READINGS

[Essay]

WILL OIL DROWN THE ARAB SPRING?

By Michael L. Ross, from the September/October issue of Foreign Affairs. *Ross's* The Oil Curse: How Petroleum Wealth Shapes the Development of Nations *is forthcoming from Princeton University Press next year.*

Even before this year's uprisings, the Arab Middle East was not an undifferentiated block of authoritarianism. The citizens of countries with little or no oil, such as Egypt, Jordan, Lebanon, Morocco, and Tunisia, generally had more freedom than those of countries with lots of it, such as Bahrain, Iraq, Kuwait, Libya, and Saudi Arabia. Once the tumult started, the oil-rich regimes were more effective at fending off attempts to unseat them. Regimes in Syria and Yemen, with modest but declining oil revenues, have struggled to stay in power. The Arab Spring has led to the overthrow of just one oil-funded ruler—Libya's Muammar Qaddafi—and that was only made possible by NATO's intervention.

The pattern has held worldwide, despite the impressive strides made by democracy over the past three decades. Just 30 percent of the world's governments were democratic in 1980; about 60 percent are today. Almost all the democratic governments that emerged during that period were in countries with little or no oil. In fact, countries that produced less than $100 per capita of oil per year (about what Ukraine and Vietnam produce) were three times as likely to democratize as countries that produced more than that. No country with more than a fraction of the per-capita oil wealth of Bahrain, Iraq, or Libya has ever successfully gone from dictatorship to democracy.

Scholars have called this the oil curse, arguing that oil wealth leads to authoritarianism, economic instability, corruption, and violent conflict. Skeptics claim that the correlation between oil and repression is a coincidence. As Dick Cheney, in his capacity as CEO of Halliburton, remarked at a 1996 energy conference, "The problem is that the good Lord didn't see fit to put oil and gas reserves where there are democratic governments." But divine intervention did not cause repression in the Middle East: hydrocarbons did. There is no getting around the fact that countries in the region are less free because they produce and sell oil.

Oil has not always been a barrier to democracy. Until the early 1970s, oil-producing countries were no less likely to be democratic than any other state. Ironically, this was because until that point, the so-called Seven Sisters, a handful of giant Western oil companies, dominated the global oil industry and collected most of its profits. This meant that the governments of countries with a lot of oil had no more funding, and no more power over their citizens, than the governments of countries without oil. Starting in the 1960s and early 1970s, however, all this began to change.

First, the Seven Sisters lost their stranglehold on the global oil market because of competition from such oil companies as Getty Oil, Standard Oil of Ohio, and the Italian state-owned Eni.

[Protest]

CRUISE CONTROL

From comments posted in June by members of Facebook groups opposing "Women2Drive," an online campaign to lift the ban on women driving in Saudi Arabia. Translated from the Arabic by Ryan Healey.

I'm not against women driving so much as the chaos that'll occur.

If women tried simultaneously to direct their family's upbringing, guide the nation's moral education, and, on top of all this, drive a car—this country would record the highest mortality rates in the world.

The economists say that the money spent on car insurance for women will be at least ten times more than what is now spent on women's transportation, private and public. And the notion is still raised! They say, "What does the West say about us? They've landed on the moon! Let's catch up!" The West did not get to the moon with women's driving!

It is obvious to any sane person that to empower women with driving will rob the man of his household role. This will increase the divorce rate—already high—and scatter families, children. Girls will be lost, trampled by extortion.

What will I do after my sister is raped? Sell her car to fix the situation? Or cry that I didn't drive her myself? Do I commit suicide? I love my sister, my mother, and my wife, but I will not expose them to the considerable risk involved, compared with the relief of driving them myself.

It is the Saudi man, with his intense love for his wife, who provides her with a chauffeur. And yet they reject this part of his charity and love.

A girl was riding an ATV out in the open in the Thumama desert. Some young men caught up to her in their car, taking photos of her body and its charms. She screamed when they intercepted her, taking her by the hands to an unknown place. This story is not a fiction. It's on YouTube under the name "Chasing Girls in Al-Thumama in Riyadh."

Meanwhile, oil-exporting states banded together to create the Organization of the Petroleum Exporting Countries, or OPEC, which boosted their leverage over old and new firms alike. These developments, along with the Arab oil embargo that followed the 1973 Arab-Israeli war, caused oil prices to jump from $2.50 a barrel in 1972 to about $12 a barrel in 1974. Eager to capture the resulting windfalls, virtually all developing countries expropriated the foreign oil companies operating on their soil.

These nationalizations brought with them massive influxes of new wealth and so were hugely popular; they made the careers of many politicians. Shortly after coming to power in a 1969 military coup, for example, Qaddafi began to nationalize his country's oil industry, which gave him control over a flood of revenue. He then spent it funding his revolutionary agenda and buying off powerful tribal chiefs who might otherwise have been a threat to his rule. The architect of Iraq's oil nationalization was the vice chair of the Revolutionary Command Council, Saddam Hussein. Saddam's prominent role in the seizure of international oil interests was his "gateway to fame," according to his biographer Con Coughlin. And his control over the resulting torrent of oil money allowed him to eventually displace Ahmed Hassan al-Bakr as Iraq's president. Rulers across the region used oil wealth to improve public services and appease their populations. That helped them survive the wave of democratization that swept the globe in the 1980s and 1990s and chased scores of other dictators out of office.

Since then, control over oil revenue has helped autocrats stay in power in three main ways. First, it has allowed them to buy off citizens by providing them with many benefits and virtually no taxation. The relationship between taxation and representation has always been close: when rulers want to raise taxes, citizens demand accountability. In colonial America, frustrated subjects revolted against Great Britain in part because they had to pay taxes even though they were unrepresented in Parliament. In the Middle East today, oil-funded leaders typically respond to demands for greater accountability by offering new handouts, lowering taxes, or both—and this usually works. In 2011 alone, for example, Algeria announced plans to invest $156 billion in new infrastructure and to cut taxes on sugar; Saudi Arabia directed $130 billion toward increasing wages in the public sector, unemployment benefits, and housing subsidies; Kuwait offered each of its citizens a cash gift of 1,000 dinars (about $3,600) and free food staples for fourteen months. Autocrats with

COURTESY THE ARTIST AND GALERIE THADDAEUS ROPAC, PARIS/SALZBURG. PHOTO BY ELLEN LABENSKI

Neither Day or Night, *a painting by Jules de Balincourt, whose work was on view in July at Galerie Thaddaeus Ropac, in Paris.*

little or no oil wealth—Zine el-Abidine Ben Ali in Tunisia, Hosni Mubarak in Egypt, and Ali Abdullah Saleh in Yemen—made similar gestures, but their pledges were much smaller and therefore less effective.

Second, petroleum-based autocrats use their national oil companies to cloak their countries' finances. Secrecy helps give oil wealth its democracy-repelling powers: citizens are satisfied with low taxes and seemingly generous benefits only when they do not realize how much of their country's wealth is being lost to theft, corruption, and incompetence. Under Saddam, more than half of Iraq's national budget was funneled through the Iraq National Oil Company, the finances of which were never disclosed. A 2010 survey by the International Budget Partnership found that autocracies in the Middle East that have little or no oil, including Egypt, Jordan, and Morocco, release at least some information about their finances; by contrast, oil-rich autocracies such as Algeria and Saudi Arabia disclose almost nothing. It is worth remembering that the revolts in Egypt and Tunisia were sparked by the people's growing awareness of government corruption.

Finally, oil wealth allows autocrats to lavishly fund—and buy the loyalty of—their armed forces. Iranian president Mahmoud Ahmadinejad, for example, has given billions of dollars in no-bid contracts to businesses associated with the elite Revolutionary Guards. Oil-poor Tunisia spent $53 per capita on its armed forces in 2008; its oil-rich neighbor Algeria spent $141 per capita and had far fewer protests. Some of the world's biggest oil producers, including Oman, Saudi Arabia, and the United Arab Emirates, are also some of its biggest military spenders. When the citizens of Oman and Saudi Arabia took to the streets earlier this year, their armies proved relatively willing and able to suppress the protests.

Over the past twelve years, Indonesia, Mexico, and Nigeria have all successfully made the transition to democracy, and all have oil. But Indonesia, Mexico, and Nigeria were only moderate oil producers (Indonesia barely has enough to export), and all three opened up politically in 1999 or 2000, shortly after oil prices hit their lowest point in almost thirty years. In fact, the last country with substantial oil wealth to successfully democratize was Venezuela, and that was in 1958. Venezuela profited from the fact that it had a history of democratic rule and an unusually well-organized labor force, which undermined the military regime's power. But none of the oil-rich countries of the Middle East has had much previous experience with democracy. And Bahrain makes more than three times as much money from oil per capita as Venezuela did in 1958, Libya six times as much, and Saudi Arabia more than seven times as much. The region's dictators and monarchs have used oil revenues to finance vast patronage networks, which typically entangle both supporters and potential opponents.

None of this means that oil will drown the Arab Spring or that the oil states of the Middle East are doomed to dictatorship. The spread of Internet access could make it harder for autocrats to conceal government waste and corruption. Meanwhile, oscillating oil prices and government mismanagement could drain coffers and force cuts to popular subsidies. Yet even if the Middle East's oil-backed dictators were replaced by elected leaders, the threat of authoritarianism would continue to loom. Once elected, politicians can use large petroleum windfalls to roll back democratic reforms. Venezuelan president Hugo Chávez, for example, has siphoned hundreds of millions of dollars out of his country's state-owned oil company and poured it into projects that boost his popularity among low-income families and the military. The goodwill he has thus generated has allowed him to eliminate checks on his authority: for example, he has replaced disloyal judges on the nation's supreme court, imposed new restrictions on the media, and removed presidential term limits. Russian prime minister Vladimir Putin has behaved similarly.

It is hard to predict whether Iraq will follow this course as well. About 85 percent of the government's revenues come from oil exports, yet despite years of trying, the Iraqi parliament has been unable to pass a new oil law that would set up a legal framework to manage these revenues. Meanwhile, there are signs that Prime Minister Nouri al-Maliki is edging away from democracy: he has taken advantage of the Iraqi constitution's ambiguities to establish personal control over key security institutions, including the Counter-Terrorism Command. His government has started to give journalists generous subsidies of cash and land, and following popular demonstrations in February, security forces reportedly beat and arrested hundreds of journalists, political activists, and intellectuals.

The oil curse will last only as long as the world buys huge quantities of oil. Aggressive reductions in oil consumption could help reduce prices and hence the flow of money to autocrats. Without meaningful cuts in consumption, on the other hand, measures such as targeted sanctions would be less effective. For example, the United States could boycott undemocratic oil producers, but as long as global demand is unchanged, these regimes could easily sell their supplies to less discerning buyers at more or less the same price. Moreover, sanctions against oil-exporting countries are notoriously ineffective. Between 1990 and 2003, the U.N. Security Council imposed severe restrictions on Iraq's oil sales, but these failed to loosen Saddam's grip on power. More limited sanctions also failed to dislodge oil-dependent regimes in Iran, Burma, and—for much of the 1990s—Libya. If global demand for oil grows, sanctions will be even less effective.

The United States and other petroleum importers could also push for greater transparency in oil markets, which would undermine the authoritarians' ability to buy off their citizens and use state funds for graft. One provision of the United States' 2010 financial-reform law compels companies registered with the U.S. Securities and Exchange Commission to report what they pay to governments, on a country-by-country and project-by-project basis, for access to oil, gas, and minerals. The European Union and other oil-consuming regions should follow the United States' lead and require all companies to disclose their payments to foreign governments for access to natural resources. The G8 endorsed such a measure in May but has no power to compel member states to follow through. Oil-producing countries could also be encouraged to list their national oil companies on the New York Stock Exchange. By joining the exchange they would gain access to new investors but would also become subject to the United States' new disclosure standards. Finally, the international community should encourage producers to give shares in national oil companies or an annual cash dividend to all citizens, as Alaska has done since the 1970s. If well designed, such schemes could be politically popular and satisfy citizens' demands for sharing in the wealth of their oil-rich countries—but would also encourage citizens to scrutinize their governments' finances.

The oil curse is not limited to the Middle East. Thanks to high oil prices, rising global demand for oil, and improved drilling technology, between fifteen and twenty low-income countries have recently begun, or are about to begin, exporting oil and natural gas. Most of them are in sub-Saharan Africa. If they mismanage their revenues, they may well fall prey to the oil curse. But geology need not be destiny for these new oil producers any more than for the oil producers of the Middle East. By reducing U.S. oil consumption and making oil payments more transparent, Americans can stop empowering autocrats and start empowering citizens instead.

[Diplomacy]

ENDGAME

From a June 13 interview by Alexei Osin and Irina Vorobieva, on the Echo of Moscow radio station, of Kirsan Ilyumzhinov, former president of the Republic of Kalmykia and president of the World Chess Federation (FIDE). The interview was translated from the Russian and posted on the website Chess in Translation.

IRINA VOROBIEVA: Kirsan, good morning. Could you tell us where you're live from?

KIRSAN ILYUMZHINOV: I'm being driven around Libya, and we're passing through the town of El Azizia, where the Italian company Eni once built a gas-processing plant.

VOROBIEVA: Is it true that you met with Mr. Qaddafi?

ILYUMZHINOV: Yesterday morning I met with his eldest son, Muhammed Qaddafi, the president of the National Olympic Committee. He was the one who invited me to visit Tripoli. After lunch we met with Colonel Qaddafi in his residence. We played chess there and drank tea.

ALEXEI OSIN: What was the purpose of traveling to a country where a war's going on?

ILYUMZHINOV: In October last year at the FIDE General Assembly we declared 2011 the Year of Africa and of the support and development of chess, particularly through the "Chess in Schools" program. So in the last few months I've visited South Africa, Nigeria, Zambia, Kenya, and now Libya.

VOROBIEVA: It wasn't difficult for you to meet Qaddafi?

ILYUMZHINOV: Well, I've known him for a long time. We held the World Chess Championship here in 2004. Qaddafi allocated one of his residences for receptions.

VOROBIEVA: Could you tell us what Qaddafi said to you?

ILYUMZHINOV: Of course, it was a friendly conversation. The first question was "Weren't you afraid to come here?" Everywhere on television they report that it's being bombed. When we arrived we heard bomb blasts to the west of Tripoli. Every day there's bombing here. Well, of course, it's a little worrying. I told him that it's not the same Tripoli, not the same Libya, as it was a few years ago. Then he said, "Everyone wants me to go. But where can I go? I don't hold any post."

VOROBIEVA: He's not intending to leave Libya?

ILYUMZHINOV: Well, he asked me to take a look at the houses that were bombed, and I visited the house where his family lived, and the children's bedroom. A month ago in the bombardment his son, granddaughter (who was four months old), and two grandsons died. He also lost his adopted daughter. He told me, "If I've lost my children and grandchildren, where will I go? I'll remain here."

OSIN: Tell us, Kirsan Nikolaevich, before your trip, did people try to talk you out of it?

ILYUMZHINOV: Not at all, it was a working trip, normal. I was in Afghanistan recently. Now my next trip in the middle of July will be to Baghdad. No one tried to dissuade me. Well, one of the FIDE vice presidents was supposed to fly with me, but he claimed that his wife wouldn't allow him.

OSIN: But don't you see what the issue is? World society, or a significant part of it, seems to have declared Qaddafi *persona non grata*.

ILYUMZHINOV: I'd be happy to meet with anyone. FIDE is a public sporting organization, outside of politics, and we meet whoever appears to be legitimate. I'm not a politician. I came here as a sportsman.

VOROBIEVA: Did you get the impression that Qaddafi was somehow frightened, that he was panicking?

ILYUMZHINOV: No. My vice president Georgios Makropoulos, from Greece says, "But on television here they've been broadcasting that he's ill, that he's lying in hospital, that there's something wrong with his head." He's normal. We played chess and talked.

VOROBIEVA: Who won?

ILYUMZHINOV: Well, he's of course weaker, much weaker than me, but overall it was interesting. Muhammed Qaddafi, he's a serious player who knows chess theory. The leader, however, is simply an amateur who knows how the pieces move. Well, and he knows how to give beginner's mate.

VOROBIEVA: So you came and beat him?

ILYUMZHINOV: Well, in terms of diplomacy you can't win. We agreed—I offered him a draw.