



Natural Resources and Conflict in Oil-Producing States

Natalie Logan School of Public Policy, Cape Innovation Institute, South Africa

Joe Smith Department of Political Science, Oceanic Research University, Australia

April Giles Department of Management, Holland International University, Netherlands

Tanya Owens Department of Computer Science, Alpine Institute of Technology, Switzerland

Abstract

Natural resources, particularly oil, have been central to the economic development and political trajectories of many states. Yet, the abundance of oil is frequently linked to conflict, ranging from internal insurgencies to international disputes. This article reviews the mechanisms connecting oil wealth to conflict escalation, provides empirical evidence and case analysis, and explores strategies to mitigate the risks inherent to natural resource abundance.

Introduction

The "resource curse"—whereby rich natural endowments, rather than fostering prosperity, breed instability—has been a subject of sustained scholarly and policy debate. Oil-producing states like Nigeria, Iraq, Libya, and Venezuela have experienced cycles of violence closely tied to the control, allocation, and revenue from oil resources^[1]. This dynamic complicates international security and development objectives and underscores the need for nuanced understanding and policy interventions.

Theoretical Perspectives on Oil, Natural Resources, and Conflict

Mechanisms Linking Oil to Conflict

- **Economic Incentives:** Oil generates enormous rents, making control over the state or oil-rich regions highly attractive for rebel groups or political elites.
- **Funding for Arms and Insurgency:** Oil resources can be looted and sold, funding militia or rebel activity, as seen in Nigeria's Niger Delta and ISIL's control of Syrian oil fields^{[2][3]}.
- **Grievance and Exclusion:** Inequitable distribution of oil revenues fosters grievances among marginalized groups, elevating the risk of insurgency^[4].



- **Institutional Weakness:** Oil-dependent economies often have weaker state institutions, making them more susceptible to corruption, poor governance, and instability^[1].

Empirical research underscores the complexity of these mechanisms, as the relationship between oil wealth and armed conflict is shaped by factors such as the location of resources (onshore vs. offshore), political institutions, and local social dynamics^{[2][11]}.

Empirical Evidence: Correlation and Causation

Global Patterns

Studies across 132 countries indicate a clear statistical relationship: countries with higher oil production, reserves, or export dependence face increased risk of both the onset and escalation of internal conflicts, as well as militarized interstate disputes^{[5][6]}. The risk is amplified where oil is located onshore, as such resources are more accessible to rebel groups^[2].

Table: Oil and Conflict Risk

Oil Factor	Conflict Type Affected	Mechanism
Onshore production	Civil war, insurgency	Looting, rebel finance
Offshore production	State consolidation	Revenue to government, less loot
High reserves	International disputes	Strategic targeting
Export dependence	Internal & external	Economic vulnerability
Governance quality	Varies	Mitigates or exacerbates risk

Divergent Outcomes: The Importance of Context

Empirical work also shows that resource abundance does not universally induce violence^[7]. Some studies find resource discoveries can even reduce local conflict when coupled with improved governance and living standards. The risk of conflict is highly contingent on the strength of institutions, rule of law, and equitable resource distribution^{[7][11]}.

Case Studies



Nigeria: The Niger Delta

Nigeria's Niger Delta is emblematic of resource-induced conflict. Oil extraction has generated staggering wealth for the federal government and multinational corporations but left host communities impoverished and polluted^{[4][8][9]}. This disparity fueled local grievances and gave rise to insurgent groups such as the Movement for the Emancipation of the Niger Delta (MEND), which resorted to violence, sabotage, and oil theft^[10]. Government and company strategies, including divide-and-rule tactics, further exacerbated local tensions, resulting in a protracted insurgency^{[8][11]}.

Libya

Libya's civil wars have centered around control of lucrative oil fields. Factions and international actors vie for oil-rich territories, and proceeds from oil exports fund rival militias^[10]. Oil, instead of promoting stability, became the currency of conflict and the prize in armed contestation.

Iraq

In Iraq, disputes over oil-rich areas such as Kirkuk have fueled armed clashes among Kurds, Sunnis, and Shiites, with regional and international players also vying for influence^[3]. Oil wealth facilitated both government capacity for repression and rebel financing during the rise of ISIL.

Venezuela and Beyond

Resource mismanagement, corruption, and conflict are also evident in Venezuela, where oil wealth became a source of elite enrichment and state repression, contributing to instability and regional burdens^[12].

Quantitative Analysis: Oil Wealth and Conflict Escalation

Recent multi-country analyses reveal:

- **Onshore Oil:** Countries with 38% or more of oil production located onshore suffer a significant increase in the probability of conflict escalation when oil prices rise—by as much as 3 percentage points per standard deviation increase in oil price^[2].
- **Offshore Oil:** The opposite occurs for those with offshore resources, where a rise in oil prices strengthens the state's capacity and reduces the risk of internal violence^[2].



Country	Oil Type	Conflict Response to Price Increase	Example Effect
Iraq	Onshore	Greater conflict risk	+28% escalation probability after price shocks
Azerbaijan	Offshore	Reduced conflict risk	-39% escalation probability after price shocks

Graph: Relationship Between Oil Production Type and Conflict Escalation

This conceptual graph would depict the intersection point where the conflict risk changes from negative (offshore) to positive (onshore) across increasing onshore oil production share, based on empirical studies.

From Theory to Local Realities: Community Impacts

- **Environmental Degradation:** Oil spills and pollution have devastated agriculture and fisheries, deepening local grievances (e.g., Niger Delta).
- **Social Disintegration:** Influx of migrants, corruption, and violence have disrupted traditional community structures.
- **Displacement and Human Rights Abuses:** Military and rebel clashes over oil zones have led to population displacement and rights violations.

Strategies for Conflict Mitigation

- **Strengthening Institutions:** Building robust legal, fiscal, and accountability frameworks can help manage oil revenues fairly, reducing grievances.
- **Equitable Revenue Sharing:** Direct community benefits, local participation in governance, and transparency initiatives reduce incentives for violence.
- **International Oversight:** Global standards like the Extractive Industries Transparency Initiative (EITI) provide templates for more accountable resource management.
- **Dialogue and Peacebuilding:** Forums involving all stakeholders—government, companies, affected communities, and civil society—can transform destructive conflict into constructive negotiation^{[8][3]}.

Comparative Table: Key Conflict Dynamics in Oil-Abundant States

Attribute	High Conflict Risk	Lower Conflict Risk
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Oil Location	Onshore	Offshore
Governance Quality	Poor, corrupt	Strong, transparent
Revenue Distribution	Elitist, unequal	Broad, equitable
Institutional Capacity	Weak	Strong
Community Inclusion	Exclusionary	Participatory

Conclusion

Oil resources represent both immense opportunity and profound risk for producing states. Where institutions are strong and revenues are managed transparently, oil can fund peace, development, and stability. Where governance is weak, oil becomes a magnet for conflict, corruption, and violence. The experiences of Nigeria, Libya, Iraq, and other oil-rich states point to the necessity of institution-building, equitable distribution, and vigilance against the corrosive influence of unchecked oil wealth. Only with deliberate, inclusive reforms can the "resource curse" be transformed into a driver of security and sustainable prosperity.

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