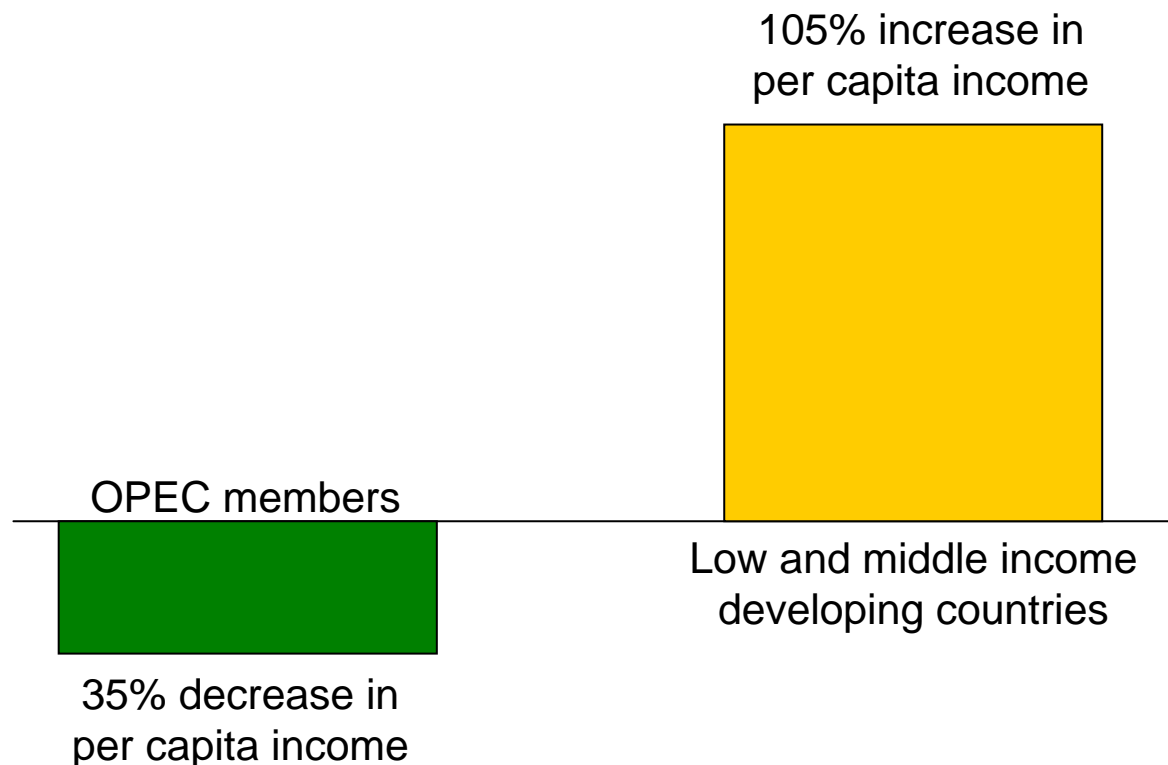


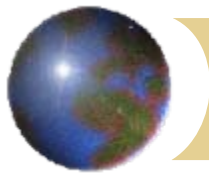


The Resource Curse

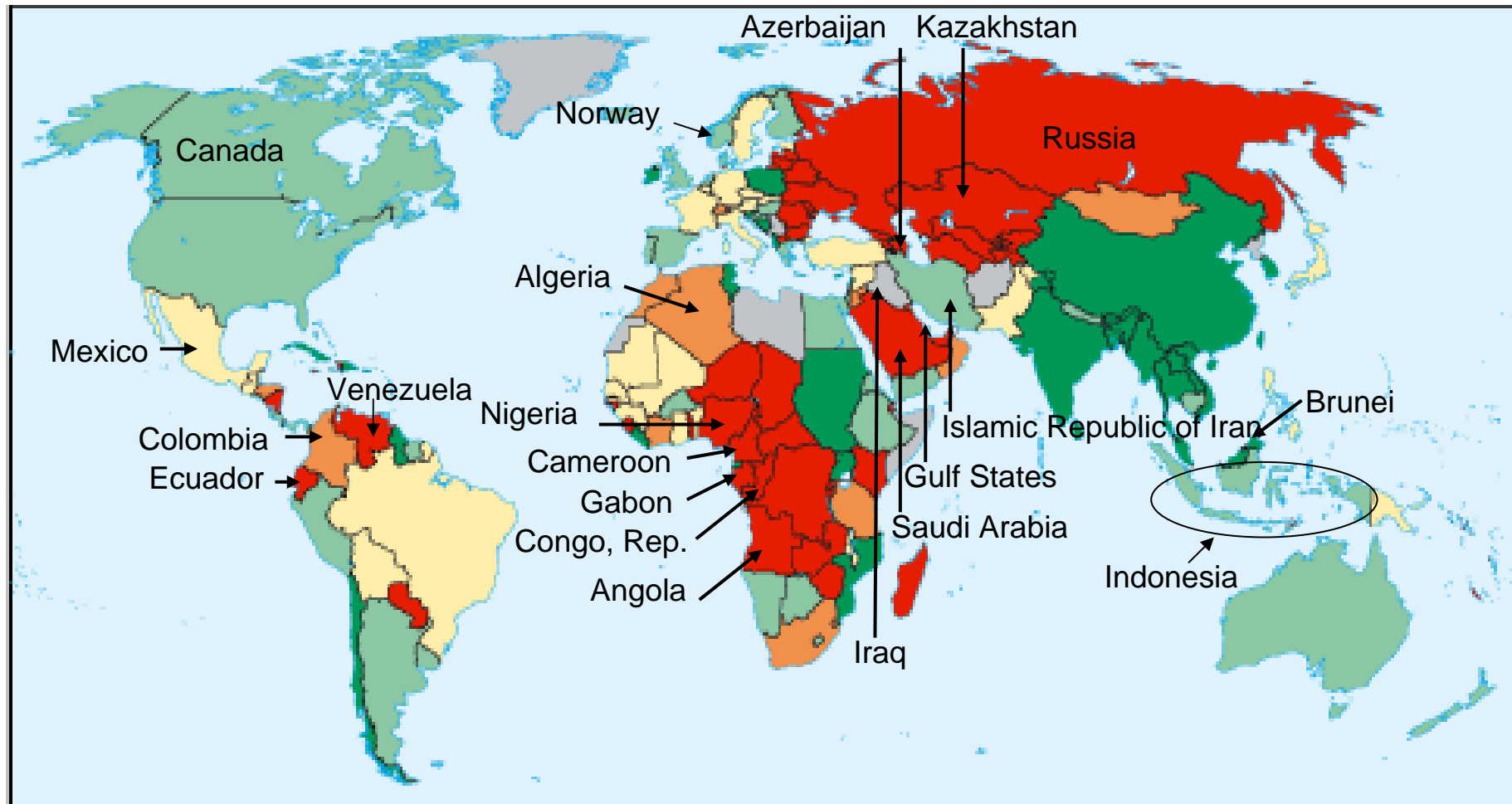
Simply put, OPEC members saw per capita income decline by 35% between 1965 and 1998, while lower and middle-income developing countries experienced a 105% increase in their per capita GNP.



* Gylfason, "Lessons from the Dutch disease: Causes, treatment, and cures" in *Paradox of Plenty: The Management of Oil Wealth*, Report 12/02, ECON, Centre for Economic Analysis, Oslo, 2002.



Average Growth in per capita GDP, 1990-2001





Oil and Governance



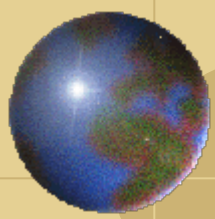
25 countries account for 97% of all known reserves



5 countries (Australia, Canada, Norway, the UK, and the US) rank at the top of a variety of governance indicators, but they hold only 4% of all proven reserves

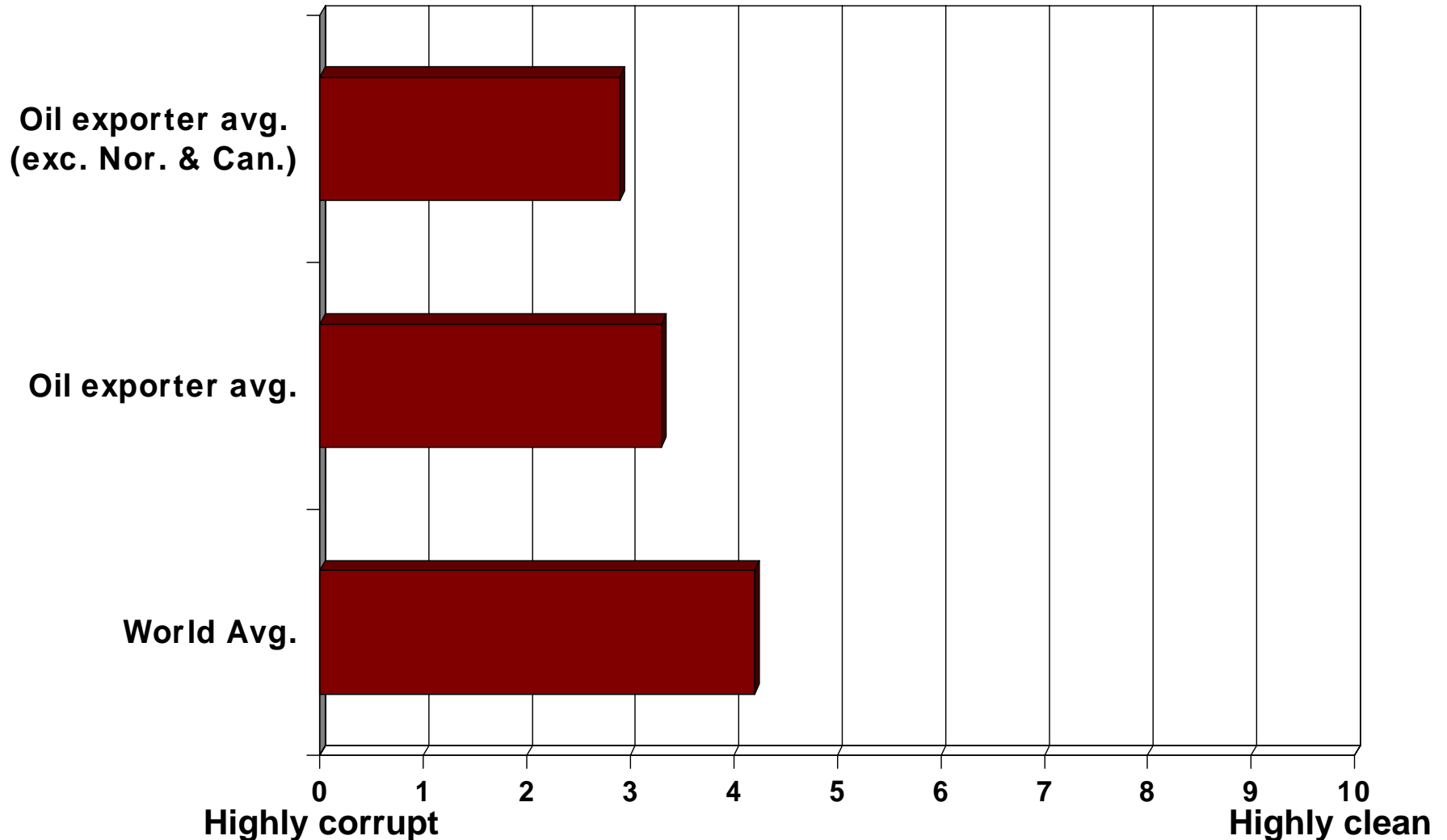


12 countries (Algeria, Angola, China, Indonesia, Iraq, Kazakhstan, Libya, Nigeria, Russia, Saudi Arabia, Venezuela, Yemen) rank at the very bottom of governance indicators, but they hold 58% of the world's proven reserves



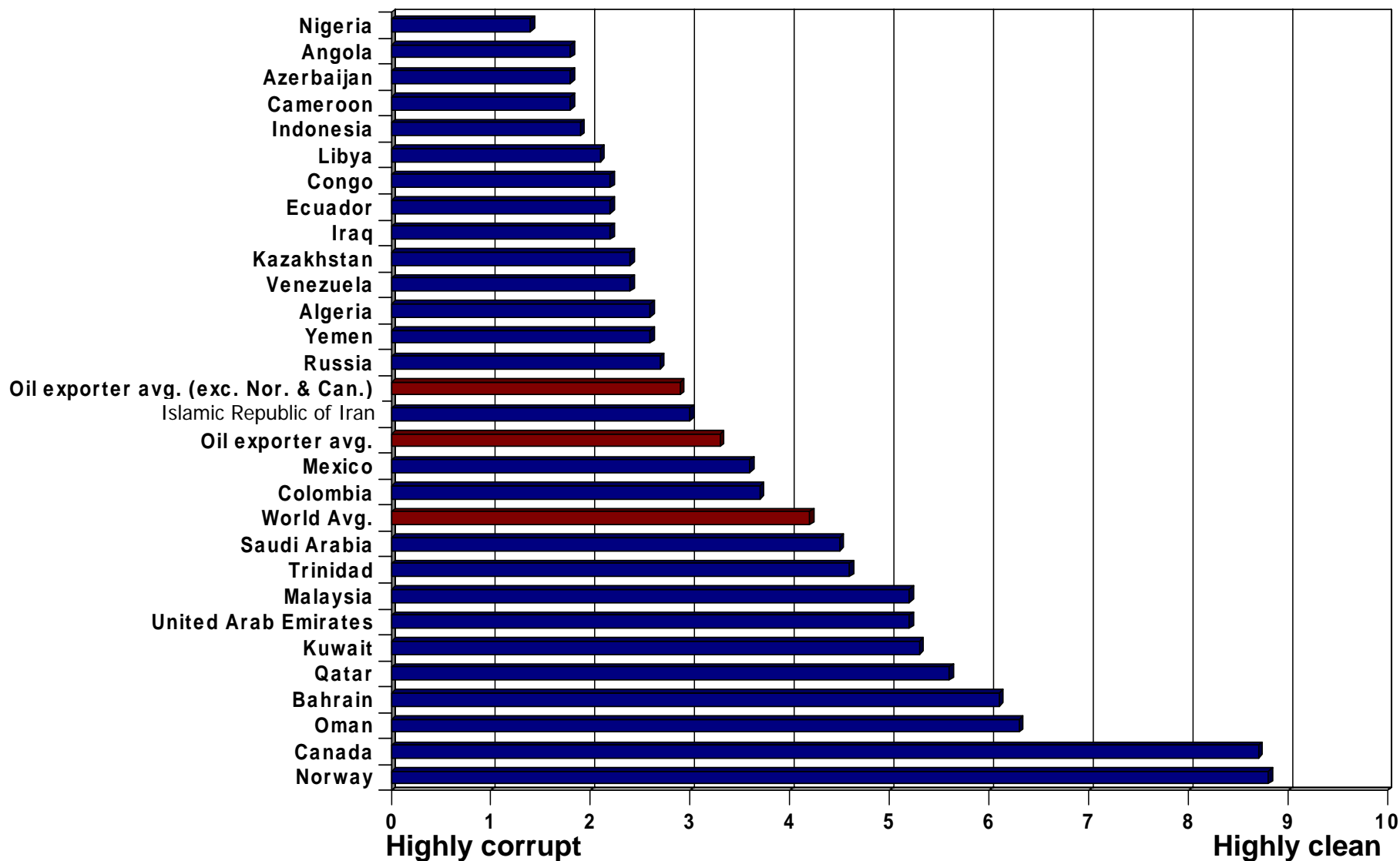
The Rentier State:

Corruption in Oil Dependent States



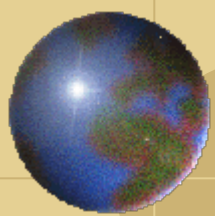


Corruption in Oil Dependent States

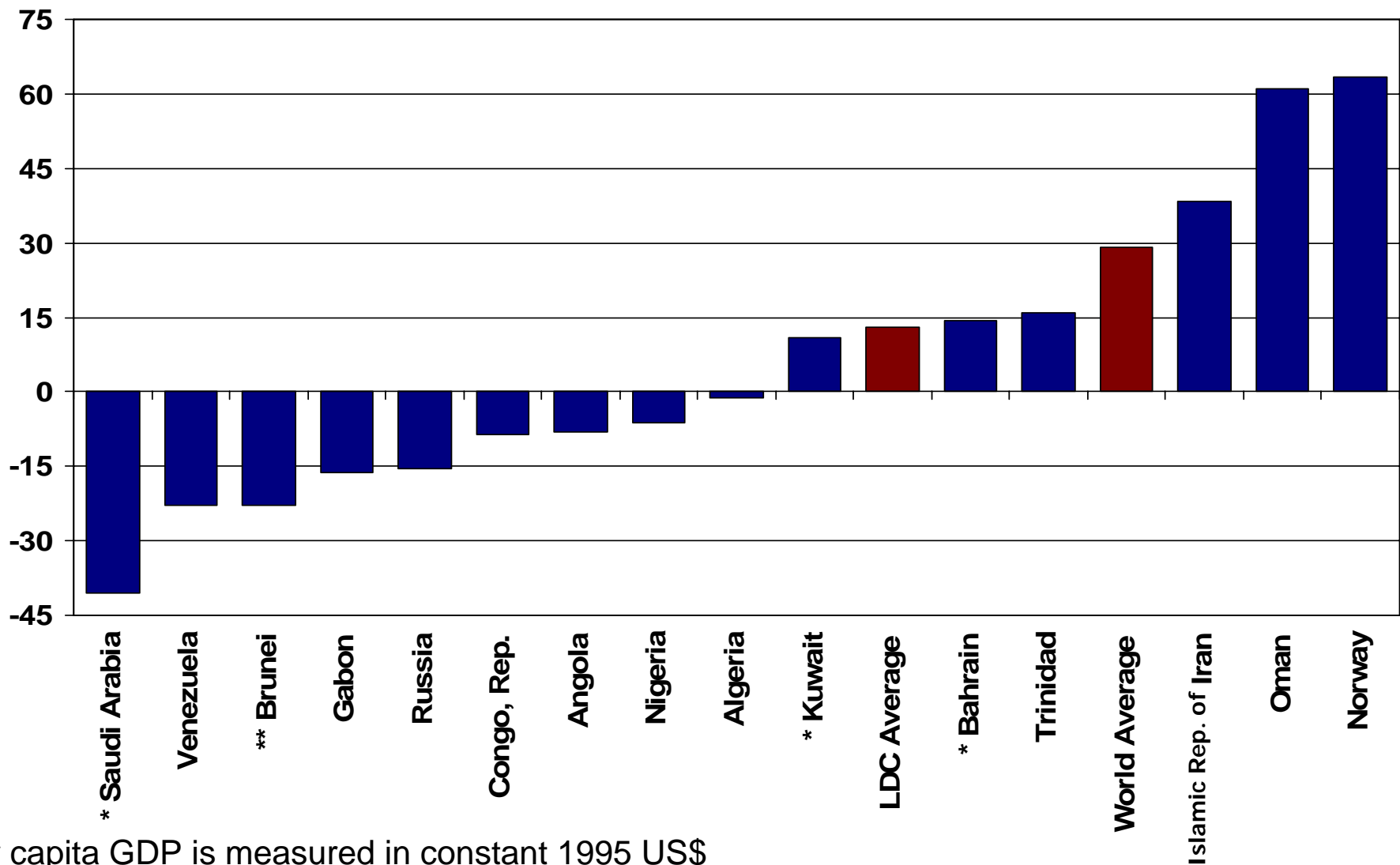


No data: Brunei, Chad, Gabon

Transparency International Global Corruption Report 2003



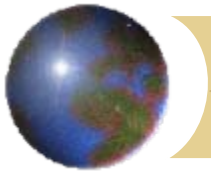
Change in Per Capita GDP in Oil Dependent States, 1981 - 2002



Per capita GDP is measured in constant 1995 US\$

* Data for 1981-2001 ** for 1981-1998

World Bank, World Development Indicators, 2003



Poor Quality of Life



Oil dependence is linked to poor quality of life. Oil-rich states have unusually high rates of

- infant mortality
- child malnutrition
- low life expectancy
- poor health care

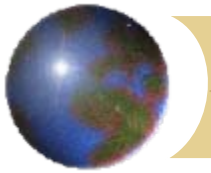


Oil dependent countries spend less money on programs that address quality of life issues



In the area of education, oil-dependent countries perform poorly in the area of education

- OPEC spends less than 4% of GDP on education compared with the world average of almost 5%
- In OPEC countries, only 57% of all children go to secondary school compared with 64% for the world as a whole



Accumulating Grievances

Dependence on oil is robustly associated with grounds for grievances, especially at the regional and local levels



Oil income inflates local prices on key goods and services, significantly increasing the cost of living, even for those not sharing in the benefits of oil



Influx of migrants, often from other countries, ethnic groups, or religions, who seek oil related jobs, causes resentment

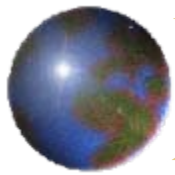


Oil-rich locales suffer from increased prostitution, sexually transmitted diseases, and crime



Oil exploration, extraction, and transportation cause severe environmental destruction

- pollution of villages, their water sources, and the air
- devastation of farmland, fishing and game areas
- destruction of medicinal plants and biodiversity



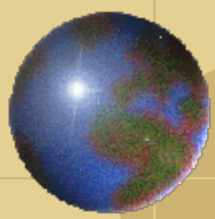
Oil and Environmental Destruction

Ogoniland in Nigeria



© Detlev Pipke/argus/Studio X, Paris





The Oil/Polity Paradox: Stability and Instability

Oil dependence is robustly associated with regime durability*



In most cases, oil helps regimes, especially authoritarian regimes, last longer, e.g. Suharto (32 years), Saddam Hussein (35 years)

But dependence on oil is also robustly associated with war**



Oil countries are more likely to have civil wars than their resource-poor counterparts

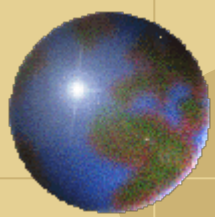


These wars are more likely to be secessionist



These wars are more likely to be of greater duration and intensity compared to wars where oil is not present.

* Karl, *Paradox of Plenty*
** Collier and Hoeffler, Ross, LeBillon



Recent Civil Wars in Oil Dependent States

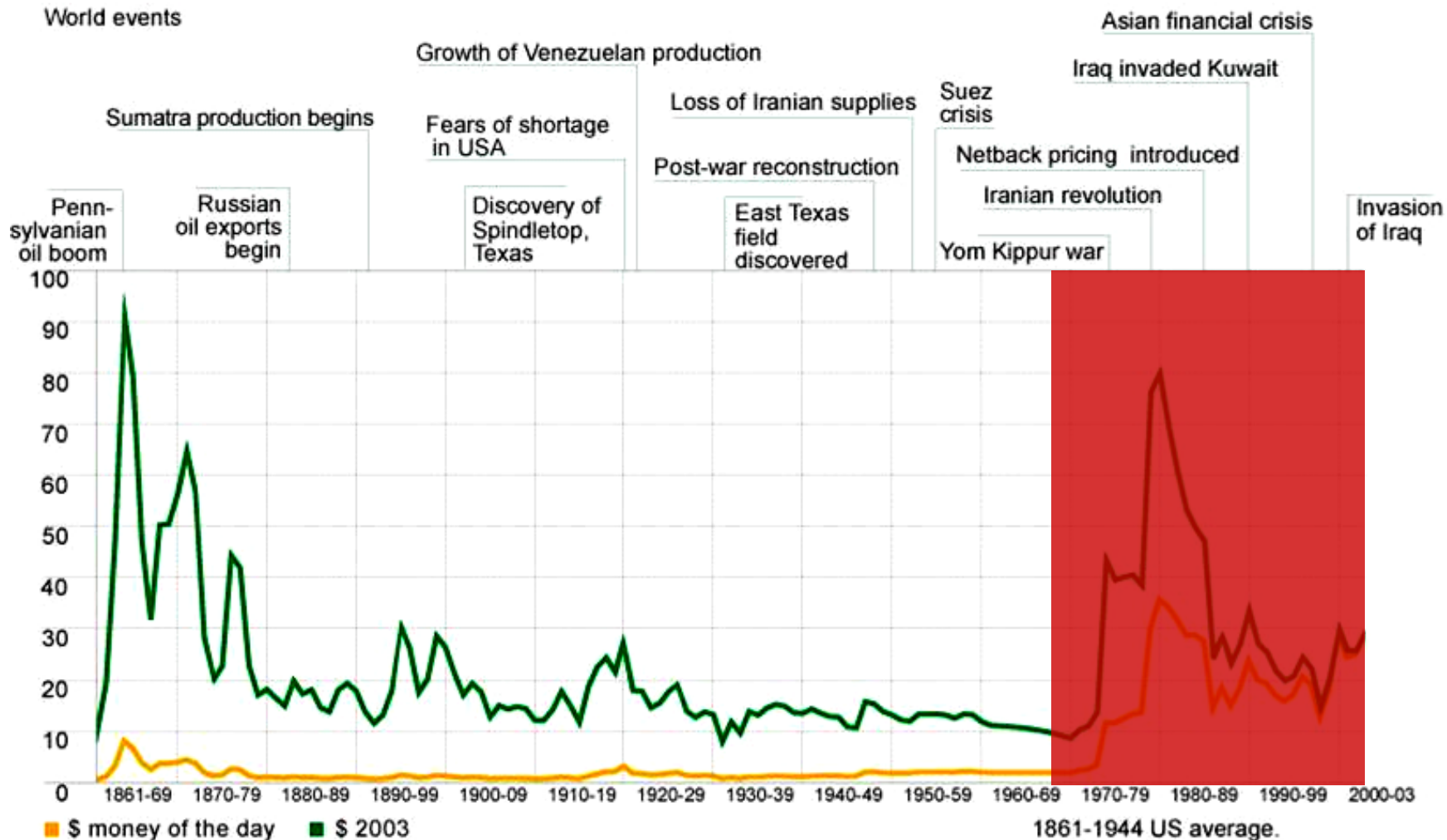
Country	Duration
Algeria	1991-present
Angola	1975-2002
Chad	1975-1982
Colombia	1984-present
Congo, Republic	1997-1999
Indonesia (Aceh)	1986-present
Iraq	1974-1975, 1985-1992
Nigeria	1967-1970, 1980-1984
Sudan	1983-present
Yemen	1986-1987, 1990-1994



Crude Oil Prices Since 1861

US dollars per barrel

World events



1861-1944 US average.
1945-1983 Arabian Light posted at Ras Tanura.
1984-2003 Brent dated.