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Oil, Domestic Politics, and International Conflict

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A R T I C L E I N F O

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A B S T R A C T

Oil politics is a major force in global and domestic politics, especially in developing countries. Oil income makes oil-producing "petrostates" vulnerable to the resource curse, the symptoms of which include pervasive corruption, wasted public spending, volatile economic growth, and more frequent civil wars and domestic conflict. Yet while common tendencies are observable among the group of petrostates, there are also important and systematic differences among them. States that are petro-revolutionary – having both oil income and a revolutionary leader – tend to instigate conflicts at a rate three and a half times that of a comparable "typical" state (one without oil or a revolutionary leader). Indeed, the tendency of petrostates to get into international conflicts cannot be explained without disaggregating the group. This research thus emphasizes the point that oil does not have a single, monolithic effect, but rather it interacts with domestic politics in a complex way.

1. Introduction

The global oil industry profoundly shapes the politics and economic development of producer countries, and those that interact with them. The inaugural issue of this journal provides a superb opportunity to reflect upon the progress social scientists have made in understanding the politics of oil, and the many questions left unanswered [1]. Hancock and Vivoda, in their thought-provoking article in this issue, focus on the relative paucity of research on the role of energy in the field of international political economy [2]. In this article, I focus primarily on the security dimensions of energy, and more specifically, I focus on oil. The sheer importance of oil to the modern global economy makes it the logical starting point of any inquiry into the role of energy on international security. It also has specific characteristics that are not necessarily shared by other energy sources, such as the ease of centralization of revenues and a fungible world commodity market based on ocean-going shipping.

Oil is special. Oil-exporting states, called petrostates, engage in about fifty percent more international conflict than non-petrostates, on average.[1] They are at higher risk of civil wars and domestic strife. Their economic growth is weaker than it ought to be given the vast potential of their natural resources, and more volatile than in non-petrostates [6–8]. They are more likely to be corrupt, but under the right conditions oil income can be channeled to provide a rich variety of valuable public goods and feed sustainable institutions [9,10].

The net impact of oil on a country, both domestically and in its foreign policy, depends critically on its domestic politics, especially the preferences of its leaders. For instance, the tendency of petrostates to get into international conflicts cannot be explained without disaggregating the group and appreciating the role of revolutionary petrostates. This subset of states – those with revolutionary leaders – represents a special threat to international peace and security, initiating roughly three and a half times more interstate conflicts than a typical state. On the other hand, there are some recurring tendencies across almost all oil-producing states. These tendencies are driven by common incentives generated from oil income, and these common incentives are identifiable in both domestic and foreign policy. Yet for virtually all of the things that we most want to know about a country – the rate at which it develops economically, the likelihood that it gets into international wars, the degree to which peace and order are kept at home – the effect of oil depends upon a complex interaction with the country's domestic institutions, politics, and historical legacy.

Oil is a sweeping force in politics around the contemporary world, especially in producer countries. The next section describes the distinctive characteristics of petrostates, both domestically and in terms of their foreign policy. Section 3 then describes and

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[1] Counting all conflicts, regardless of whether they are instigators or targets. See [3–5].

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explains the systematic variation among petrostates' international aggression. Section 4 considers policy implications. The final section summarizes and concludes.

2. The petrostate syndrome

I use the term *petrostate* to mean any country that has annual net oil export revenue of at least 10 percent of its Gross Domestic Product (GDP). Such petrostates have a number of characteristics in common, which I describe here as the "petrostate syndrome." Examples include Saudi Arabia, Iraq, Iran, Russia, Norway, Venezuela, Ecuador, Nigeria, Angola, Algeria, Libya, and Sudan. Petrostates are thus a very diverse group geographically, culturally, and economically, making the similarities that we observe among them all the more striking. Naturally, there are exceptions: Norway, for instance, is quite distinct from the rest of the petrostates, and enjoys a high level of political and economic development that is consistent with the other countries of Scandinavia. Thus Norway seems largely unaffected by the negative side-effects of the oil-industry experienced in many petrostates, while still reaping many of the benefits. Nonetheless, the patterns and similarities among the group of petrostates as a whole are striking.

Other oil-producers, even if do not meet the definition of petrostate just stated, might also experience some of the petrostate characteristics, albeit to a lesser degree. Examples include Mexico, Malaysia, Egypt, Colombia, and Argentina. Even Canada and the United States might experience some of aspects of the petrostate syndrome, especially in oil-producing regions like Alberta or Louisiana, though the effects are typically heavily mitigated by the diversity of the national economy and the strength of their political institutions [11].

2.1. *The resource curse*

One of the best-known traits of petrostates is that they suffer from the 'resource curse.' The resource curse is not one characteristic, but rather a collection of negative economic and political phenomena, each of which is more likely to be observed in a petrostate than in other kinds of countries. Economically, the resource curse typically means[2]:

- increased corruption
- high income inequality
- currency volatility and appreciation (Dutch disease)
- uneven regional economic development
- high unemployment
- low rates of female labor-force participation
- increased state-ownership of business

Each of these phenomena, along with the exact causal mechanisms linking oil to these effects, is debated by scholars. Dutch disease, by which changes in the value of the petrostate's currency affects the viability of other economic sectors such as manufacturing, is often thought to be responsible for some but not all of the economic problems. Enduring questions of energy poverty and energy justice are additional economic issues that are not limited to the resource curse or even to petrostates [14,15].

Originally, the resource curse was also thought to mean weak or negative GDP growth, but the evidence on that question is actually quite mixed [9,10]. Sovacool, for instance, investigates the extent to which oil and gas has hindered economic development in South East Asian producers, and concludes that a hydrocarbons industry is neither a blessing nor a curse [16]. His research focuses primarily on socio-economic indicators, however, and does not include an analysis of how oil income affects democratization or civil conflicts.

Politically, the resource curse typically means[3]:

- durable authoritarianism
- low levels of political accountability
- more frequent civil violence, possibly including civil war
- weak governance institutions
- increased gender inequity
- grievances stemming from environmental degradation and/or forcible migration in oil-producing regions

As with the economic effects, the exact symptoms and causal mechanisms linking oil to politics are debated by scholars. For instance, many studies have considered the effect of oil on democratization and regime type. Most scholars agree that *rentier* politics are at least partially responsible, whereby resource-rich governments use low tax rates, high public spending, and patronage to maintain their authority, resulting in lower levels of democratic accountability [9,11,20–29]. The low rate of tax collection is often viewed as critical, because taxation is an important step in state formation, as it helps to cement a social contract between a state and its citizens. Taxation is also viewed as a key element of governance capability, so its absence (or reduced role) in petrostates is often viewed as hindering institutions and democracy [22]. Other causal mechanisms suggested by scholars include: corruption [30], capital immobility [31,32] (elites in petrostates impede democratization because they fear that it will lead to expropriation of their assets), or geopolitics [25] (powerful oil-importing states to support friendly autocratic regimes in petrostates). This area of research remains unsettled and open for future research.

2.2. *Proclivity to provide energy subsidies*

Although not typically included in the concept of the 'resource curse,' one of the other common characteristics in the domestic political economy of petrostates is the use of energy subsidies. Subsidies for energy cost governments billions of dollars globally [33,34]. In 2012, the total cost of fuel subsidies was $525 billion, a thirty percent increase over the previous year [35]. Energy subsidies can appear in multiple forms, including subsidies for residential heating and industrial uses, but the most common form is for transportation fuels: gasoline and diesel. Fuel subsidies are politically popular, but they can be fiscally unsustainable, especially when combined with rapid demographic growth and rising energy prices [34].

Many countries, both petrostates and non-petrostates, subsidize energy. What sets petrostates apart is the increased likelihood that the government will subsidize energy and the larger magnitude of those subsidies, as compared to non-petrostates [36]. The difference is attributable to the fact that the domestic population typically feels some sense of national ownership over the oil reserves, and fuel subsidies are an administratively easy way to redistribute some of the wealth generated by a petrostate's geological endowment.

The consequences of withdrawing energy subsidies, however, are no different in petrostates than in non-petrostates. Once established, fuel subsidies are remarkably difficult to reduce or

[2] The literature on these effects is vast, but some of the most important work includes [6–9,12,13].

[3] Arguably the best single-volume discussion of these effects is [9]. There are also some skeptics of the political resource-curse, notably [17–19].

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