**Forum:** Economic and Social Council (ECOSOC)

**Issue:** Tackling the social repercussions of the "Resource Curse" in developing economies

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## INTRODUCTION

One of the key aims of the United Nations is to ensure inclusive economic growth and improve the living standards of people across the world. Nevertheless, for decades Less Economically Developed Countries (LEDCs) around the world have been battling the Resource Curse. This phenomenon, also called the paradox of plenty, occurs when countries with an abundance of non-renewable natural resources experience slow economic growth or even contraction despite their natural resource wealth.[1]

The issue was first observed during the 1950s and the term “Resource Curse” was finally coined by British economist Richard Auty in 1993. Although it is a paradoxical situation, it occurs in many developing economies, especially in African regions such as Venezuela, Angola, Nigeria and more, and leads to imperative social and economic repercussions. As a recurring trend in such states, it has posed an obstacle to inclusive growth therefore it requires the immediate attention of the international community.

This issue can result due to various economic and socio-political factors. For example, in these developing regions, the focus on the primary industry and the lack of diversification leads to the neglection of investment in the manufacturing and services sector and often triggers the resource curse. Government corruption and strong monopoly power in these industries can also perpetuate this phenomenon. Together with more factors which will be analyzed later in the guide, the issue of the resource curse burdens LEDCs and hinders governments from achieving economic growth and sustaining their populations.

The resource trap is indisputably a regressive situation and results in instability. Economies caught in this vicious cycle are usually more vulnerable to civil conflicts and authoritarian regimes. Moreover, such regions tend to experience significant fluctuations in their national income leading to unsteady production and economic growth. Due to these

[1] “Resource Curse Definition.” Investopedia, 22 Oct. 2020, www.investopedia.com/terms/r/resource-curse.asp.

unbalanced conditions developing economies are unable to effectively respond to the welfare needs of their citizens and compete with their developed neighbors.[2]

Although the situation is dire, the response from the international community has been weak. As governments fail to impose effective policies to deal with this phenomenon, economic growth, political transparency, and civic engagement further deteriorate causing irreparable harm. Therefore, it is urgent for governments and the international community to cooperate and introduce proactive measures to alleviate the repercussions of this multidimensional issue. While resolution-making it is important to engage with the different stakeholders involved in the issue and strive for solutions that strengthen the productive capacities of an economy yet also cover the social aspects of the question.

## DEFINITION OF KEY-TERMS

### Natural resources

Natural resources are defined as materials or substances occurring in nature which can be modified and exploited by people to support production processes and cover the economic and welfare needs of people.

### Non-renewable

Non-renewable resources are "natural substances that are not replenished with the speed at which they are consumed"[3]. Such materials exist in finite supply and cannot be recovered once they have been used up such as oil, natural gas, and coal.

### Gross Domestic Product

Gross Domestic Product (GDP) is the value of all final goods and services which are produced within an economy over a period of time.

### Less Economically Developed Countries

LEDCs, previously referred to as "developing" countries, are low-income countries confronting severe structural impediments to sustainable development. They are highly vulnerable to economic and environmental shocks and have low levels of human assets.[4]

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[2] Pettinger, Tejvan. "Dutch Disease." Economics Help, 14 Jan. 2018, www.economicshelp.org/blog/11977/oil/dutch-disease.

[3] "What Are Nonrenewable Resources?" Investopedia, 27 May 2022, www.investopedia.com/terms/n/nonrenewableresource.asp.

[4] "Least Developed Countries (LDCs) | Department of Economic and Social Affairs." United Nations, 20 Apr. 2022, www.un.org/development/desa/dpad/least-developed-country-category.html.

### Monopoly

A monopoly is a market structure characterized by a single firm or one firm dominating the market and selling a unique product. In a monopoly market, the firm faces no competition and possesses monopoly power that allows it to raise price above cost.[5]

### Diversification

Diversification is when an economy invests in different industries, areas, countries, and types of financial instruments, to vary its production range and reduce risk. Resource-rich countries often allocate most of their resources on the primary sector and avoid diversification, leading to stagnant economic growth.

### Income elasticity of demand

Income elasticity of demand (YED) measures the responsiveness of quantity demanded after a change in price. Goods originating from the use of natural resources and the primary sector are considered income inelastic since consumer demand for them does not increase when incomes in a country increase. Therefore, the primary sector usually faces slower economic growth compared to the secondary and tertiary sectors.

## BACKGROUND INFORMATION

### Causes of the Resource Curse

The Resource Curse is a multidimensional issue that can be driven and perpetuated by various factors. The extraction and use of natural resources is very distinct from the other economic sectors due to its price volatility, non-renewable nature, and its large costs. These characteristics obstruct LEDCs from using them appropriately and eventually lead to allocative and economic inefficiencies.

#### Lack of Diversification

One of the most prominent reasons behind the paradox of plenty is lack of diversification. Regions that possess an abundance of natural resources tend to specialize in the primary economic sector and the production of oil, natural gas, minerals and more. As the country has immediate access to natural resources, they lack the incentive to expand into the manufacturing and services sector. Consequently, they neglect these industries and lose any substantial profit they could have earned from them. This situation inevitably leads to financial

[5] "What Is Monopoly? Definition of Monopoly, Monopoly Meaning." The Economic Times, economictimes.indiatimes.com/definition/monopoly.

problems as the developing economy becomes dependent on the market for natural resources and exploits it to an unsustainable level. When the resource eventually becomes extinct, the economy is unable to rely upon its weak industrial sector and loses any prospect for economic growth.

### Income elasticity of Demand

The issues that arise from lack of diversification are further exacerbated by the income elasticity of demand that these goods possess. Natural resources are considered non-agricultural primary commodities and their income elasticity of demand is lower than that of manufactured goods and services. This means that as incomes in a country rise, people will tend to spend less and less on primary products and allocate larger proportions of their income on manufactured goods and mostly services. Therefore, in periods of global economic growth, the secondary and tertiary sector experience an increase in demand for their goods while the primary sector faces a relatively smaller increase in demand. Thus, global economic growth will mostly benefit the industrial sector. In this case, developing countries that specialize only in the production of primary goods and neglect the other economic sectors lose their competitive advantage.

### Price Fluctuations

Economies that are reliant on natural resources are also vulnerable to fluctuations in the price and production of these goods. The demand and supply of natural resources can be affected by extreme weather patterns, conflicts and even health emergencies such as pandemics. The past three years, the international community has been dealing with the outbreak of the COVID-19 pandemic which had a destructive effect on the global economy. The contagious disease was first reported in 2019 in the region of Wuhan, China. Although the virus eventually spread all throughout the world, the impact on the Chinese economy was significantly higher. The pandemic and the restrictive measures taken by the state such as lockdowns raised uncertainty and led to an economic downturn[6]. Investment spending decreased and production slowed down, destabilizing the demand and supply of natural resources, and reducing their price. The price volatility of natural resources can also be proven by the ongoing Russo-Ukrainian conflict. Ever since Russia invaded Ukraine and declared war, global prices of oil have soared. Although Russia represents an important stakeholder in oil trade, countries have been imposing bans on Russian imports and energy giants such as BP, Shell and Exxon have withdrawn from oil deals.[7] These cases clearly demonstrate how the

[6] "NCBI - WWW Error Blocked Diagnostic." National Library of Medicine, www.ncbi.nlm.nih.gov/pmc/articles/PMC8426032.

[7] Tepper, Taylor. "Why Is The Price Of Oil Rising?" Forbes Advisor, 8 Mar. 2022, www.forbes.com/advisor/investing/high-oil-prices.

demand and supply of natural resources is exposed to a variety of external factors that affect its production and distribution patterns. As a result, revenues collected from these goods change fluctuate every year and cannot support steady economic growth. This unpredictability in prices and revenues traps governments in recessionary periods and hinders them from achieving economic growth. Moreover, when resource-rich countries are unable to earn enough revenues from the primary sector and support government expenditures, they may over-borrow from foreign powers or increase taxation leading to further debt issues.

### Market Power

The Resource Curse can occur due to the presence of a monopoly or an oligopoly. Natural resources, such as oil, are usually produced and supplied by one firm or a few firms dominating the market. In the case of a monopoly or an oligopoly, competition is limited and the firms possess a significant degree of market power. This allows them to increase prices above their marginal costs and earn high revenues. For example, the oil industry is dominated by the oligopolistic cartel OPEC which allows states to cooperate and fix prices, thus functioning as a monopoly. The Organization of Petroleum Exporting Countries (OPEC) is an intergovernmental organization that was established on September 14, 1960 and consists of 12 countries.[8] The cartel is recognized by the international community and its members are responsible for controlling the quantities of oil supplied. Nevertheless, the lack of competition allows them to gain extremely high profits which are returned only to a small percentage of the wealthy stakeholders. Therefore, smaller firms or states that are not members of the organization receive relatively smaller revenues and grow at a slower rate. Furthermore, multinational firms that own natural resources are often taxed less to increase their incentive for investment. As a result, stronger stakeholders earn huge profits without being burdened by taxes while weaker economies are trapped and unable to profit from their resources.

## The Dutch Disease

While investigating the issue and writing resolutions it is necessary to discuss the economic impact of the Resource Curse. The Resource Curse is a dangerous phenomenon and can have detrimental effects on a developing economy. Its paradoxical nature and the various factors that perpetuate it make it difficult for states with weak institutions to find suitable measures and inevitably get caught in a vicious cycle.

A commonly known economic repercussion of the Resource Curse is "The Dutch Disease". The Dutch Disease is a phenomenon that occurs when there is a rapid increase in the use of raw materials, or a new valuable resource is discovered and leads to a decline in the

[8] All Answers Ltd. "Oligopolistic Market Model and Oil Prices." UKessays, 31 Dec. 2021, www.ukessays.com/essays/economics/the-oligopolistic-market-model-and-oil-prices-economics-essay.php.

other economic sectors.[9] The term was first used in 1977 by The Economist magazine to describe an economic crisis that took place in the Netherlands. Although the country discovered massive deposits of natural gas in the North Sea during 1959, the sudden influx of oil exports increased the value of the Dutch guilder and made all exports of non-oil goods more expensive. Therefore, they became less competitive in the world trade market leading to a sufficient rise of unemployment and decrease in capital investment.[10]

This event has occurred in various economies across the world and illustrates how vast access to natural resources can often lead to an appreciation of the exchange rate that renders exports uncompetitive. Although this may lead to relatively cheaper imports, in the long-run producers that rely on expensive exported material will be unable to sustain the production of goods and services and may even experience an inflationary crisis. Moreover, the appreciation of the exchange rate reduces exports of agricultural and manufactured goods making the economy even more dependent upon volatile natural resources that provide inadequate profits. Together with the financial deficit, economies that rely on such commodities face the risk of running out of resources. Oil, natural gas, coal, and minerals are non-renewable resources thus they cannot be replaced once they have been fully consumed. Although no country has experienced this issue yet, studies have shown that with the rapid increase of economic activity and the population, regions such as Angola and Colombia may only have a few decades of natural resources left. As scarcity of resources becomes more evident and countries are trapped in recessionary spirals, they cannot achieve economic growth and support the needs of their population.

### Corruption

Besides the economic facet of the issue, the resource curse can directly impact the political scene of the country. Over the past three decades, resource-rich countries have remained under authoritarian regimes and experienced high levels of corruption. Political scientists have identified taxation as the source of the issue. Democratic institutions are heavily reliant upon the relationship between a government and the citizens. Taxation is one important aspect of this relationship that requires transparency and trust. In democratic regimes governments usually rely on citizens for taxes allowing them to form a closer, more codependent connection. Through taxation, citizens become directly involved in the development of their country by allocating a proportion of their income to the government. Furthermore, since they contribute to the national budget, they are most likely to investigate how these revenues are being utilized and monitor government expenses. This taxation process ensures that unnecessary or harmful expenses are not conducted and allows citizens to engage with their governments, paving the way for more democratic regimes.

[9] Pettinger, Tejvan. “Dutch Disease.” Economics Help, 14 Jan. 2018, www.economicshelp.org/blog/11977/oil/dutch-disease.
[10] Pettinger, Tejvan. “Dutch Disease.” Economics Help, 14 Jan. 2018, www.economicshelp.org/blog/11977/oil/dutch-disease.

On the other hand, countries that possess natural resource wealth gain tax revenues from these resources. They do not shift taxes upon citizens and exclude them from the process of taxation. Therefore, politicians and other government members are not connected to the requests of their citizens and often ignore their demands. Moreover, since citizens are not involved in the taxation process governments are likely to disclose information about their expenses. As revenues originate from natural resources and not household income or spending, citizens are distanced from their government officials and lose incentive to participate in the state's budget. Consequently, they are usually not aware of how or on what these revenues are being allocated. This tendency of unmonitored spending often results in financial issues but also allows government to abuse their power and establish authoritarian regimes. By eliminating citizen engagement and exploiting revenues from the extractive industries, transparency is lost, and corruption is facilitated.

The Resource Curse can ultimately lead to the establishment of fragile and corrupted institutions that are unable to respond to their duties. As a result, decision-making and economic management is poor, investments are low or ineffective while resources are unsustainably exploited thus minimizing any prospects for economic and social growth.

### Conflict

A common side effect of the Resource Curse in LEDCs is internal conflict. In countries with an abundance of natural resources, there are multiple people aiming to be in control of them. These competing groups often provoke disputes and can even trigger a large-scale conflict. Scientists have detected that oil-producing countries have been twice as likely to face a civil war than non-oil producing countries since 1990[11]. Nowadays, there are various resource-rich countries around the world suffering from civil conflicts due to disputes over mineral management. Some of the most prominent cases of this social effect are Libya, Angola, the Democratic Republic of Congo and Iraq.

Apart from internal conflicts, countries with natural resources may even become involved in international disputes. The phenomenon where countries with oil deposits initiate war or become targeted by foreign actors is called petro-aggression. An imperative case illustrating petro-aggression is the conflict between Iraq and Kuwait. Kuwait is located at the Persian Gulf in Western Asia and has massive oil reserves. On August 2 1990, its neighboring state Iraq ordered military forces to invade Kuwait. By acquiring control over Kuwait, Iraq would gain 20% of the global oil reserves. The former was quickly dominated by the latter due to their overwhelming defense forces and organization. Although the Iraqi forces quickly established a provincial government and annexed Kuwait, U.S. forces and other foreign actors formed a coalition and liberated Kuwait in four days. The mission proved to be unsuccessful, but it

[11] "The Resource Curse." Natural Resource Governance Institute, Mar. 2015, resourcegovernance.org/sites/default/files/nrgi_Resource-Curse.pdf.

demonstrates how natural resources and especially oil can instigate and exacerbate conflicts beyond a country's borders.

### Impact on living standards

The inability of countries to effectively manage their large deposits of natural resources and boost economic development has a direct impact on the living standards of their citizens. First of all, the resource curse is inevitably connected with the issue of income inequality. As mentioned earlier, natural resources are usually controlled by large monopoly firms or collusive oligopolies. In such markets, the huge profits earned are not distributed equally amongst the population since they are mostly enjoyed by the wealthy landowners. Therefore, the income inequality gap widens, and the majority of civilians are forced to live below the poverty line. With inadequate access to a steady income, they are not able to afford basic commodities, housing, healthcare, education and more.

Furthermore, access to social protection is further restricted by the aforementioned lack of diversification. As governments devote most of their factors of production, such as labour and capital, into the resource-sector they neglect the welfare needs of their citizens. Besides repercussions on the industrial sector, they cut back expenditures on welfare programs, public healthcare, public education, housing, and transfer payments. As these services underperform and citizens are unable to afford private institutions, poverty conditions are perpetuated. Limited access to education leads to high illiteracy rates while the lack of healthcare and housing facilities increases mortality rates. Moreover, more workers are employed in low-skilled manual positions such as mining to increase primary production. As a result, the population cannot grow and adopt new, complex skills and is also exposed to dangerous situations. The living standards of citizens eventually deteriorate, and they become blindly dependent on their politicians, allowing room for more corruption and exploitation.

In some cases, it has also been observed that the Resource Curse can aggravate gender discrimination and negatively affect women. In developed and diversified economies women represent a large proportion of the workforce and usually acquire high positions in export-oriented manufacturing jobs. On the contrary, resource-rich countries rely mostly on manual labor in unfavorable conditions such as mines, therefore the workforce is mostly comprised of men. The absence of women from the workforce also inhibits the ability of women to participate in other facets of society and the state. Women are unable to acquire positions in the government and participate in decision-making. This precipitates the rise of authoritarian regimes by suppressing a large amount of the population and allows for gender-based violence. The disproportionate impact on women is also evident in the healthcare sector. Various studies have proved that women in countries with natural resource wealth tend to have higher rates of HIV and suffer from life-threatening illnesses due to discrimination and the poor facilities.[12]

### Impact on the environment

When investigating the social repercussions of the Resource Curse it is crucial to take into consideration the environmental impact. Firstly, it is difficult for economies that specialize in the extractives industry to balance the needs of the citizens and the environment. During the extraction and production stages companies' excessive amounts of water. This may have detrimental effects on both the communities and the repercussions, especially in LEDCs which are suffering from water scarcity. It can often lead to droughts and contaminate hydric sources due to waste products that harms both ecosystems, restricts water availability to humans and transfers deadly diseases such as cholera.

Additionally, a prominent part of the resource-sector is mining. In order to extract the resources for productive purposes, countries set up mines and unsustainably exploit the natural environment. Mining leads to dust accumulation which can affect both workers and the natural habitat. Miners are exposed to huge amounts of dust and often experience lead poisoning, allergic reactions and serious respiratory issues such as the "Black Lung Disease". Furthermore, dust particles can burden agriculture by disrupting photosynthetic activity, destroying plant tissue as well as carry away seedlings and reduce crop yield. These issues disturb the usual functions of an ecosystem and may trigger a chain reaction on the food web.

Extractive industries are also responsible for habitat destruction and the fragmentation of the landscape. By creating huge mines and setting up additional machinery to extract natural resources the landscape loses its qualities. The soil becomes polluted and eventually infertile, the area may be rendered uninhabitable and various plant and animal species may die.

## MAJOR COUNTRIES AND ORGANIZATIONS INVOLVED

### Venezuela

Venezuela is one of the most prominent examples of the resource curse. Until the late 20th century, Venezuela was regarded as the most prosperous nation in South America due to its abundance in oil, also known as 'black gold'. Nevertheless, for the past four decades, it has been dealing with a significant political, economic and humanitarian crisis. In 2012 the member of the United Socialist Party, Nicolas Maduro, was elected and reappointed in 2018 as president of Venezuela through fraudulent procedures. The citizens, political opponents and the international community have reacted negatively to his election by hosting protests and imposing heavy oil sanctions. The corrupt regime is one of the main factors that has led to the emergence and perpetuation of the resource curse.

[12] "The Resource Curse." Natural Resource Governance Institute, Mar. 2015, resourcegovernance.org/sites/default/files/nrgi_Resource-Curse.pdf.

Throughout the 20th century, the country possessed the world's largest oil reserves and the socialist government inevitably over-relied on oil revenues for income. The lack of diversification eventually resulted in significant shortages of primary commodities and was further burdened by the severe fall of oil prices in 2014. Currently, 90 percent of Venezuelans are living below the poverty line and are unable to afford one meal per day.[13] Together with the food shortages there has been an increasing need for medicine professionals and facilities while diseases such as malaria and measles have returned. The increased mortality rate and the economic issues have also triggered a refugee crisis with more than 4 million citizens migrating to the neighboring countries.

### Nigeria

Nigeria possesses the tenth largest oil reserve in the world and serves as the biggest oil export in Africa, yet it is also trapped in the resource curse. As an exemplar case study of this phenomenon, Nigeria's abundance in oil has been ineffectively managed by weak institutions and governance leading to slow economic and humanitarian growth. Until 1999, Nigeria was facing civil conflicts and was ruled by military forces that were abusing their power and competing for oil. Although there have been no significant struggles of power and coups since the 20th century, the institutions of Nigeria remain fragile. The weak governmental bodies have unsuccessfully relied upon their oil revenues for income and in 2018 Nigeria's fuel exports accounted for 94.1% of its total exports.[14] Although it is one of the largest oil producers in the world, Nigeria currently ranks at 161 in terms of human development and according to a World Bank report, approximately 4 out of 10 Nigerians live below the poverty line. There is also limited access to education, infrastructure, sanitation and basic food and water sources.

### The Democratic Republic of Congo (DRC)

Despite its abundances in natural resources, the Democratic Republic of Congo is battling inequality, violence and poverty. The DRC possesses some of the most important metals for manufacturing and energy production such as cobalt, coltan and copper. Although it is rich in natural resources and its exports have increased throughout the past 20 years, it belongs in the five poorest countries in the world and almost 73% of its population lives on less than $1.90 a day.[15] Due to weak institutional frameworks and prevailing inequality, the tendency for violent outbreaks increases. Scientists have observed that as the price of primary commodities increases, so does competition for the control of these resources. This leads to a vicious cycle of civil conflicts and significantly burden the annual GDP and humanitarian development.

### Norway

Norway is one of the few oil-rich countries in the world which has escaped the Resource Curse. The petroleum sector is an important source of income for the country as in 2012 it

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[13] Staff, Ber. "Venezuela's Resource Curse." Berkeley Economic Review, 15 Oct. 2019, econreview.berkeley.edu/venezuelas-resource-curse.

[14] Harvey, Ross. "How the Resource Curse Has Played out in Nigeria and Angola." Good Governance Africa, 31 Aug. 2021, gga.org/how-the-resource-curse-has-played-out-in-nigeria-and-angola.

[15] "Overview." World Bank, www.worldbank.org/en/country/drc/overview.

accounted for 23 percent of GDP and 50 percent of total exports.[16] Although it is a prominent feature of Norway's economy, the country has established a transparent and steady system to deal with its resource wealth and avoid the paradox of plenty. In 1990, the government established a sovereign wealth fund named the Government Petroleum Fund to handle oil revenues and reduce over reliance on natural resources. Each year only 4 percent of the fund's surplus is used and it is strictly allocated to public projects investments.[17] Through this national policy the country has established a strong relationship of trust with its citizens and become one of the leading economic powers. Norway is currently the most inclusive economy in the world with and controls the largest sovereign wealth fund.

### Canada

Similarly to Norway, Canada has efficiently produced and distributed its natural resources without getting trapped in the paradox of plenty. Canada is endowed with a diverse abundance of natural resources such as energy sources, minerals and timber stocks. It is considered a major power in natural gas and coal trade while it also possesses the world's second largest oil reserves. Despite this impressive stock of natural resources, Canada has maintained an advanced economic and political system through its inclusive national policies. The government has imposed monitoring agents such as the federal National Energy Board, to overlook adherence to governmental protocols and regulations on resource use. Moreover, provincial bodies are responsible for granting permits and licenses for oil and reporting any illegal activity to Parliament.

### United Nations Development Programme (UNDP)

The UNDP is one of the largest agencies of the United Nations and was established in 1965 by the General Assembly after the UN Expanded Programme of Technical Assistance merged with the United Nations Special Fund. The organization is currently headquartered at New York City and operates offices in 170 countries around the world. The main goal of the UNDP is to assist countries in developing strong governmental institutions, eliminating poverty and expanding their national policies towards the achievement of the Sustainable Development Goals. As the most prominent UN development aid agency, the UNDP is closely connected to the issue of the Resource Curse and its repercussions. By publishing annual reports and providing immediate support to LEDCs through infrastructure and development projects, the UNDP can assist victims of the curse to establish democratic governance, manage their resources and prevent a humanitarian and climatic crises.

### United Nations Economic Commission for Europe (UNECE)

[16] BBC News. "Norway Oil Wealth Fund Made Big Gains in 2012." *BBC News*, 10 Mar. 2013, www.bbc.com/news/business-21733474.

[17] Treanor, By Sarah. "How Norway Has Avoided the 'Curse of Oil.'" *BBC News*, 27 Aug. 2014, www.bbc.com/news/business-28882312.

The UNECE was created in March 1947 under the supervision of the Economic and Social Council as one of the five regional commissions of the UN. The organization is comprised of 56 international member states that aim at establishing pan-European economic cooperation. By collaborating with various professional organizations and advisory bodies the UNECE assists states in managing their resources and becoming economically integrated. This organization can play an imperative part in promoting the sustainable and effective use of natural resources in LEDCs through its extensive environmental policy. In the past year, the UNECE has participated in discussions on how to strengthen the connection of multilateral trade, and generally economic activity, with sustainability. By expanding civilian access to environmental information and focusing on innovation policy, the organization enables dialogue and creates effective recommendations on national and international environmental practices such as the national Innovation for Sustainable Development Reviews.

## TIMELINE OF EVENTS

| DATE | DESCRIPTION OF EVENT |
|---|---|
| March 1947 | The UNECE was founded as a regional commission of the UN. |
| 1959 | The Netherlands discovered huge deposits of natural gas in the North Sea that increased the value of the Dutch coin and led to the term “Dutch Disease”. |
| 14 September 1960 | The Organization of the Petroleum Exporting Countries (OPEC) was established in Baghdad, Iraq as a legal cartel for the management of oil trade. |
| 22 November 1965 | The United Nations Development Programme (UNDP) was formed by the UN General Assembly. |

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|---|---|
| 1990 | The Norwegian government established the Government Petroleum Fund. |
| 1993 | The term “Resource Curse” was coined by the British economist Richard Auty. |
| 17 June 2003 | The Extractive Industries Transparency Initiative (EITI) was created in London. |
| 17 September 2007 | The Stolen Assets Recovery Initiative (StAR) was officially adopted in New York City. |
| 11 September 2008 | The resolution “Strengthening transparency in industries” (A/RES/62/274) was adopted by the General Assembly. |
| 2010 | The Natural resources charter was launched during an annual meeting of the International Monetary Fund and the World Bank. |

## RELEVANT UN RESOLUTIONS, TREATIES AND EVENTS

### Natural Resources Charter[18]

The Natural Resources Charter was formally created in 2010 at an annual meeting of the World Bank and the International Monetary Fund (IMF). The charter was formed by an independent group of academics and scientists that have first-hand experiences with the socioeconomic issues faced by resource-rich countries. It is an extensive set of guidelines that guides governments on how to manage their natural resources and achieve sustainable development. The document consists of twelve core principles that outline the different policies governments can implement to sustainably extract their resources, maximize their revenues and ensure the livelihood of their citizens.

### A/RES/62/274[19]

Resolution A/RES/62/274, also titled "Strengthening Transparency in Industries", was adopted by the UN General Assembly on September 11th, 2008. The resolution is one of the few tangible efforts of the UN to address the issue of the "Resource Curse" and assist LEDCs in achieving economic growth. Although it is not legally binding, the resolution stresses that resource-rich countries, especially those engaged in conflict, should have the power to negotiate mutually satisfactory terms for the production and distribution of their natural resources with the industries responsible for their extraction and use. Furthermore, it encourages firms to form international corporate policies on sustainability, promote environmentally safe procedures and ensure transparency in their activities in developing regions.

## PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

The "Resource Curse" is one of the most fundamental issues prohibiting the economic and social growth of LEDCs. Although its consequences are undoubtedly imperative and can affect not only the nation itself but also the entire international community, there have not been many previous attempts to mitigate the unsustainable management of natural resources.

One of the few measures currently in place is the Extractive Industries Transparency Initiative (EITI). This organization is an international coalition of governments, businesses and civil society that have committed to strengthening transparency and setting core principles on the extraction and use of oil, natural gas and coal. The key aim of the initiative is to collect data

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[18] "Natural Resource Charter." *Resource Governance*, 2011, resourcegovernance.org/sites/default/files/NRCJ1193_natural_resource_charter_19.6.14.pdf.
[19] "62/274. Strengthening Transparency in Industries." *United Nations*, 2008, documents-dds-ny.un.org/doc/UNDOC/GEN/N07/480/15/PDF/N0748015.pdf?OpenElement.

on a country's natural resources so as to guide decision making, ensuring corporate responsibility and accountability as well as improving methods of resource management. Every member of the EITI must convey information to the other stakeholders of the extractives industry on what is extracted, how revenue is collected and to where it is allocated. To monitor these actions, the member states have created a common set of guidelines, the EITI Standard. Each year the organization assesses the adherence of its 50 members to these rules and publishes the results in a public report.

Together with the EITI, the UN Office on Drugs and Crime (UNODC) and the World Bank launched the Stolen Assets Recovery Initiative (StAR). The StAR focuses on assisting developing regions to eliminate corrupt economic activities and regain their stolen assets. Together with various international contributors, the initiative facilitates the establishment of stable and transparent legal and technological mechanisms, offers training programs on asset recovery, and advocates for global action on resource management. By assisting the eradication of corruption and strengthening democratic governance in LEDCs, the organization allows states to prevent the exploitation of their resources by foreign actors and enable economic growth.

## POSSIBLE SOLUTIONS

The "Resource Trap" is clearly a multifaceted matter with serious economic and social implications. Due to its paradoxical nature and complexity, it is often difficult to draft effective common solutions. While resolution-making the delegates are advised to focus on versatile policies that directly tackle the roots of the issue and can be applied both on a national and international scale.

### Creation of a Progressive Tax System

As mentioned earlier in the guide, one of the main sources of the Resource Curse is corruption and authoritarianism. In repressive regimes, there is a lack of transparent communication and direct dependence between the government and its citizens. As the state collects most of its revenues through the natural resources it does not rely on citizen taxes. One approach at eliminating corruption is by creating a progressive tax system. Such a system should impose different tax rates on citizens according to their income and their ability to pay. Over reliance on natural resources would be restricted thus allowing governments to engage with their citizens and improve democratic governance.

### Publication of Annual Reports

Another way to strengthen the link between a government and its citizens is by enhancing transparency. Besides engaging civilians through direct taxes, the state could publish annual public reports of revenues and their allocation. These reports could include various data as to when revenues were collected, from which sources and to what purpose they were invested in. By disclosing such information citizens could monitor their government's expenditures and prevent any unlawful activity or misallocation of resources. Ultimately, such a solution would eradicate any attempts of corruption and assist equal distribution of wealth.

### Elimination of Market Power

Besides corrupt institutions, the resource curse is often perpetuated by the presence of huge monopolies or collusive oligopolies with significant market power. Natural resources are often produced and distributed by huge monopolies due to the extremely high costs and intricate mechanisms required for their extraction and use. Although monopolies are financially able to support these procedures, they are owned by foreign actors that concentrate unusually high profits. Even if the natural resources used stem from LEDCs, the profits earned through them leave the country and create instability. In order to ensure that developing regions use their resources efficiently, measures against monopolization need to be enforced. National or international actors could impose antitrust legislation to ban mergers in trade or force the business to distribute some of its income to the LEDCs endowed with the resources.

### Establishment of Legal Institutions

To further prevent foreign exploitation, it is necessary to establish stable political and economic institutions in LEDCs to assist decision-making. Due to conflict, authoritarianism or insecurity developing countries often struggle with policymaking. To prevent manipulation, international organizations such as the UN could provide LEDCs with legal representatives and advisory bodies that would guide them on which policies to implement and how.

### Diversification of the Economic Sectors

Another solution within a nation could be economic diversification. Through the World Bank or the International Monetary Fund, LEDCs could appeal for financial aid to expand into other industries and not become over dependent on natural resources. By allocating funds and appropriate infrastructure these developing regions could invest in the manufacturing and services sector to expand their economic versatility and grow.

### Adherence to International Protocols

On an international level, it is important that all member states, both MEDCs and LEDCs, adhere to the protocols and resolutions they have ratified. To secure abidance by such principles as well as by the aforementioned solutions independent monitoring agents could be introduced to oversee their safe implementation. These bodies would be responsible for monitoring the relationship between governments and their citizens as well as the communication between governments and extractive companies to ensure that a larger percentage of the production value remains in the country.

### Raising Awareness

Finally, a universal and highly necessary solution is raising awareness. Although the "Resource Curse" is a global phenomenon, a lot of people both in LEDCs and MEDCs are not fully aware of its dimensions or even existence. Member States in cooperation with Non-Governmental Organizations (NGOs) could host awareness raising campaigns and offer to the uneducated public information on the sources of the issue and its repercussions. Additionally, they could offer training programs in LEDCs to expand the workforce and assist economic growth.

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