



Original Article

Sharing resource wealth for peace: A Chinese strategy to cope with the resource curse

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ARTICLE INFO

Article history:

Received 4 November 2014
 Received in revised form 10 February 2015
 Available online 6 March 2015

Keywords:

China
 Curse of natural resources
 Redistribution of resource wealth
 Social conflicts
 Stability maintenance

ABSTRACT

One symptom of the resource curse, as comparative studies suggest, is that rich mineral resources often contribute to social conflicts and even civil wars, especially in developing countries with weak political institutions. How can resource-rich countries deal with these social conflicts? This research provides some lessons from China, a country that hosts rich resources in many of its localities and faces high risk of resource-triggered social instability. Through a case study of one coal-rich Chinese locality, we find that the local state designed various schemes to allow the local communities to share the resource wealth, which effectively alleviated popular grievance and prevented resource-triggered social conflicts in the region. Based on the findings, we argue that the government of resource-rich regions can play crucial roles in designing institutions and implementing policies to redistribute resource wealth as a strategy to cope with the resource curse.

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1. Introduction

Social scientists have long debated the impacts of natural resources on society. Natural resources such as oil and solid minerals were originally seen as necessary for industrial production and beneficial for economic development (Spengler, 1960). However, a closer look at the history and trajectory of global economic development suggests that an abundance of natural resources does not necessarily facilitate economic growth, but instead constitutes an obstacle to long-term development (Auty, 1993, 1994, 2001; Sachs and Warner, 1995), a phenomenon commonly referred to as the resource curse. A growing literature has attempted to understand the logic and causal mechanisms of the resource curse. Besides the Dutch disease (Corden and Neary, 1982; Corden, 1984), which explains the resource curse in economic terms, scholars point out that weak, nondemocratic political institutions (Collier and Hoeffler, 2005; Ross, 2001; Andersen and Ross, 2014; Anthonsen et al., 2012) and rampant corruption (Leite and Weidmann, 1999; Ades and Di Tella, 1999; Bulte et al., 2005; Petermann et al., 2007; Arezki and Bruckner, 2011; Robinson et al., 2006; Zhan, 2014) contribute to this problem. Other scholars argue that resource abundance also

breeds fierce competition over the control of resources and gives rise to violent conflicts and civil wars (Bannon and Collier, 2003; Collier and Hoeffler, 1998; Fearon and Laitin, 2003; Fearon, 2004; Ross, 2004, 2006).

How to treat these adverse social effects of natural resources poses a serious question with both theoretical and empirical significance. Some scholars call for more prudent management of resource wealth and improved political institutions capable of constraining the government's power and enhancing its responsiveness in resource-rich countries (Weinthal and Luong, 2006). Clearly, more work is needed to come to grips with and identify ways to address the many aspects of the resource curse. In particular, how can resource-rich countries resolve or prevent resource-triggered conflicts, which threaten social stability and impede peaceful development? Answering this question would not only help to advance the resource curse research, but would also generate valuable policy recommendations for resource-rich developing countries.

It is against this background that this study aims to provide some lessons from China regarding resource conflict resolution and prevention that may be beneficial for other countries. Although not a resource-dependent country, China hosts a large quantity and variety of fuel and nonfuel mineral resources such as coal and metals, across many localities. In recent years, increasing scholarly attention has been paid to the socioeconomic and political influences of resources in China. Besides having negative

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impacts on economic development (Hu and Xiao, 2007; Li and Xiao, 2010; Xu and Shao, 2006; Zhang, 2008), mineral resources also have adverse effects on social stability. Resource-rich regions tend to be the locations of mass protests and violent clashes between local citizens and the mining industry, as well as the state, over mining-induced environmental and socioeconomic problems (Zhan, 2013; Zeng and Xia, 2013).

This paper describes an illuminating counterexample in Inner Mongolia Autonomous Region of China, where the extraction and processing of mineral resources, especially coal and rare earth minerals, play a prominent role in the local economy. Despite the existence of abundant resources, the mining areas in Inner Mongolia have not suffered social conflicts on a scale like other resource-rich regions in China, where violent clashes are frequently reported by the media (Hu and Tan, 2011; Wei, 2008; Tang and Liang, 2014).¹ We find that the largely peaceful situation in the mining areas of Inner Mongolia was attributable to the adoption of important local policies that allowed local citizens to share the profits of the extractive industries. These policies to a large extent resolved or preempted the resource-triggered social conflicts plaguing many other mining areas and helped maintain a generally peaceful environment in the region. We argue that the sharing of resource wealth between the mining sector and the general public, especially the victims of the negative externalities of the resource economy, can be an effective strategy to prevent social conflicts and preserve peace in resource-rich regions.

This research is mainly based on the authors' in-depth field research in W mining zone in Inner Mongolia in 2012. During the field research, the authors conducted a series of semi-structured, face-to-face interviews with local officials in the township government and land and resources department, village cadres, and local residents, and obtained official statistics and policy papers. These first-hand materials constitute the major sources of data for this research, supplemented by other information sources such as open government documents, media reports and scholarly works.

The rest of this paper is organized as follows. Section 2 advances an interest-based analytical framework of social conflicts, based on which we propose the sharing of resource wealth with local citizens as a solution to resource-triggered conflicts. Section 3 analyzes the case of W mining zone in Inner Mongolia and examines in detail the local policies for the resolution and prevention of resource conflicts. Section 4 discusses the rationales behind these practices. Section 5 offers some concluding remarks.

2. An interest-based analytical framework of social conflicts

Generally speaking, in any society, social conflicts are inevitable because of divergent and conflicting interests (Dahrendorf, 1988). Although the Chinese Government places top priority on maintaining social and political stability and identifies stability as the prerequisite for economic reform and development (Wang, 2001), social conflicts of all sorts and scales abound in the country today. Collective incidents (*quntixing shijian*), which signal the escalation of social conflicts and are often highly destructive, have been on the rise for various reasons.

Resource-abundant regions are particularly prone to collective incidents. One major reason is environmental impact such as pollution and land subsidence, and socioeconomic problems such as land disputes triggered by resource extraction and processing,

which can breed popular discontent among local citizens. A case in point is the large-scale violent protest which broke out in 2008 in Weng'an County in Guizhou, an underdeveloped province in Southwest China, in which tens of thousands of people angrily protested to the county government and vandalized the police as well as other official buildings. An underlying cause of this shocking collective incident was the accumulated popular grievance due to the environmental damages, economic disputes and organized crimes associated with the exploration of the rich phosphorus mines in the county (Zhan, 2013; Liu, 2009). In 2012, another mass protest erupted in Leishan County in Guizhou. Here, due to the heavy pollution caused by resource extraction, a large number of aggrieved villagers attacked several township officials and forced them to march on the street (Qiandongnan Prefecture Government, 2012). Along with the eruption of such collective incidents, scholars and policymakers have paid increasing attention to the negative impacts of natural resources on social stability in China (Yu, 2004; Wu, 2007; Zeng and Xia, 2013).

Many scholarly works have examined the outbreaks of collective incidents in China from different perspectives: sociologists have attempted to uncover the causal mechanisms and dynamics of collective incidents; legal studies focus on civil rights and the rule of law; and political scientists have examined contentious politics and state responses (Sun, 2011). These studies are in broad agreement that China's fragmented ruling system and weak rule of law have increased the likelihood of collective incidents (Han, 2012). Because citizens lack legal means and institutional channels to express their interests and defend their rights, they tend to voice their grievance and seek justice through extra-legal means. Through disturbing social order using extreme measures such as attacks on related or unrelated parties, they seek to attract the attention of higher authorities and/or the media and to increase their bargaining power for satisfactory solutions (Huang, 2011; Li, 2007).

While acknowledging the weak rule of law and ineffective judicial system in China as important structural reasons for the eruption of popular grievance, we argue that a fundamental source of collective incidents is the distribution of interests. As empirical studies suggest, most collective actions in China are expressions of interests, and are ultimately motivated by the pursuit of some sorts of benefits (Guo, 2011; Zhou, 2010; Huang, 2010). The distribution of interests among different social groups has significant implications for social stability. Unfair distribution has not only sparked various social conflicts, but has also impaired Chinese citizens' sense of justice and trust in the government. A public opinion survey suggests that unequal and unfair income distribution due to the abuse of public power is, in the eyes of surveyed citizens, the foremost source of injustice (The Mass Survey Research Group, 2008). Citizens' lack of confidence in the justness and appropriateness of income distribution provides the soil for high tendency of social conflicts in the Chinese society nowadays (Li et al., 2012).

This interest-based framework provides a useful angle for analyzing resource conflicts and their resolution. In resource-rich areas, if wealth is concentrated in the hands of the extractive industries and/or the government, while the residents bear the heavy costs of the negative externalities of extraction such as environmental degradation and deprivation of their means of livelihood, tensions are bound to surface. Moreover, if resource extraction only enriches a few mining enterprises and government officials, the consequent unequal income distribution will generate a sense of relative deprivation among local citizens, which can become a psychological cause for social conflicts. In view of the high risks of social instability in resource-rich regions, we argue that it is necessary to construct an effective redistribution mechanism capable of sharing resource wealth with local citizens. The state should play a key role in this process. If the governments of resource-rich regions can protect their residents' interests and

¹ Admittedly, the Chinese media operates under strong state censorship, which may block the reports of social conflicts, especially when they potentially threaten the regime stability. However, against this general background, reports regarding resource-triggered social conflicts are exceptionally rare in Inner Mongolia, while there have been considerably more reports on the other resource-rich provinces such as Yunnan, Shanxi, Shaanxi and Guizhou. We believe this contrast indicates a higher level of social stability in Inner Mongolia than the other regions.

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