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“Is There an African Resource Curse?”

*Excerpts of Remarks by Chairman Chris Smith
Subcommittee on Africa, Global Health, Global Human Rights, and Int'l Orgs.
2167 Rayburn HOB
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Good afternoon. Today's hearing asks the question of whether or not there is an African resource curse. The resource curse refers to the paradox in which countries and regions with an abundance of natural resources, specifically non-renewable resources like minerals and fuels, tend to have less economic growth and worse development outcomes than countries with fewer natural resources. This is believed to happen for many different reasons, including a decline in the competitiveness of other economic sectors, the volatility of revenues from the natural resource sector due to global commodity market swings, government mismanagement of resources, or weak, ineffectual, unstable or corrupt institutions.

Africa has abundant natural resources—from critical and desirable agricultural products such as gum arabic to strategic minerals such as cobalt, titanium and coltan to energy resources such as petroleum and natural gas. However, under the so-called African resource curse, African citizens don't benefit from these resources to the extent that would be expected. Education, health care and other services too often are not provided to citizens by their governments who profit from African resources, but rather are too often paid for by donors.

Throughout history, African resources have led to negative outcomes for African people more often than positive ones, such as slavery, colonization, predatory governments and vicious rebel group activity. The ivory trade opened Africa to the trans-Saharan trade to the Middle East and beyond, but it also opened Africa up to the earliest days of international slavery. African gold and other natural wealth made the continent and personalities in it famous and admired, but also led to the even more expansive trans-Atlantic slave trade.

Ivory hunters wiped out the elephant population in various locations in Africa, and in recent years included the Lord's Resistance Army and its murderous reign of terror in the Great Lakes region. Minerals that power modern society also fund the chaos brought by militias, such as M23 and the numerous other militias now terrorizing the eastern portion of the Democratic

Republic of the Congo. So-called blood diamonds earlier funded predatory rebels in Liberia and Sierra Leone.

What should be a blessing—abundant natural resources—has all-too-often been a curse. It has been argued, for example, that one can correlate the rise and fall in the price of petroleum with the rise and fall in the implementation of human rights in major oil-producing countries. Protection of human rights throughout resource-cursed countries is dismal or completely lacking. Most resource-cursed countries are ruled by either authoritarian or other types of highly repressive regimes. These regimes are kept in power by an elite group, such as those composed of high-ranking politicians and military leaders. As long as the existing government keeps these few happy they can rule without fear of consequence. This system is set up so that those most in need of the protection are left to fend for themselves.

Equatorial Guinea is an example of how the resource curse works. It is a small country with a population of slightly more than half a million people, but a Gross Domestic Product that has increased more than 125 times—not 125 percent—since oil production began in the mid-1990s. On paper, the wealth per capita in Equatorial Guinea is as high as almost any wealthy country in Africa. Yet if you visit the country and move beyond the gleaming new hotels and resorts, you will find numerous people who are forced to survive on a \$1 a day or less.

Corruption in Equatorial Guinea is rampant. President Obiang owns two luxury homes in the Washington, D.C., area, and his son owns two homes and numerous luxury cars in California. In fact, it is estimated that the President's son spent more on houses and cars alone between 2004 and 2006 than the entire government spent on education in the year of 2005. Facts involving the Equatorial Guinea government's siphoning of natural resource profits were revealed in a 2004 U.S. Senate investigation of Riggs Bank, which was could no longer continue operations due to financial improprieties partly involving questionable funds from Equatorial Guinea. The Obiang family dominates private business in the country so commerce there benefits them first and foremost, rather than provide a means of economic opportunity more broadly.

In order to counteract corrupt practices through which profits from natural resources are diverted or otherwise abused, various international agreements have been created. The Extractive Industries Transparency Initiative, or EITI, was created and announced at the 2002 World Summit for Sustainable Development in Johannesburg to provide a multi-stakeholder system that would require disclosure of profits from natural resource extraction. Thus far, 34 countries have produced EITI reports, covering \$1.02 billion in total government revenue. Four African countries have been officially suspended from the process for non-compliance: the Central African Republic, the Democratic Republic of the Congo, Madagascar and Sierra Leone.

Similarly, the Kimberly Process Certification Scheme, established in 2009 by United Nations General Assembly Resolution 55/56, is designed to prevent conflict diamonds from entering the mainstream rough diamond markets. Global Witness, which presents testimony today, pulled out of the scheme two years ago, but there are those within the organization that reportedly still believe it provides at least a basis for addressing the problem of blood diamonds.

Neither African governments nor the international community are helpless to effectively address the misuse of African natural resources. Working together, we can ensure that corruption is minimized, if not eliminated altogether. Protection of wildlife and other natural resources must be achieved. The day of corrupt governments shirking their responsibilities so that a select few can benefit from their country's blessings must be ended.

Earlier today here in Congress, we honored the life, legacy and values of former South African President Nelson Mandela on his 95th birthday. During one of his visits to Congress, he told Members that to deny a person's human rights is to deny their humanity. We must do all we can—not only to ensure that African natural resources benefit the people of African countries economically—but also to guarantee that the human rights of African people are more fully respected by those who wield power through government authority or by the barrel of a gun. Happy birthday, Mr. Mandela. We heard you and will honor your words.