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## Abstract

The research tests the Independent variables in the hypothesis of rich oil versus less oil countries. The occurrence of conflicts served as the dependent variable, and the countries that have proven access to oil deposits have served as the unit of analysis. To prove this research hypothesis, the research methods that have been done by collecting information regarding the presence of oil deposits in the subject countries and other economic indicators such as the national GDP (Gross Domestic Product), among others. The collection of data focused on: Oil income, GDP, and Fail States. The analysis was done using the SPSS and regression analysis. The results and findings were summarized by means of a regression table. In summary, the results and findings of the regression table analysis indicated that the assumption that suggests that the presence of oil reserves creates the possibility of a conflict may in fact have some basis. GDP, which served as one of the dependent variables together with the presence of oil, that proved whenever the economic indicators go up then the other economic indicators go up as well and then take a slump when the Fail states goes down. This has been done by creating a sample list of 94 countries and gathering information about them such as GDP, per capita income, and the state’s current status. The research pertaining to relationship between oil-rich countries and the possibility of conflicts supports the current research hypothesis. The distribution of data proves that modern development, with the possibility of nationalistic integration, increases the skewed nature of countries towards peace.

## Introduction

Natural resources are significant to the development of a region, especially the economic sector. Most regions and countries strive to maintain and preserve the natural resources available because of the economic importance. That is, they advocate for spare and favorable exploitation of these natural resources for national building. The capacity or the abundance of the natural resources is another significant element that defines the type of management of these resources for the benefit of the given region (Julia, 2015). In most cases, issues arise because of ineffective management and exploitation of the existing resources by the bodies or organizations tasked with the management by the governments of the regions or countries.
One essential natural resource that contributes significantly to the economy and revenues of the host countries is oil. Oil reserves are important because they are used in different forms to provide energy in different sectors. As such, since nearly everything in the world today is driven by energy, the possession of oil reserves by countries often leads to multiple involvements. The amount of oil resources also differs among countries with oil deposits. As such, there are those with rich oil resources while others have fewer oil resources. Since oil resources encompass many involvements with a variety of parties, issues of conflicts are likely to arise among these involved parties (Herschman, Andrea, 2009). The degree of the conflicts is also likely to differ among the countries with the oil resources. For this reason, this research hypothesizes that in comparison of countries, those having rich oil resources are more likely to be in conflicts than those countries with fewer oil resources.

## Literature Review

Widener (2007), talks about the oil conflicts in Ecuador. According to Widener, the degree of conflicts is fueled by the organization and environment of the individuals or bodies tasked with the management of the oil resources in the countries. Widener’s study evidences that countries with oil resources or deposits are in conflict regardless of the amount or abundance of the oil resources. The reason for these conflicts is that the demand for oil is insatiable by several sectors in the world. For this reason, many individuals need to get involved in the operations concerning the oil resources. Widener singles out Ecuador to show that conflicts in the oil producing countries are inevitable. That is, Ecuador, which is a country in the Latin American region that is struggling to be rich in oil production and be dependent, is in conflict. Widener adds that conflicts in the countries with oil resources are also fueled by the presence of oil companies, which mistreat the workers and creates social issues. For this reason, Widener suggests that these conflicts affect the stability of these countries.
Thomas Brady also talks about the conflicts in the countries producing oil. He narrows his argument on Iraq. Brady talks about the Syrian dispute with the oil company over the pipeline royalties. He talks about the intensity of the conflicts. From the work of Brady, it is suggestive that oil companies in the countries with oil resources play a key role in the existence of conflicts in these countries. As such, it evidences the hypothesis in the sense that countries with rich oil reserves have more oil companies than the countries with fewer oil reserves. For this reason, the rate of conflicts and disputes instigated by these oil companies becomes higher in the countries with more oil companies. In addition, even with the harsh authorities and administration in the Middle East, the oil companies in the region are engaging in conflicts with the neighboring countries.
In the review of the African political economy, Cyril Obi (2010) discusses oil as one of the core factors for conflicts in Africa. Civil wars in Africa are caused by a variety of reasons such as the oil resources. Nevertheless, the degree of these conflicts as compared to other oil producing regions, especially in the Middle East, is minimal. The reason for this difference is that despite the existence of the conflicts in countries with oil resources, the intensity of these conflicts in regions such as the Middle East is more pronounced or is higher because of the difference in the abundance of oil resources. In addition, more advanced and powerful or developed regions are likely to have higher levels of conflicts than the developing ones.
According to Harrison and Hardy (1979), the conflicts in the oil industry are mostly heard of in the Middle East not because this region is the only one with oil resources, but because it has abundant oil resources compared to other oil producing regions. The power of the countries around the regions with abundant oil resources plays a critical role in the situation of the conflicts. For instance, in this case, which talks about the Chinese conflicts over the oil resources in the East-Asian region, China is seen trying to enforce its capacity and power in other countries such as South Korea, Japan, Taiwan, and the offshore conflicts.
Herschman and Andrea (2009) suggest that the politics of the wealth management of oil is one of the issues that distinguish the conflicts in the countries with oil resources. While the economic explanations for the resource management issues are, well established, different political factors explain why the governments in the conflicting countries fail to take the corrective actions. Studies have shown that the if the governments of these countries save the profits from oil abroad and re-introduce the oil-generated revenues slowly into the domestic economies of the countries once the rates of returns on the investments are greater at the domestic levels, or once the quality of the implementation of projects has developed, many of the conflicts or the economic issues that the plague oil-rich regions and countries can be avoided.
The effectiveness and efficiency of this strategy are advocated widely by most of the countries with rich oil resources. Nevertheless, even with this knowledge, the countries and governments continue engaging in conflicts concerning issues such as the prices of oil in their countries. For this reason, political factors play a key role in the existence of these conflicts because of the power of governance. Some of the political factors which influence the conflicts in the countries with oil resources include the horizon of the political times, the inclusion of the fiscal rules in the framework of the institutions governing the oil resources, and the elections. These political impacts affect the propensities of the governments in these countries to handle the conflicts concerning the oil resources and the strategies of managing the oil revenues.
The geographic location and the resource endowments play a significant role in the inter-State conflicts. Most of the conflicts in these countries tend to be more likely when at least one of the countries has abundant oil resources. When the oil resources available in the countries that are closer to the borders, where one of the countries has abundance in the resources and the other has less, the rate and degree of conflicts is likely to intensify in the country with more of these resources. As well as empirical evaluations show that, the location and presence of the oil resources are quantitatively important and significant to the existence of conflicts in the countries (Harrison & Hardy 1979) .
In the missing oil conflicts, there is a variety of implications for evaluating the conflicts resulting from oil resources in Latin America. First, the conflicts have to be linked to the value of the gas and oil production or resources in the country based on per capita analysis regardless of the dependence of that country on the production or export of the oil resources. Second, the effect of oil resources is dependent on the income level of the country. For instance, since per capita of one hundred dollars in the oil income or revenue has a greater impact on the wages in poor countries or countries with less oil resources than rich ones, a certain amount of the oil wealth has to trigger the insurrections more likely in the countries with low-income than those with high-income, which triggers the existence of conflicts.
Another implication for the conflicts in the countries with oil resources is that the incidences of civil wars related to petroleum should have grown because of two aspects. In the 1970s, the existent governments started capturing much larger shares of the oil resources and rents, which previously went to the international oil organizations and companies because of OPEC’s developing influence. As such, an emergent wave of distinct expropriations gradually increased the benefits for the residents in the oil-producing regions, which enabled them to establish their sovereign governments. In addition, the increasing demand for the oil products in the 1970s and 1980s influenced the petroleum companies to explore poorer regions of the poorer countries, including Yemen, Colombia, Indonesia, and Nigeria where the extraction of oil was more likely to trigger conflicts.

## Hypothesis

The research tests the independent variables in the hypothesis of rich oil versus less oil countries. Oil is a natural resource that is important in the generation of energy which in turn is required for a country’s economy to run. Conflicts, on the other hand, can be operationally defined as perturbations in the status quo, either politically or economically, of a country. Conflict is one of the dependent variables, and the sample countries serve as the unit of analysis. The presence of oil on the other hand is the independent variable. To prove the research hypothesis, the research methods has been done by collecting information about presence of oil deposits and economic indicators of a shortlisted pool of 94 countries. The data collection focused on Oil Income, GDP, and Fail States. These variables were chosen because Oil Income is a direct indicator of the abundance of a country in terms of oil; GDP, is an important and reliable economic indicator; and Fail States are basically outcomes that come as a result of an improperly addressed conflict, which this paper argues as may have been caused by the presence of oil itself. All information was collated using an SPSS regression analysis method. The regression table results of data findings indicated that there are overall assumptions of that the presence of oil reserves creates certainty of a conflict. GDP which is the control variables that proves whenever the numbers go up then the numbers take a slump when the Fail states goes down. This has been done by collecting 94 countries and makes an excel list. Data regarding Oil and Oil Income, and GDP of the sample countries were extracted from the World Bank data—mainly because they are the ones who monitor such metrics and they are highly reliable. Information on Fail States on the other hand were collected from a list or index called the Fragile State Index 2014—mainly because this index or list is backed by empirical evidence from other researchers. So far, the literature review supports the current research hypothesis. Why using regression analysis? It is one of the most convenient and reliable ways of establishing a relationship between two or more variables (Hall 2015). .

## Control Variables and Case Studies of Two Countries

In order to establish a stronger line of comparison between the prevalence of geopolitical conflicts among countries which produce oil (mainly because they have vast oil deposits within their land and/or water boundaries) and countries that do not produce oil (mainly because there is no oil to drill and refine), the case of certain countries will be studied.
2 Control Variables

## Absence of any Proven Oil Deposits

Absence of any involvement in a conflict
These two control variables are, in fact, characteristics of a country. Therefore, in order to understand their impact, it would be important to focus on studying countries that have these two characteristics. The countries that will be studied in this section would basically serve as the control variable. Note that the non-control variable countries (the ones where the discussion in the paper focused more on) were countries that have proven oil deposits. In this case, the countries that were chosen as the control variables are countries that do not have any oil deposits or have oil production levels at zero. This way, it would be easier to spot the relationship between the presence of extractable oil via discovered oil deposits in a country and the presence and/or emergence of conflicts, as what has been suggested in this study’s hypothesis.
(Caselli, Morelli, & Rohner 2013; Don 2008; Harrison & Hardy 1979; Herschman 2009; Hodler 2006; Julia 2015; Krugman 1987; Karl 1997; Obi 2010; Widener 2007)
Two countries that fit the criteria selected to be considered as a control variable were chosen in the discussion of control variables. Basically, in order to support the research hypothesis in this paper, the finding that the researchers are expecting to see that the control variables (i. e. countries that do not produce oil because of the absence of any proven oil deposits) must suggest that the control variables (i. e. the non-oil producing countries) are not involved in any form of conflict (e. g. economic, geopolitical, among others). It is important to note that there are a lot of non-oil-producing countries out there but a significant number of those countries are involved in certain conflicts themselves. Those countries do not meet the inclusion criteria to be considered a control variable in this study. In this case, Bermuda and Luxemburg were the ones chosen. The main reason why these two countries were chosen as the control variables is because of the fact that they satisfy the inclusion criteria that the researchers set which are: absence of any proven oil deposits within the country’s boundaries, and the absence of any involvement in internal and/or external conflicts regardless of the nature. This was done in order to highlight the differences between the tendencies of countries with proven oil deposits to be involved in conflicts as compared to that of countries without proven oil deposits.
Bermuda is one of the richest countries in the world in terms of GDP and income per capita. It is a small country located in the south eastern coast of the North American continent. It lies in the northern part of the Atlantic Ocean. In terms of politics, the island of Bermuda is a British Overseas Territory. Although it may be classified as an independent nation in a lot of aspects, it is still under the sphere of political influence of the United Kingdom, mainly because it is still a British Territory.
The dominant or ruling party in Bermuda is the One Bermuda Alliance or the OBA. The way how political affairs are managed in the country is rather unique in that the executive branch of the government is under the direct control and influence of the head of the British Monarch. It is important to note that although this is the case, the head of the British Monarch is merely represented in the country as the governor. The governor is basically the person of authority that the head of the monarch appoints. Meanwhile, all national defense and foreign affairs and processes are managed and carried out by the government of United Kingdom, because again, Bermuda, although it is an independent nation, is still considered as a British Overseas Territory.
Bermuda’s economy heavily relies on imports. This is mainly because it is a country that has a very small land area, making it hard if not impossible to become an agricultural powerhouse or even a manpower country because its small land area can only handle so many citizens. It is also not blessed with abundant natural resources. One important note to take about this country is that the country has zero oil—it has no oil deposits. Oil is the primary source of energy—energy that is required in running a modern economy. This means that for the economy of Bermuda to keep on running, it has to import 100% of its oil from oil producing countries. The country also relies solely on imports. Its tax system is based on consumption. It has also established itself as a major offshore financial center mainly because of the fact that it is a tax haven—mainly because people and businesses are taxed based on what they consume.
The next question to answer would be whether Bermuda is involved or engaged in any conflicts (e. g. geopolitical, economic, both internal and external). The answer is no. Scouring various sources such as the internet and other literature publications has so far yielded no results. The last time that this country got involved in a major conflict was when the English started to occupy the country and impose their culture and ideologies on the natives. Moreover, it is hard to imagine for Bermuda to be involved in an external conflict because that would mean that the United Kingdom would be dragged into that conflict as well. In the case of Bermuda, it would certainly seem that the research hypothesis being raised in this paper is valid in that presence of oil deposits can indeed be an indicator of a country’s tendency to be involved in an internal or external conflict.
Luxemburg is a European country that is landlocked by Germany, Belgium, and France. Just like Bermuda, Luxemburg is a small country with a proportionally small population of a little over half a million people. It is also one of the smallest sovereign nations in Europe. The country’s political affairs are managed by the constitutional monarch type of government. It is essentially a parliamentary democracy that follows its own constitution. It is headed by a Grand Duke, which is essentially the president, the person who owns the executive power.
In terms of economics, Luxemburg is not so blessed with natural resources. This is what made the government shift its focus away from manufacturing, mining, and oil extraction which is where a natural resource rich country would most likely focus on, towards a market economy model characterized by low inflation, moderate growth, and high level of innovation. Just like Bermuda, Luxemburg was one of the richest countries in the world in terms of GDP per capita. Luxemburg does not have any proven oil reserves (Central Intelligence Agency 2015), making its oil production levels stay at zero. This means that it imports all of the oil that its economy requires for energy. Nonetheless, it still managed to establish and maintain an upbeat economy. The next question would be whether the country is involved in any internal or external conflict or not. The answer is no. Because of the high level of standard of living, mainly as a result of the high per capita income of its citizens, Luxemburg is one of the most socially and politically stable countries . There are no internal conflicts whatsoever in Luxemburg.
Luxemburg is a member country of the European Union. This means that should the country be involved in any form of geopolitical conflict with another country as a result of a territorial or economic dispute, militarily strong countries from the European Union such as Germany, France, and Italy, among others, would be forced to come to its aid. Since the European Union has been established, and many years even before that, Luxemburg has not been involved in any major or minor conflict. This, just like the case of Bermuda, verifies the validity of the research hypothesis suggesting that oil deposits can indeed serve as an indicator for a nation’s tendencies to be involved in conflicts.

## Research Design

The methods section started from the consensus coming from various researchers (from the literature review). In the case of this research, however, only two sets of variables were used. The onset or beginning of a conflict acts as the dependent variable while the income generated from the oil resources acts as the independent variable, which is the main area of interest. The occurrence of conflicts depends on the fact that in some cases, the presence of oil influences the generation of income, which is the main cause of the emergence of conflicts in the countries rich in oil.
These countries have populations exceeding 200, 000 people, and all of them had attained their sovereignty in as early as 2000. The countries qualify for the entry of their data in the model in 1960 after they gained their political independence. Those still under colonial rule entered this set of data after the establishment of sovereign governments responsible for the management of oil resources. In this context, the data seek more accuracy as it mitigates the influence of external factors on the occurrence of conflict in these countries. Such pieces of information are important because they provide a clearer context of the effects of other economic indicators on the possibility of conflict, most of which are directly caused by political issues.
In the data set, it excludes countries that stopped existing between 1960 and 2000. These regions had rich deposits of oil, but the occurrence of socio-political events led to their cessation. Some good examples of countries in this category are East Germany, South Yemen, and South Vietnam.
The main argument in this paper suggests that the presence of oil resources affects the generation of national income to an extent that it triggers conflict in cases where they are not managed well. In the variables, it is important to cluster the standard errors from each country. It is done because most of the residuals will correlate between most of the countries. Using the variables in the model, it presents the possibility that the two outcomes would be mutually exclusive. These exclusive outcomes often serve as the cause of the presence of the possibility of civil wars occurring or their failure to occur in totality.
The resource curse refers to the overall assumptions that the presence of oil reserves creates the certainty of a conflict (Herschman 2009). The resource curse uses the oil exports as a certain value of the GDP of the 94 sampled nations. GDP is one of the independent variables given that other sectors of the economy also influence the manner in which it is determined. This will be touched in the research as well.

## The Measurements

The dependent variable will assume the value of 1 in case there is the occurrence of a civil war. It will assume the value of zero in cases where there is no civil war. In short, the regression model uses the independent variable to explain the shift from a situation where there is no civil war to one where there is a civil war due to the presence of oil resources. However, the regression model does not assess or provide information regarding the extent of and magnitude of the internal conflict that has occurred.
The dependent variable in the model is represented by the occurrence of an internal conflict. There is an internal conflict; as the contested incompatibility concerning the government and the particular territory where there is the possibility of the use of violence to acquire the control of the region endowed with the natural resources. The measurement of a conflict begins from the onset and ends in the definition. Measuring conflicts begins from its classification as a separatist conflict or government conflict over the oil resources; it ends when the conflict has already been resolved. One of the major independent variables is the income generated by oil, per capita, which undergoes log transformation in the regression model.
In the logarithmic transformation of the regression analysis model, population and per capita income are used together in linking the availability of oil resources to the baseline variable in the model. The implication is that higher populations and low levels of per capita do not match the availability of resources. In cases where the population is high with a low level of per capita income, there are higher chances of civil conflict in countries that are rich in oil. As such high populations and population growth rates coupled with per capita trends can be coupled with an " s" measurement to assess the possibility of conflict in such countries. Low per capita income encourages the possibility of an internal conflict. Many citizens feel that the available oil resources are not being utilized for the benefit of all the individuals in the community . They may feel that social stratification encourages the division of the revenue generated from the resources among the rich and the advantaged class in the society at the expense of the poor. Because of such, they feel that there is a need to start a conflict that will restore the balance of the advantages that accrue from the exploitation of the oil resources. Based on the measurement of the countries with rich oil reserves that are prone to conflicts, the countries must be able to generate a per capita income of over one hundred dollars.

## Samples

Based on the results of the SPSS data analysis, the following scatter diagram can be used to assess the skewed nature of oil producing countries in relation to the status of peace in the modern world. Based on what can be seen, most of these countries are oriented towards the sustenance of peace although those found further from the line of best fit indicate the chances of the occurrence of conflict.

## Data Sets

Figure 1: Nature of oil
For this research, a total of 94 countries were used as samples in the analysis. They were obtained by means of using a set of inclusion criteria. The only characteristic required for countries to be included in the list of samples is that they must have a proven oil deposit because this research hypothesizes that the presence of oil deposits affect the respective country’s economy and the possibility of being engaged in a conflict. After shortlisting the countries that have proven access to oil, they have been randomly selected, until the preferred number of countries which is 94 has been reached.
The sampled 94 countries are divided into four groups based on the extent of the distribution of the oil reserves. In the first few samples, 0 to 2, the oil reserves are lesser compared to the rest of the samples. Most of the samples are closer to the line that indicates the best fit, implying that they have an orientation towards the mitigation of conflict. In this sample group, the amount of per capita income generated is lesser compared to that in the succeeding samples. In sample 2 and 3, many of the countries in the samples are further away from the line of best fit, which indicates that the higher amount of oil reserves increases the level of per capita income. The effect is that a majority of them will be more likely to experience conflict.

## Findings

Prior to making any conclusions about the relationship between the presence of oil reserves and the certainty of conflict, it is important to address the degree to which the two are significantly correlated. The presence of oil, in this case, was the independent variable, with the probability of conflict being the dependent variable. To address the extent to which this relationship goes, it is imperative that we run a regression model, using the SPSS software. In so doing, we will be able to establish the correlation between these two variables, and using a plethora of statistical tools, establish whether the independent variable does, in fact, impact the dependent variable.
The variables may not indicate co-dependence if the inferential correlation amounts to zero. If equal to one, however, it would show that the two variables are in fact perfectly dependent and correlated with each other, and therefore assume an equivalent course. If the correlation is a negative one, however, that means that the two variables are perfectly negatively dependent on each other. As opposed to the previous scenario where they move in the same direction, also, the two move in an opposite direction. From this interpretation, therefore, the correlation always ranges between 1 and -1:
-1 ≤Corr (X, Y) ≥1
According to Widener (2007), the treating of GDP as an independent variable results into two shortcomings. First, it only measures oil exported to other countries from the sampled 94 nations. It does not consider the fact that some of it is consumed locally, which is a contributing factor to the emergence of the conflict. The second challenge is that the GDP variable creates a bias with respect to the poor countries that have oil reserves. As seen in the samples the shortcomings are present and fall as an inevitable factor.
The T-state value was significant in that, it was more than 2, and less than -2. Additionally, the presence of oil supports the research hypothesis in that, while other economic indicators go up as the GDP goes up, the same numbers take a slump when the Fail states goes down as well. Consequently, the absence of oil does not support the same hypothesis.
Figure 2 Analysis
Figure 2 exemplifies the findings from a correlation analysis conducted in the course of this research, with the two variables being (Oil) and (GDP). For the purpose of this analysis, discernibly, it emerges that the correlation coefficient is r=-. 787, indicating that the movement of changing in the Fail States, and GDP had a moderate relationship. To this end, an increase in the number of GDP translated to a decrease in the Fail States. Both can be considered as significant coefficients in the equation.

## Conclusion

It is important to note that the presentation of data in this paper was in no way meant to tarnish the reputation of the countries in the sample. The data in the scatter diagram following the SPSS data analysis shows that countries rich in oil deposits have a higher tendency to experience conflicts. As illustrated most of these nations lie closer to the line of best fit while a few isolated cases are further away. At the same time, most of the countries further away from the line of best fit have high GDP values, which is associated with high levels of per capita income. As such, they have a relatively less chance of experiencing conflict.
The distribution of data on the scatter plot indicates that modern development, with the possibility of nationalistic integration, increases the skewed nature of the countries towards peace rather than turmoil. However, it does not mitigate the occurrence of conflict entirely. It may be right to assert that as nations became more mature in terms of their political approaches, their ability to handle and manage resources while distributing them effectively to all the beneficiaries in the country improves.

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