



Oil and Conflict Fact Sheet

Oil production in fragile states increases the likelihood of violent insurgencies and increases their duration and intensity, while oil revenue that could be used to reduce aid dependency and fund development often fuels corruption and weakens governments instead. Driving greater accountability and transparency is important not just as a humanitarian concern, but for the national security of the United States and its allies. Better natural resource management lessens the likelihood of conflicts that result in US troop deployments or US financing of international military interventions, while reducing the risk of crime, terrorism and other spillover effects which can create instability on a regional scale.

In fragile states where oil is present....

Wars are more likely to start. An area where oil is present—even if oil isn't being pumped out of the ground yet—has a 50% higher risk of conflict than an area with no oil. If a country has experienced conflict within the last 10 years, the likelihood of renewed conflict increases from about 1 in 3 without oil to 1 in 2 with oil. Following a coup, the odds of renewed conflict rise from 1 in 5 to 1 in 3.¹

Wars last longer and kill more people. Conflicts in areas with oil last on average more than twice as long as those without, and oil production within a combat zone is associated with a doubling in the number of battle-related deaths.²

The problem worsens when there's a big disparity in wealth within an oil-producing region. Conflict is 3 times more likely in severely deprived regions, like the Niger Delta in Nigeria. It's particularly bad if there are very rich local powerbrokers and the rest of the populace are poor, since powerbrokers can use natural resource revenues to hire militias and arm them for relatively little money and it's fairly easy to mobilize their followers.³

Oil production leads to an increase in corruption and capital flight and strengthens autocracies. When autocracies see a rise in revenues from oil or gas, there's a rise in deposits into tax havens; about 8% of petroleum rents in autocracies go into personal foreign accounts. There is also robust evidence that oil wealth makes these authoritarian regimes more durable. In general, natural resources are associated with increases in the scale of corruption. Oil wealth especially tends to lead to weaker institutions when government, rather than private industry, has the dominant role in the oil industry.⁴

The costs are paid by some of the world's poorest people. In Nigeria, for example, a government report found that \$29bn was lost through an apparent gas price-fixing scam, and that oil theft cost \$6bn a year to the treasury – money which should have gone to fund development and infrastructure in a country where 84% of people earn less than \$2 a day.⁵

Oil production can decrease women’s influence in society. Most economies reliant on oil have fewer women in the labor market, probably as a result of the impact of oil exports on household incomes and on the industries that tend to employ women. Women’s influence in society tends to fall as a result. The same countries also have fewer women in legislative and cabinet positions.⁶

To reduce the likelihood of conflict funded or fuelled by oil, Global Witness advocates:

- **Recognizing good governance of natural resources as a national security priority.**
- **Transparency across the hydrocarbon supply chain – including publication of contracts, revenues, and production and open contracting procedures. Section 1504 of the Dodd-Frank Act, requiring publication of payments by companies to governments, is a useful step towards this;**
- **Publication of the true, beneficial ownership of companies winning bids and working in the sector;**
- **Strong mechanisms for accountability, conflict resolution, and engagement of local communities in oil-producing areas, including equitable sharing of revenues.**
- **Full, credible implementation of international standards – like the Extractive Industries Transparency Initiative and the Natural Resource Charter.⁷**

Improving transparency and accountability in the oil and gas sectors in fragile states decreases the likelihood and severity of conflicts and mitigates the threat of the ‘resource curse.’ US action to improve transparency across hydrocarbon supply chains is important to achieving that aim. Ultimately, better governance means the US will spend far less blood and treasure overseas.

¹ Paivi Lujala (January 10, 2010), “The Spoils of Nature: Armed Civil Conflict and Rebel Access to Natural Resources,” *Journal of Peace Research* 47:15, pp. 16, 21, 23 and Yu-Hsiang Lei and Guy Michaels (November 2011) “Do Giant Oilfield Discoveries Fuel Internal Armed Conflicts?” Centre for Economic Performance, London School of Economics, pp. 3-5, 15-17.

² Paivi Lujala (January 10, 2010), “The Spoils of Nature: Armed Civil Conflict and Rebel Access to Natural Resources,” *Journal of Peace Research* 47:15, pp. 16, 21, 23 and Paivi Lujala (February 2009) “Deadly Combat Over Natural Resources: Gems, Petroleum, Drugs, and the Severity of Armed Civil Conflict,” *The Journal of Conflict Resolution* 53:1, pp. 51 & 62-4.

³ Gudrun Ostby, Ragnhild Nordas, and Jan Ketil Rod (2009), “Regional Inequalities and Civil Conflict in Sub-Saharan Africa,” *International Studies Quarterly*, pg. 317-8.

⁴ Michael Ross (October 16, 2013) “The Politics of the Resource Curse: A Review,” pg. 12. Available at <http://www.sscnet.ucla.edu/polisci/faculty/ross/Ross%20-%20Politics%20of%20the%20resource%20curse.pdf>

⁵ Nigeria: 'Oil-gas sector mismanagement costs billions', BBC News, October 25, 2013, <http://www.bbc.co.uk/news/world-africa-20081268> ; Poverty headcount ratio at \$2 a day (PPP) (% of population), World Bank, <http://data.worldbank.org/indicator/SI.POV.2DAY>

⁶ Michael Ross (February 2008), “Oil, Islam, and Women,” *American Political Science Review* 102:1.

⁷ Information on the Extractives Industry Transparency Initiative is available at <http://eiti.org/>; information on the Natural Resource Charter is available at <http://naturalresourcecharter.org/>.