

Beyond Greed and Curses:

Understanding the links between natural resources and conflict in Melanesia

Curses and conflicts: what are the issues?

There is now over two decades of evidence linking the abundance of natural resources with poor economic performance. Economists have tested the relationship in various ways, with various figures and definitions, and for various time periods. Although not unanimous, the vast majority show that, in effect, resources are bad for the development prospects of a country. More recently, in work originating from the World Bank, a link between a country's dependence on natural resources and the likelihood of civil conflict has also been made. This is clearly an argument that resonates with recent events in the Asia-Pacific region and represents a worrying trend, with several countries exhibiting a continuing high level of dependence on natural resources for economic growth and development.

We are in part to blame,
but this is the curse
of being born with a copper
spoon in our mouths.

- Kenneth Kaunda, President of Zambia.

In this policy brief I outline why, although the statistical evidence from economists about the links between natural resources and conflict is compelling, their explanations of the links are not always fully applicable in the Asia-Pacific region. Something different appears to be at work. The brief discusses these differences, providing an Asia-Pacific case study of the links between natural resources and conflict from which more general inferences about the resource-conflict relationship can be drawn. It opens with a review of the evidence and arguments linking resources and poor

economic performance. Then a more Melanesian-centric explanation of the links between resources and conflict is proposed, one that has at its core the intimately linked notions of land and identity. My perspective is unashamedly local - my work for the past 12 years has been with large-scale resource projects and the communities around them in Melanesia. In this sense I take for granted many of the arguments made by political scientists and economists about states and natural resources in the region, and instead seek explanations for these resource conflicts in the detail and complexities at the local level. I conclude by suggesting possible pathways for solutions and remedies.

How can wealth make you poor?

The evidence of links between natural resources and conflict has its origins in studies by economists from the 1980s that identified a statistically robust relationship between an economic dependence on natural resources and slower than average economic growth (Ross 1999). This 'Resource Curse' thesis (Auty 1993) has generated debate between economists and others about the extent of the problem, the details of how resource dependence is measured, and whether a reliance on hard-rock minerals is different from reliance on oil or timber or agriculture. What is clear from this debate, though, is that there is strong evidence that a high reliance on natural resources can place constraints on the development of an economy. Two examples of the figures used can illustrate this.

First, Ross (2003) cites a World Bank study into the economic performance of countries with large mining sectors over the period 1990-1999. Table 1 shows the results: effectively the larger the dependence on mineral exports, the poorer the economic growth.

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Minerals as a percentage of exports	Change in GDP per capita, 1990 - 1999
Medium (6-15% of exports)	- 0.7
Large (15 - 50% of exports)	- 1.1
Very large (over 50% of exports)	- 2.3

Table 1. Mineral dependence and economic growth

Source: World Bank (2002), cited in Ross (2003)

Second, Sachs and Warner (2001) provide a very clear illustration of the broader trend. They highlight a strong association between the extent of a country's exports of natural resources in 1970 (as a percent of GDP) and real GDP growth per capita over the subsequent twenty-year period, as seen in Figure 1. In sum they find that the more an economy was dependent on natural resources, the slower its subsequent growth.

From examples such as these and many others, the same pattern occurs: natural resources are not the blessing they would appear to be for a country. The reasons for this are the subject of much debate, and will be returned to below, but it is worth noting at this point that they include effects on the competitiveness of the economy, and the apparent debilitating effects of resource rents on state institutions.

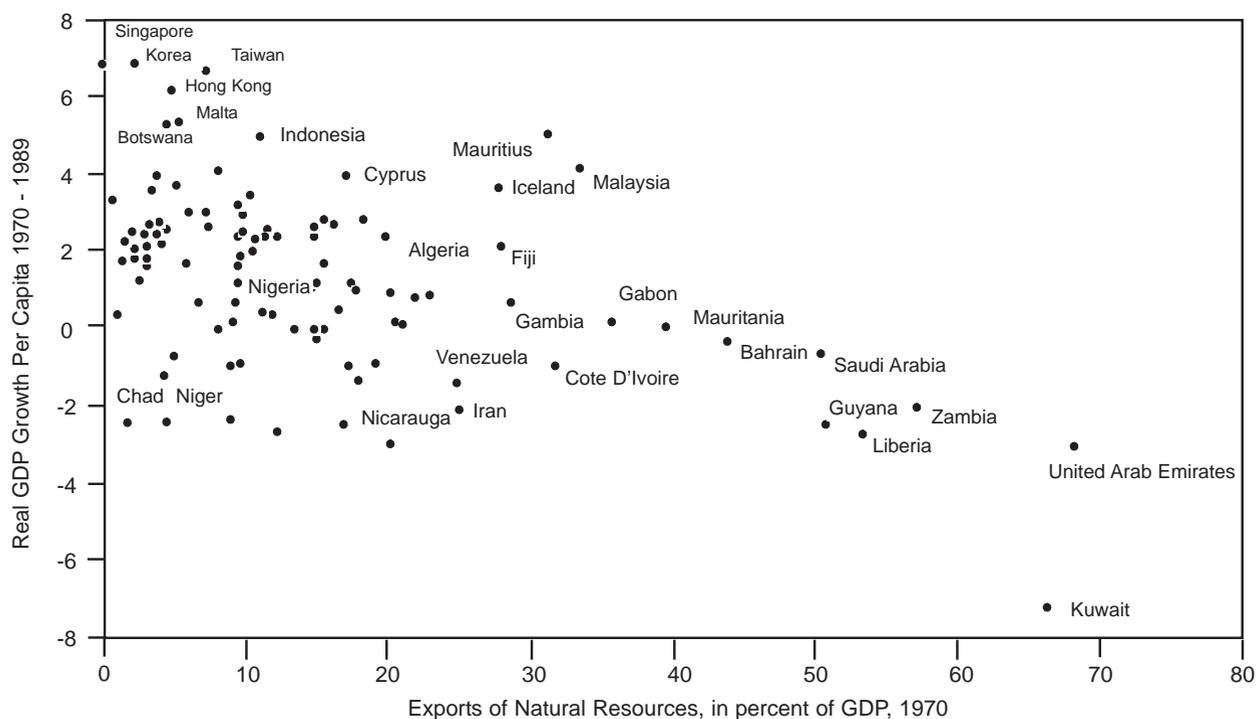


Figure 1. Growth and natural resource abundance 1970 - 1989

Source: Sachs and Warner (2001:829)

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More recent work by Collier and others has gone further and linked a high dependence on natural resources, particularly minerals and oil, to a heightened risk of civil conflict within a country. Collier (2000), working with a sample of 47 countries that had experienced civil conflicts in the period 1965-99, analyzed a wide range of factors describing these countries including ethnic and religious factionalism, the nature of the economy, and the distribution of the population across the country. He argues that the three most powerful risk factors likely to bring about civil conflict in a low-income country in any five-year period are: the level of income per capita; the rate of economic growth; and the structure of the economy, i.e. a substantial share of GDP being derived from the export of primary commodities or natural resources. Most recently Bannon and Collier (2003) have quantified this: they found that a country with primary commodity exports making up around 25 percent of GDP has a 30 percent risk of civil war in the next five years compared to a 6 percent risk for an identical country where primary commodity exports make up just 5 percent of GDP.

The evidence seems compelling. How can it be explained? Ross (2003) suggests four mechanisms or pathways that can specifically link resources and conflict, each of which is briefly summarized below.

Oil- and mineral-rich governments generally spend unusually large sums on their military forces.

Effects on economies. Here the link with conflict is through the ‘resource curse’ noted above with the implication, borne out by the evidence, that negative rates of growth increase the likelihood of civil war in a country. The evidence also points to a link between resource dependence and increased rates of poverty in a population, again a potential factor in civil conflicts. Feeding into this pattern, Ross (2003) has also noted a link between dependence on oil or minerals in a country’s economy and higher child mortality rates, and more generalized findings that link resource dependent economies and lower than average investment in education.

Effects on governments. Resource dependence tends to create weak states, through corruption, weakened governance and unaccountable government. In short, the evidence is that governments that receive more revenue from timber, oil and minerals are more corrupt, in part because the huge sums involved can overwhelm the limited ability of small bureaucracies to manage them effectively, and in part because of the volatility of resource revenues that can overwhelm standard budgeting processes and institutions. In terms of accountability, it has been argued that governments that receive the bulk of their revenues from resource rents tend to become less democratic, in part because they are able to use these additional flows to quell dissent. Ross (2003:25) notes that, indeed, ‘oil- and mineral-rich governments generally spend unusually large sums on their military forces.’ And the use by governments of their military to protect resource extraction projects has been well documented in many parts of the world, leading to numerous human rights abuses.

Effects on people living in resource-rich regions. Ross argues (and Collier and others have promulgated a similar line) that resource wealth tends to promote civil wars by giving people who live in resource-rich areas an economic incentive to form a separate state. In the cases that Ross discusses, the presence of resource wealth, an identity distinct from the majority (either by ethnic, linguistic or religious markers), and a perceived imbalance between the costs and benefits of resource extraction for local populations, all serve to heighten the risk

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of secession sentiments being transformed into action. Collier's work goes further - in the analysis he carried out with Hoeffler, they argued that civil conflicts need to be understood as a case of 'greed, not grievance:' that is, the primary determinant of a conflict is the battle for control of resource rents, not religious or ethnic differences within a population.

Effects on rebel movements. The final linkage that Ross discusses between resource dependence and civil conflict is the ability of rebel movements to raise funding through the acquisition, control and eventual sale of natural resources within a nation's territory. Collier has also noted that natural resources are more 'lootable' than other forms of economic activity, and hence easier for rebel movements to take over and utilize for funding their struggles. The essential argument here is that natural resources spark and then prolong civil conflicts because they are far easier (and more lucrative) for rebel groups to access and milk for funding.

What is the situation in the Asia-Pacific region?

All of the above work has been developed at the global level, Africa being a particular focus of the resources and conflict literature. But examples from the Asia-Pacific region have also been cited: for example, Papua New Guinea has been a long-standing favorite of the resource-curse authors; Ross (2003) has referred to Cambodia, Indonesia (Aceh and Papua in particular) and Papua New Guinea (Bougainville); and both Ross's and Collier's work on resources and conflict list Bougainville and Papua as examples of civil wars ('separatist conflicts') linked to resource wealth. Other regional conflicts which could certainly fit the generalized model of resources and conflict include East Timor, the Solomon Islands, Myanmar, Mindanao in the Philippines and New Caledonia. The (decidedly patchy) economic data from the region certainly highlight the heavy reliance on natural resources for many countries in the region (see Table 2).

Country	Primary Exports 1990 (as percentage of merchandise exports)	GDP/ capita (purchase power parity US\$ 2001)	GDP per capita annual growth rate (% 1990-2001)
Australia	73	25,370	2.7
Cambodia	70?	1,860	2.2
East Timor	90?	500	nd
Fiji	63	4,850	1.7
Indonesia	65	2,940	2.3
Laos	50?	1,620	3.9
Malaysia	46	8,750	3.9
Myanmar	85+	1,700?	5.7
New Caledonia	80+	14,000?	2?
Papua New Guinea	89	2,570	1.0
Phillipines	31	3,840	1.0
Singapore	27	22,680	4.4
Solomon Islands	85?	1,910	-1.4
Thailand	36	6,400	3.0
Vietnam	80?	2,070	6.0

Table 2. Natural Resources and Economic Growth in Asia-Pacific

Sources: WRI (2004, Tables 12, 14). World Bank. ADB various tables

Note: + = at least; ? = best estimate based on a range of data sources

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If concerns about the comparability and reliability of the data in the above table are set aside, then the region does fit the overall pattern expounded in the resource curse thesis (See Figure 2). Countries such as Vietnam and Myanmar (high dependence on natural resource exports and high growth), and the Philippines (low dependence on natural resources and low growth) are exceptions rather than the rule.

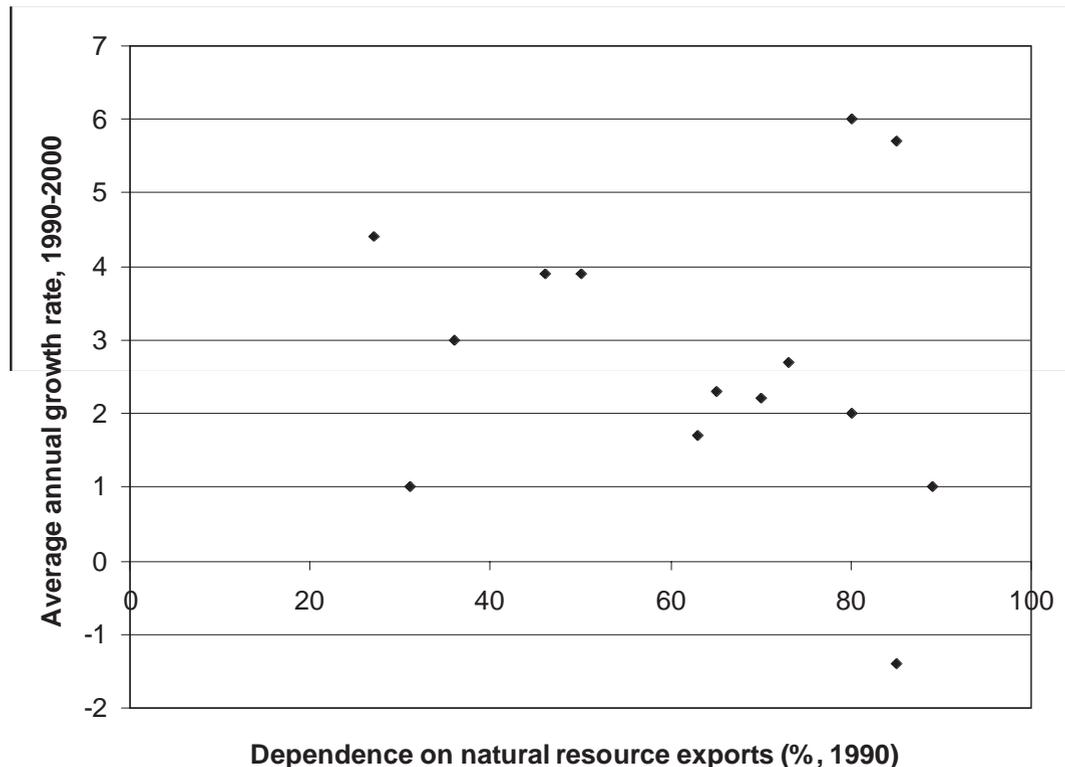


Figure 2. Natural resource dependence and growth in Asia Pacific, 1990-2000.

Source: As for Table 2.

Conforming to statistical patterns of economy and conflict is one thing: fitting the explanations offered is another. I shall spend the rest of this paper arguing that although Papua New Guinea, Papua Province in Indonesia and much of the rest of the region appear to fit the global patterns of natural resources and conflict, they do not sit comfortably inside any of the very broad range of explanations offered by Ross and others. They fit the figures - indeed they are cases that help create the patterns - but the global explanations fail adequately to grasp the nature of the Melanesian cases in particular. Instead the nebulous notion of social identity appears at the core of the conflicts over resources in the region. It is also worth noting that there are other areas of conflict in Asia-Pacific that don't fit the resource-conflict equation so easily - the Fiji coups which appear less about resource control than ethnic divides are clear examples, as well as several of the other religious conflicts in parts of Indonesia, and elsewhere in the Pacific

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Understanding resource-driven conflict in Melanesia

Although it is safe to state that identity and social relationships are all-important in Melanesia, such a statement can also be meaningless. Identity is a contested term and concept: it can mean many things to many people and hence easily loses all analytical meaning. It is clearly context dependent - where people are situated socially, culturally, geographically and economically will fundamentally shape their identities. It is also obvious that identities are socially constructed - they are a result of cultural conditioning, and may shift through time as society and values change. Critically for the Melanesian case, individuals are able to tap into a range of context-specific identities; for example some Papua New Guineans are very successful at switching between traditional landowner and hard-nosed businessman. Multiple identities, then, are far more acceptable than multiple personalities.

There are four often related ways in which local identity is central to resource conflicts in Melanesia. The first is through the link between land and identity. In a much cited quote, three young Bougainvillean students argued in 1974 that their people believed that:

Land is our life. And is our physical life - food and sustenance. Land is our social life; it is marriage; it is status; it is security; it is politics; in fact it is our only world. (Dove et al. 1974:182)

In other words, land is not just a commodity. A person's relationship to land is a central component of what makes that person in Melanesia. In large part this continues to be true throughout most of Melanesia because of the inability (and often unwillingness) of the state to bring about widespread alienation of land (Ballard 1997). In such a situation the local landscape and environment are seen as reflections of the power and control of local groups. Clearing and working the land and using the resources of an area are central to the development and maintenance of social relationships. Control over local resources here does not mean unencumbered attachment to these resources, but clearly has strong links to local identity.

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Given the links between landscapes and identity, it should be obvious that massive changes to the environment as a result of large-scale resource development will bring about changes in group and individual identity. In the case of the Panguna landowners of Bougainville, in 1974 they said 'when you take our land, you cut away the very heart of our existence' (Dove et al. 1974:182). Filer (1990) has noted statements by the landowners in the late 1980s that clearly linked changes in landscapes with changes in lifestyles and identities; the loss of bays, of waterways and of forest, along with the creation of an enormous hole in the middle of their territory, all impacted deeply upon local senses of self and community. People were effectively seeing the changes in the landscape as reflections of the changes in their society. And the conflict on Bougainville resulting from this breakdown is well known.

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The second way in which resources can fuel conflict in Melanesia is through altering regional networks of kinship, trade and identity. In a number of parts of Papua New Guinea, for example, it is clear that the development of a large-scale resource project has significantly reconfigured regional power relationships between ethnic groupings. At Porgera, the previously marginalized Ipili people are now at the centre of the national polity and regional power, while the overwhelmingly numerically dominant Enga in the rest of the province have had to seek ways of attracting the attention of the mine owner and the government (largely through attacks on trucks supplying the mine, regional political maneuverings and a high level of political rhetoric against the operation). What is particularly interesting here is that even though the rest of Enga do benefit from the mine, there is a strong sense that many would rather see it shut down if their demands are not met.

Perhaps the classic example of this type of resistance to resource development in Papua New Guinea comes from the Huli people of the Southern Highlands Province. Here, a people who believe that they inherently have a central role in national and even international affairs have found themselves literally surrounded by large resource projects on the territories of what they consider to be inferior people. To the south there is the large Kutubu, Gobe and Moran oil and gas projects, to the north Mt Kare and Porgera gold projects, and a little further west, the Ok Tedi copper/ gold mine (the smallish Hides gas project is on the southern extremity of their territory). Despite this central position, Huli are not the identified owners of the land of any of the projects, and only receive indirect, marginal benefits from them. In a response that exemplifies the argument, the Huli have been responsible for the promotion of a separate 'Hela' Province in the Highlands, one that ties together the descendants of a group of original brothers who spread from the Huli heartland and settled in the neighboring areas that, not coincidentally, are now home to these world-class resource projects. While few in the resource-rich areas lend the notion of a separate province any support, the Huli have been busy pushing the concept at the national level, and the Hela 'people/tribe' and even 'district' are regularly reported on in the media (see for example Wayne 2002). The Huli here are simply trying to reshape their role in the regional geopolitical balance, and seeking to maintain their self-perceived dominant position as the central people in the region.

Within the Porgera valley as a whole, the population has gone from 5,000 in 1980 to 10,000 in 1990 and 22,000 in 2000.

A third major disruption to social relationships and identity in the resources sector happens in the area around mining projects as a result of the massive in-migration that occurs. Some examples illustrate the trend. At Porgera, the population living within the SML boundary has gone from around 2,000 in 1990 to close to 9,000 within a decade, almost half of whom were not born in the Porgera district. Within the valley as a whole, the population has gone from 5,000 at the 1980 Census, to 10,000 in 1990 and 22,000 in 2000. At the Freeport mine in Papua, a pre-mine population of perhaps 3,000 within the Contract work area in the late 1960s has ballooned to almost 150,000 today (see Banks 2003).

I believe the impact of this migration is perhaps the most devastating of all the effects of large-scale mining in Melanesia, largely because of its effects on the core pillar of Melanesian identity: social relationships. Local communities go from being relatively coherent and stable (though hardly peaceful or static) entities where the

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relationships an individual has with others in the area are well known, to a situation where locals feel they are in a minority. The most common complaint about the Porgera mine from landowners has been that it brought about a heightened level of fear because of the 'faces we do not know:' that is, people they do not have relationships with. The migrants have been held responsible for many of the social pathologies associated with large-scale mining: drinking, gambling and prostitution. In addition, the breakdown of traditional forms of control within the community has been evident - the outsiders have not been subject to the same controls, sanctions and authority as the locals. For example, large numbers of young men with little work to do living in the community around the mine could rapidly ramp up the stakes in small disputes leading to large numbers of participants in the 'tribal conflicts,' many of whom were only tangentially related to the 'tribes' concerned. A final and frequent cause of conflict as a result of migration arises as the very issue of local identity becomes contested. Being Porgeran is suddenly important because of the potential and actual benefits that flow to 'the landowners.' Debates, disputes and conflicts over belonging and membership are frequent, in large part because the traditional rules are often loose or vague and hence are being reshaped on the run by the communities as well as by governments and companies (see Ramsey and Weiner 2001, Ballard and Banks 2003). Given what is at stake, it is no surprise that this process of redefining the 'local' can occasionally turn violent.

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The final way in which identity is impacted by resource development is in terms of intra group dissent sparked by distributional issues. In the Porgeran case at least -- and Filer (1990) has argued the same for the Bougainville situation -- the issue is not that the split between national/ provincial and local is seen as inherently unfair, although it is often viewed this way. Rather the problem becomes that at the local level there are simply no effective traditional precedents that can handle the distributions of large amounts of cash that flow to the affected communities. Filer (1990) has provocatively suggested that larger revenue flows to local communities simply make the problem worse, not better, and that what he calls the processes of social disintegration associated with large scale resource projects may be accelerated by giving more to the affected communities. In an illustration of this, one local letter-writer to a major resource company complained that his life had been ruined by 'the greedy and hungry foxes,' and went on to say that this was not the usual suspects (company or government) but 'my own relatives and wantoks.' People are not following the traditional norms and conventions of sociality in terms of distribution (a central tenet of identity formation in the highlands societies) because there is no way in which such systems can cope. Filer's work on Bougainville suggests one ultimate outcome of this problem: the breakdown of the norms of the society to such an extent that anger and frustration is both focused internally and projected outwards onto the resource developer and government.

Contested identities, altered identities, fractured identities: all of these processes are happening in Melanesia and elsewhere as a result of mining developments. They impact on communities, resource developers and the governments. They also spark conflict at mining sites and within provinces. And they account better for these conflicts than explanations that reduce them to simple economics. In this sense it is not about either greed or

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grievance, or curses for that matter, but it is more centrally about the changes that occur in relationships between individuals, groups, and local environments. A maxim from the highlands of Papua New Guinea is that all tribal fights are disputes over pigs or women, both of which (from the male perspective at least) are centrally related to land, relationships and ultimately, identity. These are the things that matter in Melanesia, and to believe that conflicts of any kind can be primarily about anything else is an illusion.

Where to from here?

One attraction of the curses and conflicts literature is that prescriptions are relatively simple, at least in terms of the theory. Raise economic growth, reduce poverty, diversify the economy, improve governance of resource revenues, put some aside for future generations, and track commodities to ensure rebels cannot profit from the sale of illegally-controlled resources (Bannon and Collier 2003). If, as proposed above, the issue in the case of Melanesia lies more deeply buried in the Melanesian psyche, where is the magic antidote for bringing about less conflict? A reduced dependence on natural resources in the region is unlikely in even the medium term; resources will continue to be central to a number of economies in Asia-Pacific for decades. In Papua New Guinea there is an entrenched rent-extraction culture at local, provincial and national levels, something the current insertion of Australian government resources will find exceedingly hard to break down. Paradoxically (at least in terms of traditional thinking about aid), it may be that facilitating the private sector should be a higher priority for aid than public education, health, law and order and the like. In the case of mining in Papua New Guinea, the Department of Mining is seriously under-resourced and has been for over a decade. As a result, the department's ability to either mediate between landowners and corporations, or to facilitate new investment in the sector has been dramatically affected. In turn this has certainly contributed to both higher levels of conflict and lower investment in the sector. Real assistance in this sector would undoubtedly reap substantial returns for donors.

The biggest danger of the riches of resources may indeed be that they allow the state to withdraw from contact with its own constituents.

Another lesson that we can take arises when we consider that there is an overwhelming focus on the failures of the states and governance in the region, but little on the successes. Are there, for example, lessons to be learned from the resource companies that have survived and operated successfully in these volatile environments over the past two decades? Possibly. And it is not, as many have sneered, simply a matter of the companies buying off and playing off local groups. A critical part of their success has been their physical presence and on-going contact with the communities around them. The biggest danger of the riches of resources may indeed be that they allow the state to withdraw from contact with its own constituents. A locally-focused form of governance has certainly served the mineral and oil industries well, often in the absence of the government itself. It is not a new idea, but this line of thinking reinforces efforts that focus on re-establishing basic government services in rural (and urban) Melanesia (and perhaps elsewhere). We may not be able to take away the copper spoon (although Papua New Guinea's may soon be snatched away in any case with all but one mine projecting closure in the next decade) but encouragement and support for a renewed state effort at the local level is likely to be at least as effective in reducing resource-related conflict in Melanesia as anything else that has been proposed.

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More broadly the analysis above will apply, in principle at least, to other areas and countries where resource developments impinge on the relationship between people and their land. Where links between land and identity have survived the effects of colonial and post-colonial attempts to commodify land (such as large parts of Asia, Africa and South America, and among indigenous communities in Australia, New Zealand and North America), then developments that impinge on local resources will undoubtedly set in motion the processes outlined earlier: local concerns with migrants, with regional and local relationships, and with the effects on cultural and physical landscapes and resources. Depending also on the relative strength of state and civil society actors at both local and national levels, these processes have the potential to bring competing groups into conflict. Economic motives for these conflicts are easily ascribed, but I have argued here that the causes usually run much deeper, bound up in fundamental issues of identity and control over the direction of peoples' lives.

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About the author

A New Zealander, Dr Banks completed his undergraduate and Master's degrees in Geography at the University of Canterbury before being awarded his PhD in 1997 from the Research School of Pacific and Asian Studies at The Australian National University. He has worked on issues related to large-scale mining in Papua New Guinea since the late 1980s, and recently completed a major review of Papua New Guinea for the Mining, Minerals and Sustainable Development program. The particular focus of his work has been the relationship between large-scale resource extraction projects and local communities in both Papua New Guinea and Papua, Indonesia.

Dr Glenn Banks

Geography, School of Physical, Environmental and Mathematical Sciences

Email: Glenn.Banks@adfa.edu.au

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Economists for Peace and Security USA

39 E. Central Ave., Suite One

Pearl River, NY 10965

USA

Tel: +1 845 620-1542

Fax: +1 845 620-1866

<http://www.epsusa.org>

info@epsusa.org

About this policy brief

This policy brief was prepared in conjunction with a symposium held April 9, 2004 in Sydney, Australia, to discuss how far economic concerns are implicated in internal strife within the countries of the region, and what sorts of strategies might offer promise for bringing about peaceful resolution of these problems. As well as a focus on economic issues, an important theme running through the symposium was the role of the media in reporting on conflict and in playing a constructive role in processes of conflict resolution.

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Please see the related policy brief, 'The Role of the Media in Reporting Conflicts,' at <http://www.epsusa.org/publications/policybriefs/harris.pdf>