Ian Bannon and Paul Collier, eds. *Natural resources and violent conflict: options and actions.* Washington DC: World Bank, 2003. 409 pp.

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How can wealth make you poor? This paradox is the central question being addressed by the book *Natural Resources and Violent Conflict* published by the World Bank. Constituting seven essays, the book examines the link between natural resources and conflict and puts forward recommendations on how to deal with the problem of civil wars in countries highly dependent on natural resources.

One of the most important findings of researches conducted since the mid-1990s on the causes of civil wars is that "natural resources play a key role in triggering, prolonging, and financing these conflicts." These natural resources are largely oil and hard-rock minerals, including columbo-tantalite (coltan), diamonds, gold and other gemstones, timber and drugs (if these are to be considered natural resource). The volume reveals that close to 50 armed conflicts are linked to licit or illicit exploitation of natural resources in 2001.

During the Cold War, rebel groups were mostly financed by the superpowers or their regional proxies. At the end of the period, however, rebel groups began to look for other financial sources in their own countries. Rebel groups can maintain their strength with financial viability, thus making the established governments take them seriously. It is for this reason that rebel groups engage in business activity alongside their military operations to keep their finances afloat.

In venturing into business, the rebel groups have to utilize their competitive advantage. Unfortunately, their "only competitive advantage is their large capacity for organized violence and mayhem" (4). Since most rebel groups have their base of operations in the rural areas where natural resources are largely located, they engage in various forms of extortion and exploitation and trade of these commodities. At times, they engage in extraction activities of the resources particularly those needing simple technologies to extract. The well-known examples of these are the conflict diamonds of Angola and Sierra Leone. Moreover other commodities such as coltan, drugs, gold and timber have been sources of business activities for rebel groups in developing countries.

Multinational companies engaged in more sophisticated extraction of commodities are the primary targets of the rebels' extortion rackets.

Moreover, they have been kidnapping foreign executives for ransom to raise funds. They usually team up with criminal elements to carry out these operations. In 1990s, kidnapping is the third primary source of finance for Colombia's two rebel groups (National Liberation Army and Revolutionary Armed Forces of Colombia) after drugs and extortion. From 1991-99, the guerillas netted an estimated $1.5 billion from kidnapping, and these revenues are continuously rising. Rebel recruitment increases after each successful kidnapping as recruits anticipate large payoffs from the operation.

The presence of violent secessionist movement statistically increases in countries with valuable natural resources like oil which has been pinpointed as particularly dangerous. Examples of these secessionist groups are those found in Aceh (Indonesia), Biafra (Nigeria), Cabinda (Angola), Katanga (ex-Congo), and West Papua (Indonesia). The discovery of these resources could embolden secessionist movements which cloak their existence with the rhetoric of ethnic grievances. Poor governance and corruption could fuel the ethnic groups' secessionist tendencies especially if the latter have a fighting chance of wresting control of the commodities. Conflicts have been prolonged because of the abilities of rebel groups to finance their wars even without the support of a superpower. The duration of conflicts now appear to be longer than those started in the 1980s. The negative repercussions of civil wars cannot be overstated. As the book states:

> the costs of the war continue to accrue long after the fighting has stopped: the peace dividend proves elusive as the government finds it difficult to cut military spending; violent crime tends to explode, affecting people and investment climate; capital flight continues and private investors, local and foreign remain skittish; the prevalence of epidemics and disease remains higher than before the war; and human and social capital, destroyed or defrayed during the war, can take decades to recover.(1)

It is therefore important to address the problem of civil wars and put forward recommendations on how to stop the flow of cash from natural resources to the rebel groups. In line with this, the book outlines points of action that need to be taken by governments and global institutions to curb the problem. The recommendations addressed to the governments of developing countries include "making greater efforts to adopt economic policies and institutions that can stimulate growth and reduce poverty, improve governance and transparency, and redress reasonable grievances" (8). Nonetheless, there are recommendations that require concerted global action. One is the call for international financial institutions to help strengthen the economies of developing countries. The role of the international banking community to report suspect deposits from corrupt government officials was likewise emphasized among others.

The recommendations of the book are classified into two main headings: the development agenda and the governance of natural resources. Economic growth would reduce the occurrence of conflict and overtime would facilitate diversification of the country's economy such that dependence on natural resources would be reduced. Three instruments are needed to stimulate growth—domestic policies, international aid and access to global markets. With regard to the need to diversify, it has been shown that countries with "diverse base of exports are better protected from the adverse effects of price fluctuations and less prone to the resource curse" (8-9). There is also need to reduce exposure to price shocks of developing countries heavily dependent on primary commodities as they are most vulnerable to crashes in export prices. There must be global action to assist these countries to improve their risk management. At the same time, financial institutions such as the International Monetary Fund (IMF) and World Bank should design mechanisms to reduce price shocks.

Regarding the governance of natural resources, the book discusses that the presence of secessionist movements is greatly bolstered by corrupt government officials that siphons off revenues from the natural resources for private gains rather than use these for the improvement of the people's living standards. Government's best defense against brewing secessionist movements is for it to exercise transparency and open itself to public scrutiny regarding the revenues generated from the exploitation of natural resources. In order for government to effectively implement this, the book recommended, among others, the involvement of international financial institutions and credible domestic institutions in the scrutiny of the funds. It is likewise important to shut rebel organizations out of global markets. Initiatives toward the development and implementation of certification and tracking schemes that make it difficult for rebels to sell the commodities in the global market should be launched by governments and international financial institutions, while those currently in operation should be reviewed and further strengthened—for instance, the Kimberley Certification Process which monitors and makes it difficult for rebel groups to sell rough diamonds in the global market.

Other recommendations include criminalizing the payment of extortion money by multinational companies and the banning of ransom insurance for this has encouraged rebel groups to venture into kidnapping activities. Instead of offering protection, kidnap insurance "has the perverse effect of reducing the incentive to protect workers from kidnapping, increasing the size of ransom payments, and lowering the transaction costs for the rebel group" (6). Likewise, international banks should know their clients and to report suspect receipts to prevent corrupt officials from illegally siphoning off funds from natural resources. Moreover, measures to attract reputable extraction companies to operate in low-income countries should be put in place. Reputable companies are more unlikely to offer bribes to corrupt governments in exchange for permits to extract natural resources.

The book is important for those who are into the study of conflicts. Although the issue of finance is essential, this is rarely examined in various literatures on conflict. In view of this, the book makes a valuable contribution. Moreover, the volume provides important information about conflict and rebel movements which are not readily available from other sources. Important documentation and discussions were likewise made on the efforts currently undertaken to curb the problem of conflict and the use of natural resources to sustain the rebellions. The seven case studies provide comprehensive analyses of these efforts, discussing in detail the strengths and weaknesses of these endeavors and put forward recommendations on how to improve them. The recommendations are comprehensive and detailed, calling for actions from the ranks of government, global institutions and civil society groups. Their soundness can be attributed to the fact that they were written by experts who have done researches and written extensively on areas such as the governance of natural resources and transparency, development economics, anti-corruption strategies for both the public and private sectors, environmental crime and commodity tracking issues, and war economies and the regulation of extractive industries in conflict areas. Some of the writers have also been actually involved in certain initiatives related to conflict and natural resources.

Lastly, it would be interesting for the World Bank to do a follow-up report as to the concrete steps it has taken to implement the recommendations outlined in the book. The contribution of the book would not be fully realized if concrete actions are not taken to implement the suggestions it has painstakingly put forward.

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