

“Does Oil Sustain Authoritarianism in the Middle East?”

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Question: Oil has been as much a curse as a blessing for the Middle East. Discuss with reference to democracy and authoritarianism.

Introduction

Four 'waves of democratization' have swept the world during the last 200 years. Perhaps surprisingly, none of them has profoundly touched the Middle East and North Africa (MENA), which to date only host a very limited number of democratic regimes. The region taken as a whole is exceptionally authoritarian with comparatively low degrees of political and civil freedoms – even after accounting for levels of human development (Norton, 2013: 130; Diamond, 2010). Coinciding with this democratic deficit are the rich oil endowments of the region. Following this observation, several scholars have argued that oil has a negative impact on the prospects of democracy. This essay seeks to answer the puzzle, whether oil is mainly responsible for the democratic deficit in the Middle East and North Africa?

The essay is organized as follows. First, the main theoretical arguments for why oil would hinder democracy are briefly examined. Second, empirical evidence, mainly in the form of existing studies, is presented and discussed. Third, the oil explanation is set in context with other explanations for the regional democracy deficit in order to gain a more nuanced understanding of the oil factor. A final section concludes.

Why would oil hinder democracy?

This section will present three causal mechanisms that might explain the alleged link between oil exports and authoritarian rule: a rentier effect, a repression effect, and a modernization effect.

The Rentier Effect. The so called "rentier states" derive a large share of their revenues from external rent, i.e. oil, minerals, foreign aid. In certain countries with large oil exports, the state is thus largely financed directly by oil rents (Luciani, 2013: 114). The general argument is that these states use their oil revenues to counter mounting social pressures that could potentially lead to claims for more accountable government. The first component of the argument is that rentier states are independent of society, as they are not forced to collect taxes. This in turn implies that people are less likely to demand representation and accountability from their government. The second component is that oil wealth allows for spending on patronage, which helps forestall any latent

pressures for democratization. In other words, large and unrestrained budgets make “fiscal pacification” effective (Norton, 2013: 134). A third component involves a well-financed and oversized state apparatus that might help prevent the formation of social groups independently of the state. The lack of group formation inhibits the development of an independent bourgeoisie as well as the emergence of civil society and social capital – both said to be important requisites of democracy (Ross, 2001: 334).

Repression effect. In another perspective, the flow of hydrocarbon rents finances repression, which in turn diminishes the capacity of populations to mount challenges to autocratic regimes. An extensive security apparatus as well as military is in the interest of the wealthy authoritarian government, who wants to defend itself against popular pressures (Ross, 2001: 335).

Modernization effect. According to modernization theory, democracy is a product of a collection of social and cultural changes (e.g. education, urbanization, specialization) that are caused by economic development. However, the link is not due to wealth per se, and resource-led growth will not necessarily entail the relevant societal changes resulting in a gradual democratization from below.

In sum, the rentier effect entails governments using high spending and low tax rates to ease democratic pressure; the repression effect means that governments employ a well-fed security apparatus to fend off pressures; and finally the modernization effect implies a superficial economic development not bringing about the social forces that might otherwise foster pushes for political liberalization.

Examining the evidence

What can be found empirically to validate or weaken the previous section’s arguments? The Middle East and North Africa controls about 68% of the world’s oil reserves. Moreover, it exports 35 per cent of world total, and will do so at increasing rate reaching an estimated 75 per cent by 2020 (Korany, 2013: 82). Following these observations, it is rather unsurprising that many states in the region, although not all, can be described as rentier states because a large share of their revenues come directly by oil export (Ross, 2001: 329). Examples are Kuwait, Libya, Oman, Qatar, Saudi Arabia, Bahrain, the United Arab Emirates, Iraq and Iran. As mentioned previously, the region strongly ‘underperforms’ democratically, constituting the world’s least democratic region (Diamond, 2010). However, this correlation is at best prima facie evidence of any link, for which reason it is necessary to consult thorough studies aiming to establish a degree of causality.

Looking at quantitative evidence, Michael Ross (2001) finds statistical support for the general oil-impedes-democracy claim with a global dataset. Moreover, he finds that the effect can be quite substantial with even small exports, particularly in poor states. He also finds tentative support for the three mechanisms previously presented. Although one should interpret such findings carefully, the general conclusion from this study does seem support the notion of a “resource curse” regarding oil and democracy in the MENA.

In a qualitative comparative analysis of pre-revolutionary Iran and Turkey, arguably delving deeper into the causal link, support is found for the rentier state mechanism (Shambayati, 1994). Rentierism was a strongly defining feature of the Iranian state in the 1970's. It created a heavily dependent bourgeoisie that benefited very much from the state's policies and thus remained largely subservient to it. In other words, the policies created “Iran's rentier bourgeoisie” with neither the means nor incentives to “capture the state” (Shambayati, 1993: 320f). In Turkey, on the other hand, rentierism did not dominate the economy and the state was dependent on taxation and on increasing domestic production following economic problems. This prompted the Turkish state to engage in serious bargaining with the business community. The private sector thus became a serious force in society and vis-à-vis the state (Shambayati, 1994). In sum, in its prerevolutionary decade, Iran was characterized by rentierism and exclusionary politics. The Turkish government, in the absence of genuine rentierism, had to increase domestic taxation, which gave rise to state-society bargaining that increased later prospects for democracy.

In a more recent contribution, Brownlee, Masoud, and Reynolds (2013) explore the reasons for the disappointing results of the Arab Spring. The question for them is, why a regime change (defined as the replacement of a dictator, rather than installation of a democracy) took place in only four of fourteen Arab countries? Brownlee et al. argue that the outcomes of the domestic revolts were structurally preconditioned by two variables. The first variable is oil wealth, which endows the ruler with the means to ward off or contain challenges. As they argue: “Though all autocrats possess material resources, we argue that only oil wealth endows the dictator with sufficient means to stave off mass challenges” (Brownlee et al., 2013: 32). Challenges can be warded off either by buying the quiescence of the citizens, or, in the event of a failure, to employ a well-financed security apparatus (the first corresponding to the rentier state/fiscal pacification effect and the latter corresponding to the repression mechanism). As an example, they point to the Kuwaiti government's announced grant of US\$ 3,500 to every man, woman, and child, as well as a year's worth of free staples such as sugar, cooking oil, and milk just days after. Similarly, the Saudi government announced an \$80-

billion package of public-sector wage increases, unemployment payments, increased financial student support, as well as investments in low-income housing. Similar policies on public-sector salaries and pensions were announced in Qatar. Their second variable is the hereditary succession of the regime, which prompts a heightened loyalty of the coercive agents to the executive. Together, these two structural variables give a rather convincing explanation of the outcomes of the uprisings in the Arab world and lend support to the oil-impedes-democracy argument.

In sum, there are solid theoretical arguments supported by ample empirical evidence (quantitative as well as qualitative from different points in time) to support the notion that oil has been an impediment to democracy in the region¹. As Luciani argues “oil rent becomes a factor perpetuating authoritarian government” (Luciani in Norton, 2013: 135). As such, oil has been a curse for the MENA region in regards to democracy.

Caveats to the oil explanation

However tempting it might be, one should be wary when concluding that oil is the sole factor explaining the democratic deficit. Importantly, one should have in mind that the argument logically does not apply to the largely non-oil autocracies of Jordan, Morocco, Syria, Egypt and Yemen. In the same vein, Ross (2001) estimates that, on average, countries in the Middle East are about 30 % less democratic than countries outside the region, even *after* accounting for the effects of economic development and oil. In other words, to get a more nuanced understanding oil’s effects on the regimes of the region (i.e. not to overestimate it), one should also understand other factors ‘working against’ democracy.

Larry Diamond (2010), for instance, argues that geopolitics has played an important role beyond the important factor of oil. Strategic interest by the Soviet Union, but now mainly Europe and the United States have prompted external support for Arab autocratic that has conferred crucial economic resources and security assistance. In the case of non-oil regimes such as Egypt, Jordan, and Morocco, of foreign aid has had virtually the same effect as oil: it has flowed into the central coffers of the state and allowed cooption and repression. A case in point is Egypt receiving vast amounts of US assistance since 1975 (ibid: 101). Moreover, The Arab-Israeli conflict has served as a convenient means of diverting public discontent away from the lack of quality education, social

¹ The included analyses were selected based on the fact that they span over different periods of time and vary methodically, which, other things being equal, should maximize the validity and generalization potential of the argument. As such, these studies merely constitute a small selection of an extensive literature. Other relevant studies include Beblawi and Luciani (1987); Vandewalle (1998); Huntington (1991: 31-32); Crystal (1990); Entelis (1976) and Gause (1995).

services, jobs, accountability and freedom. Furthermore, the Arab states reinforce each other in their authoritarianism and repression. A recent example for this would be the Saudi-supported suppression of the revolts in Bahrain. Beyond all this, the lack of especially Arab democracies (perhaps except for Lebanon for a short period) imply that there is no source of potentially important democratic diffusion inside the Arab world.

Another factor inhibiting the democratic prospects of the region is the fear that hardline Islamist might come to power through the democratic process. This prospect potentially diminishes domestic support for democracy among otherwise typically democratic forces (middle-class liberal intellectuals, professionals, and businessmen) and may also imply less Western pressure and advocacy for democracy in the region.

Finally, Hariri (2012, 2015) presents a structural explanation of the democratic deficit in the region focusing on the deep roots of democratization and colonial history. The diffusion of institutions through European colonial settlement has been an important factor in spreading the early seeds of democracy. Hariri argues that the Middle East had relatively well-developed precolonial state institutions and was therefore long able to resist European colonization and settlement. When territories were colonized, they were more likely to experience an indirect form of colonial rule. As such, traditional authority structures have persisted and, in the long run, these territories were less likely to become democracies.

Conclusion

This essay has argued that oil has indeed been a curse for democracy in the region, where authoritarianism is still strongly entrenched. With oil appearing a very important impediment to democracy, a prolonged, decline in oil prices and future energy technology, rendering the world less dependent on oil, could very well be the indirect forces that make the region embark on a democratic trajectory in the long term. However, such developments in the energy market alone will not be able to change the situation, as there appear to exist a series of other geopolitical, sociological and colonial-historical factors impeding democracy as well.

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