



IN 1962, when the World Bank extended its first development loan to South Korea, the bank's directors famously asked their researcher whether there was any chance of this impoverished and war-torn country ever catching up with the living standards of such wealthy African countries as the newly liberated republics of Ghana, Nigeria and Senegal, with their huge endowments of gold, oil, diamonds and forest products. Today, South Korea's national income per head is 35 times higher than Ghana's and three times that of Africa's richest country, Botswana. Meanwhile, China, which as recently as 25 years ago was less prosperous than even the poorest African nations, now has an economy five times larger than the entire African continent.

Why have almost no African countries managed to achieve the sustained economic development which has lifted billions of people out of extreme poverty in east Asia? There are three interconnected explanations: war, corruption, and the curse of natural resources. The first two are self-explanatory, the last one slightly less so. The 'natural resource curse' has been well-documented by economic historians since the collapse of the Spanish empire following the plunder of South American gold and silver. This phrase refers to the tendency of countries whose wealth is based on gold, oil or other valuable resources to ossify into

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unproductive and uncreative economies, with low levels of entrepreneurship, and industrial and commercial stagnation. This paradoxical phenomenon has many economic explanations, mostly related to currency valuations, investment levels and income distributions. In Africa's case, however, it is politics more than economics that is to blame.

Minerals provoke and finance territorial wars, as evidenced by the horrors of Zaire, Liberia and Sierra Leone, and can make politics a zero-sum struggle over mining rights, as in Nigeria since the Biafran war. They encourage corruption among politicians who have the power to grant these rights, and strengthen the military, whose job is to protect them. Worst still, resources systematically break the link that exists in normal societies between the economic prosperity of a nation's citizens and the wealth of the state. When the state's revenues depend on oil and mining operations, rather than taxes on personal incomes, politicians and generals have every incentive to run their countries as kleptocracies.

The good news for the people of Africa is that the pivotal role of natural resources in the continent's misfortunes has begun to be understood, not only by foreign economists but also by African public opinion. This understanding has manifested political pressures to account for the vast sums of money which flow from Western resource companies to African nations with no perceptible benefits to the citizens of these states – creating the presumption that most of this money has either been stolen by politicians or egregiously misspent.

In the past five years, over 20 African governments have responded to these pressures by signing up to the Extractive Industries Transparency Initiative, a UN-sponsored programme committing member governments to publish details of their revenues from oil, minerals, forest products and other resources. The

EITI, however, is a voluntary code depending largely on the honesty of governments and their susceptibility to pressure from the IMF and World Bank. To reinforce these pressures, NGOs came together in 2002 to create another institution, Publish What You Pay, to demand mandatory government disclosure of payments. Through a combination of political campaigning and moral suasion on shareholders, PWYP has extracted substantial amounts of information about payments from companies such as BP, Shell, Chevron and RTZ. The combined pressure of the EITI challenging African governments and the PWYP acting on Western companies has started to squeeze out the truth about mineral payments.

Recently, however, corrupt African governments have discovered a new way round this pincer movement – via China. Far from abiding by the ethical principles established by international transparency programmes, China has used its ideology of absolute national sovereignty to cloak secretive natural resource deals with corrupt politicians in an anti-colonial guise. Chinese financial support for Sudan's genocidal political leaders is the most familiar example of her indifference to international moral pressure, but there are many others; in Zimbabwe, Angola and Equatorial Guinea, Chinese resource deals have encouraged politicians to escape public scrutiny and dodge the demands for transparency from global institutions.

Africa's hopes for development depend on it drawing inspiration from the success of Asia. But if China's economic expansion now thwarts the efforts of both Western and African civil society to lift the curse of natural resources, the gulf between Africa and Asia will grow even faster in the next generation than it did in the last.

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