

The Resource Curse and Chevron in Angola

The Problem:

As an economic concept, the resource curse or “the paradox of plenty” represents the inverse relationship between resource wealth and economic growth. Countries with an abundance of natural resources, specifically non-renewable, are often unable to utilize them to stimulate economic growth. The paradox is that resource rich countries consistently underperform when compared to resource poor countries. The former Oil Minister of Saudi Arabia, Sheik Ahmed Yamani sums up this phenomena in saying “All in all, I wish we [Saudi Arabia] had discovered water” (Obeing-Odoom). There are varieties of reasons why a resource rich country may underperform, one being that the reliance on resources often results in a stagnation of economic diversification. Others include slower industrialization causing a surplus of rural labor, institutions being more prone to corruption, and government mismanagement of funds and resources. The resource curse purports the idea held by orthodox economists that when one person benefits another person must lose.

The Case:

This case will focus in the relationship between the southern African country Angola and energy giant Chevron in regard to the resource curse.

Brief History:

In 1975, after Angola was decolonized by Portugal, Angola experienced a devastating twenty year civil war, which was not only a power struggle between the two groups but also a proxy war with large scale international involvement during the time of the cold war. In 2002 the war ended; however, the affects of the war remained. Over 500 000 people had died and many more had been internally displaced. The economy was struggling, infrastructure poor and public administration was virtually non-existent.

Angola and Chevron’s relationship began long before decolonization in the 1950’s with the discovery of the country’s oil reserves; however the most significant moment in the two’s relationship was the discovery the vast off shore oil reserves in 1966. The rest is history. Chevron is now “spearheading the growth of the natural gas industry in Angola with the largest stake (36.4%) in the Angola LNG plant under construction in Soyo”. As of late, Chevron has come under mass criticism for seemingly exploiting its position in Angola with lack of proper safety measures, environmental standards, and transparency. Regardless, post-civil war Angola has become one of the fastest growing economies in the world. Between 2001-2010 the country reported an average GDP growth of 11 percent per year.

Despite all this, Angola’s human development index consistently ranks in the lowest quintile with education, and public health severely underperforming in the global forum (UNISEF). Angola certainly experiences the telltale signs of the “resource curse” and this difficulties associated with it such as greater economic and political volatility, government corruption, less democratic government, and a more violent and discontent population. With 36.6 % of Angolans living below the poverty line it is questionable the country as a whole has benefited at all.



The Main Stakeholders:

- *Chevron*: Vice President, Strategic Planning- Joseph M. Naylor
Vice President, Human Resources and Corporate Services- Joe W. Laymon, Vice President, Health, Environment and Safety -Wesley E. Lohec
- *Sonangol*: Chairman of the Board of Directors- Francisco de Lemos José Maria
- *Popular Movement for the Liberation of Angola* (ruling party): Chairman- José Eduardo dos Santos, Secretary General-Julião Mateus Paulo, Angolan Finance minister- Armando Manuel
- *National Union for the Total Independence for Angola* (opposition party): Opposition leader-Isaías Samakuva
- *Publish What You Pay*: International Director-Marinke van Riet
- *Oceana*

The Toolbox:

The tri-sector leader's goal is to influence policy change that is mutually beneficial for all parties involved. One should work to create incentives that Chevron will voluntarily buy. Actions should be aimed at goals such as improving transparency between Chevron and Angola, fostering responsible government, or improving environmental standards. Although the tri-sector leader must have these altruistic goals in mind, these must be paired with business goals aligned with Chevron's priorities, such as improving efficiency or credibility. The tri-sector leader's job is to find the "golden mean" by which all parties benefit to some extent. The following are examples of actions that are inline with this goal.

- Translating issues into incentive:
 - For example: As economic inequality rises and life prospects for the average citizen drop, citizens are more likely to resort to the use of violence to influence political change. Societal unrest inhibits business and therefore it is in Chevron's interest to act upon rising inequality.
- Triangulate issue to build up fact base:
 - Building on the last example, one could conduct multiple analyses or draw from previous social scientific data to flesh out the complexity of violence in relation to damaging effects on business. Delegates may want to read about similar situations in history.
- Create buy-in across the organization:
 - Communicate to the Angolans that Chevron is working to curb inequality. How do you do it? Delegates will have to think about a strategy for that.
- Create crisis mentality:
 - Motivate Chevron to be proactive in addressing inequality and potential violence. Examples include building collaborative partnerships across sectors. These activities include several strategies like bringing the right stakeholders and charities to the table, and following, building consensus around collaborative goals