganda. Given the current situation; it is highly urealistic to expect that multiplying oil revenues will soon be transformed into wealth and welfare and; be shared and enjoyed by the majority of the citizens. "In Africa, where one party dominance or outright authoritarian rule prevails, as in Ethiopia, Gambia, Tanzania, and Uganda, oil wealth will further entrench it. And where democracy is struggling to sink roots-as in Kenya, Liberia, Malawi, Senegal, and Sierra Leone-it could easily overhelm weak state institutions." (Diamond, L; and Mosbacher, J.; 2013)

The competion for gaining resource rent paves the way for further corruption, internal conflicts, armed struggles, societal rifts, military intervention and so on. Consequently; this repeating processes are constantly being transformed into lower growth ratio, higher unemployment, lower income and persistent poverty. Goverment officials of those in charge of the state often immersed in fragulant behaviour in order to serve to their own interest rather than considering the welfare of the public they were supposed to represent. Thus, the resources supposedly belonged to people were squandered recklessly by a handful of elite without much consideration to the public. Poor health service and education standards, lack of vocational training and lower growth. Unless democratic institutions are established fully with legitimate power of checks and balances, this vicious cycle is expected to carry on functioning in Africa against the back drops of new discoveries of highly valuable rich reserves of natural resources. In fact; new wave of investment flow in drilling for oil and gas extraction during the course of recent years has brought about a sharp rise in FDI. Therefore; the recorded amount of FDI has sharply increased in the countries involved in resource extraction due to the lack of capital investment of African origin. Suppose that the current political situation and corruption persisted in the long run; unprecedented increases in the scale of oil and resource extraction have little to offer to the ordinary citizens from Africa. In order to help Africans to build up true democracies at home, International Community holds equal moral responsibility as much as the African Communities. Despite the fact that some steps have been taken towards securing more goverment accauntability in dealing with oil extraction contracts and oil revenue, transforming the resource rich political entities into xxtrue democratic institutions lies as a formidable millenium challange to overcome.

2.2.Lack of Democracy And Rule of Law In Resource Rich African States

It is true that a vast majority of resource rich countries do not posseses a robust sustainable democratic governance. The case is that, regardless of their income level, they have not passed through the democratic transition process that shaped the credentials and merits of the governance in contemporary democracies. Taken for granted the the low economic development level in the majority of these countries; a rapid transition alike appears to be much less possibility, wheras there exist a few examples of considerable improvement in democratic governance by some low income countries. Botswana, is mentioned already in this respect, and Rwanda, twenty years after the genocide, remains a solid democracy for people.

It is discernible to pressume a correlation between the type of political system and economic growth and development for any given country. Such a suggestive insight might stand out as more relevant in the heart of the discussion with respect to resource rich countries. As highlighted above; varying from one level to another, from most severe and brutal dictatorhips to relatively milder regimes, growth prospects are less than the overall potantial of the economy. This picture is most visible when a resource rich country is ruled by a rigid, most extreme form of autocratic regime that denies all basic democratic rights for the people on its terretory. As for the case of oil-surplus countries; some mighty dictatorships ruled over the Middle East with the upmost severity underscores as examples of text book quality. The basic causality therefore runs from the available exubirant oil revenues to undemocratic reppresive dictatorships.

As highlighted by Collier (Collier, 2007) alongside the resource rich non-permissive political entities, resource rich democracies are likely to suffer from the slowing down impact on growth and development respectively. The findings strongly support a relationship between resource endowment and political system, political institutions and governance. The findings of the works of Auty (2001), Atkinson and Hamilton (2003) are in this line. Diamond and Mosbachar (2013) contends that “not a single developing country that derives the bulk of its export earnings from oil and gas is a democracy." In terms of political terminology; under some certain circumstances, the curse epidemic is prone to spread across the overall political landscape. The natural endowment supplied by nature seemingly puts resource rich countries at a priveleged position at the outset but, but in reverse, its presence might also pose as a serious threat to a steady democracy. Some findings support the presence of such a tendency (Collier, 2007). On the other hand there exists a tendency for moving forward to establish some degree of democratic governance among the resource rich countries. Considering the former case where rich democracies are somehow undermined-in terms of democratic governance-it might be palatable to argue that the gap between the economies of resource rich democracies and their undemocratic counterparts tend to close in over the time.

Collier and Hoefler (2002), Fearon (2004) and Hodler (2006) present evidence in support of the fact that natural resource abundance trigger, nurture and even perpetuate armed conflicts. Those conflicts are mainly direct result of rent-seeking struggles of competing rival groups fighting to take control of natural resources, and of course the windfall revenue being generated by those resources is the main motive for their struggle. Institutional stability by a large threatened and hampered by the existence of natural resources and groups and individuals with conflicting interests in rent-seeking endavours.

As far as traditionally strong democracies are concerned, not only fairer competitive elections are inherent in the existing political structure but also vital mechanism play the role of check and balances within the whole political process. The contrary holds true for the most of the underdeveloped world where democratic rules often heading towards malfunction. This is exatly the identical picture that portraits the political momentum of resource rich countries that have fallen into poverty trap and stayed there for decades. Collier, (Collier, 2007) in depicting the disfunctional democratic structure in such countries, uses the term *patronage politics*, a corrupted genre of democratic structure. In such societies, democratic elections based on fair competitive political race are far from an achivable goal. Because of fragulant behaviour of the politicans in order to gain power to govern, the whole election process might br entrenched in corruption. Vote rigging, vote buying methods are the ones that often makes headlines about the elections across the world. However; patronage politics suprass the extent of the former; involves more corruptive forms of behaviour such as, buying up charismatic community figures and/or religious leading persons, clergy or other, to pave the way for gaining power to govern. Despite the fact that such countries are fallen in the lowest income bracket, gaining or preserving right to govern is highly valued for the relativelt rich resources owned by the state polity. Nevertheless, supposing that all political parties are competing for the power race, and equally supposing that all are engaging in undemocratic campaign, the victory will never become accomplished less costly. The funds unjustifaibly channeled into election, first of all, a great loss for the society by a large in the first place. Second; the patronage regime that unjudicously encourage electorate to vote on the criteria which by no means has been on the agenda of traditionally advanced democracies. As far as I am concerned; the fragulant engagement of electorate in this fashion becomes a passport for creating power house for succesive goverments to dwell on undemocratic modul of behaviour, or simply corruption. The vicous cyle continous, the result almost always the same, low or no growth, being locked in the lowest income bracket, turnoround becomes the most difficult challange to undertake.

2.3. Democratic Deficit, Armed Conflicts and State Failure

The economies characterized by the underlined description can broadly be categorized under two distinctive classes according to their level of income: Resource rich medium income countries And resource rich low income countries.

Collier (2007) categorically describe the so called “bottom billion” as being the poorest portion of the world population that live in 50 lowest income countries. Africa contains more than half of it, while resource abundant states make up of thirty percent of the bottom billion. The stark poverty hits the resource rich regions as well as resource scarce ones. Indeed, There exists number of resource surplus countries, mainly in Africa that have been caught in growth trap so that within the ongoing vicious cycle poorest growth rates and lowest income levels have been hitherto the resultant outcome. Many economies that exhibit such characteristics included in the class of bottom billion that are basically the poorest nations of the Globe. Among others; Fiji, Republic of Congo are the countries that are caught in this vicious cycle of development trap.

Countries included in the above category are generally caught in the trap of political instability of various kinds, often being characterised by the blend of destabilizers that underlie the defining features of the polity of underdevelopment. In that, definition is as follows: Economic and political backwardness goes hand in hand; each of them cannot be thought as a separate entity than another. Short-lived goverments with weak control over the economy are the cases being witnessed very often but, do not account for the worst forms of political disorder and instability. Those societies generally girdled by inherent societal conflict that had been carrying on for long period of time and increasingly excperating the given state of disorder already present in the country. It has been shown that natural resources tend tos park conflicts. In support of this, Ploeg (2011) reports the following: "There is now a growing body of cross-country evidence that rents on resources and primary commodities, especially oil and other point-source resources, increase chances of civil conflicts and wars especially in sub-aharan Africa through weakening of the State or financing of rebels." Collier and Hoefler's (2004) findings point to the same direction and "confirm that countries with abundant natural resources have a higher risk of conflict." The political divide is to be sharpened as economy increasingly deterriorates; and divisions henceforth manifest themselves in various facets. Needless to say, the worst kinds of political conflicts are civil wars and then subsequently the military rules follows up military shake-ups. These definitions are the underpinnings that conjure up the most extreme state of conflicts likely to emerge in the lowest income group countries. The cases of prolonged armed rebel resistance are the incidence of this genre; media reports on such cases are not rare. Ross (2002) report on the process how the natural resources played a crucial role in creating, nurturing and sustaing political conflicts (Ross, 2002). In this respect, the rebellion armed struggles are aimed at toppling the serving goverments that are the highest authority to regulate the businesses which are supposed to run the production of natural resources. Goverments effectively select the multinationals by granting them contracts for certain periods to run the business of extracting resources. These contracts are exclusively being devised to authorize the holders to squeeze exubirant amount of profits (some cases, billion dollars) As far as goverments are concerned, provisions of such contracts mostly quantified as personal gains for those in power or for those settled with close connections with the high goverment officials. Such gains materialize in extremely high amounts for those occupy top status in the governance structure.

In the international arena, when an armed conflict breaks out, the motives for and root causes of divisions are usually misinterpreted or misconceived simply because such coclusions are constructed upon inconclusive media coverage on these stories. The rebel armies often portrayed as a group or groups fighting for a political cause this is being the sole motive for an armed struggle and they are of course associated with political affiliations whereby described the type of political standing. Among others, for example, revolutionary army for people, freedoom fighters, people representatives are some brand names that erronously brings about misconceptions and untruthful opinions on these movements whilst the genuine motives for starting struggles often go unnoticed. They are expected to focus on the primary objective: The jackpot will be struck only if they can manage to overthrow the goverment and subsequently replace it with the new one. Another form of political conflict that causes division and instability is the realization of a coup d'etat. The civil goverments in Africa are often being overthrown by their own national army in the resource rich countries.

Indeed, political stakes involved indeed are also high since the succesful coup plots are likely to turn to harsh dictatorships without no or relatively little blod shed throughout the take over process by the army. A short-cut journey to the absolute power then might become appealing. Along with the natural resource abundance, the prospect of international aid makes coup attemts attractive in the expectation of generous financial aid from donors. However, despite the continuationof coup attempts in the third-world countries, statistical data in proof of the fact that the magnitude of the occurrences of military coups have been diminishing recently. Nevertheless, the realm of military intervention stil remains as a distintive feature of African political landscape, and elsewhere in less-developed world. When compared to the democratically elected goverments, countries governed by military goverments are found to be more prone to economic instability and lower growth. To this extent, the possibility of somewhat democratic governance has been postponed indefinetiley by distancing public from the ballot box. (Collier, 2007, p.42).

3.CONCLUSIONS

Dutch disease concept, despite its uselfullness, is not able to fully account for the resource curse phenomenen and often regarded as inconclusive. On top of that; the case of Africa has its own characteristics in terms of social and economic structure and; geographical design and climate: Africa cannot be confined to the limitations brought in by the Dutch Disease concept.The findings of this study support the claim of the Natural Resource Curse argument. Resource abundant African economies appeared to have performed a growth rate less than those of resource scarce countries between the selected periods, 1980-2013. The findings of other studies point to the same direction.

The total of natural resources African Continent owns is a public good in a broader sense and is belong to peoples of Africa. The goverments or other forms of the authorities in charge of governance of resource rich African countries are allured to seek rent through the worst degree of mishandling through the channels linked to the extraction of resources. The level of corruption, to a certain extent, is also related to the degree of actual linkages between govermental officers and multinational corporations, to the point that justify self-promotion drives of the parties engaged in the process. By no means, it is suprising to find that corporations are heavily involved in corruptive transactions in the processes through seeking self-promotion and improvement of their net-worth position. Hence, the heart of the matter stands out as lack of transparency, accountability, lawful monitoring and enforcement. For this state of affairs to be reversed or transformed for the better, prevelance of rule of law must be of upmost priority.The ruling elite must be forced to become accountable and fair in dealing with natural resources. The mode of "corruption" is not a merely cultural phenomonen on its own righ but closely linked to the status and extent of natural resource ownership. As it is shown by above indicated references, the richer the resource reserves in monetary value, the more corruption, mismanagement, fraud cases; even armed struggles are likely to erupt throught the process. Alongside the African Communities; It is a moral resposibility fort he international community to help establish and enhance the quality of democratic foundations. Respect for human rights will not come about easily without solid construction of democratic institutions; it will prevail only when the rule of law penetrates every aspect of governance and public life. Commitment to the democratic principles is a de-facto remedy help to do away with the routine practices of corruption in every aspect.

As for the distribution of international aid, donor agencies must prioritize those countries whose goverments tend to comply with the international standards as underlined above. Last but not least, the corporations that involved in extracting resources must ensure that they would abide by the basic principles of human rights and rule of law regarded internationally. As fort he supervision; they will have to allow for mandatory supervision from regulatory agencies to monitor their conduct in relation with their operations and wider existence in the resource extraction business. It is important that the corporations will coexsist side by side peacefully with the communities where they are located. Unfortunately; there have been numerous reported cases of abuse and violation of human rights by the multinationals in the past. There have been cases of involvement by the corporations in rebellion movements in the past. By financing civil unrest, corporations hope to make unlawful gains by advancing their authority in order to take an extended advantage of the natural resources of the country in which they already operate; or wish to secure a right to operate respectively.

Despite the gloomy Picture that African Political landscape presents, some improvements have been observed particularly with regard to goverment transparency. In fact, the steps taken forward are a light for the future prosperity of African people, even though there has not yet been a great deal of contribution to the welfare and development of Africa. In that, international pressure and monitoring must be broadened at its pace, and collobration with donor agencies and civil societies must be tightened. The emerging initiatives that sought more transparency in in resource extraction sectors must be acknowledged and promoted by the civil societies and aid agencies alike both inside and outside the Africa.

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