RESOURCE WEALTH, POLİTİCAL SETTLEMENTS & GOVERNANCE İN THE MİDDLE EAST

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Focus

- How, if at all, does resource wealth affect governance?
  - Debates in "resource curse" literature: Oil → poor institutional quality v. no effect v. mediated effect

- Empirical focus: Why variation in governance indicators across the MENA region?
  - Is the resource curse specific to high pop. oil countries?
  - Are the low pop. oil countries "high" performers?
  - Are the low/no oil countries performing better than is often depicted?

Arguments

- Per capita oil endowments
  - Rulers face distinct incentives in high and low population oil-rich countries

- Political settlements (Khan 2010)
  - Oil rents shape nascent & evolving political settlements
    - What are political settlements?

Outline

- Measures of governance

- Typology of MENA political economies
  - Variation in governance measures across MENA PE types

- Analytical framework

- When is per capita resource wealth associated with "good" governance: Equatorial Guinea v. UAE

- Resource endowments and political settlements: The role of timing and sequencing

- Conclusion

Measures of governance

- Focus: Core dimensions of governance or "institutional quality" linked to development
  - Rule of law (WB WGI)
  - Perceived control of corruption (Transparency International)
  - Repression (CIRI Physical Integrity Index)
  - Civic and political freedoms (CIRI Empowerment Index)

- Caveats: A narrow picture of governance
  - RRLP: Little petty corruption but royal families remain above the law (Khatib 2013)
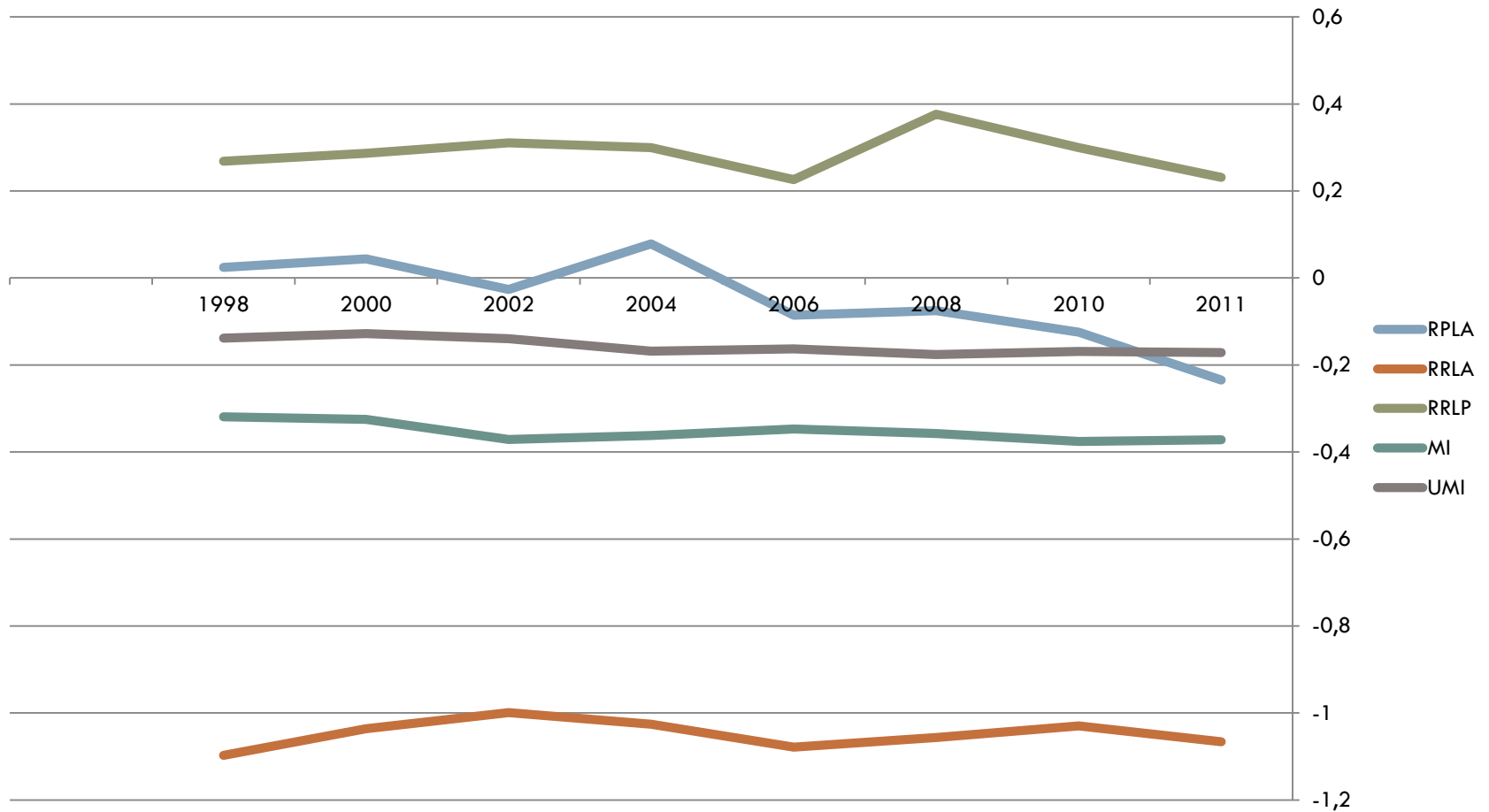 - Halo bias in measure of RoL, corruption, etc.

Typology of MENA Political Economies

Source: Cammett, Diwan, Richards & Waterbury 2015 (2010 data)

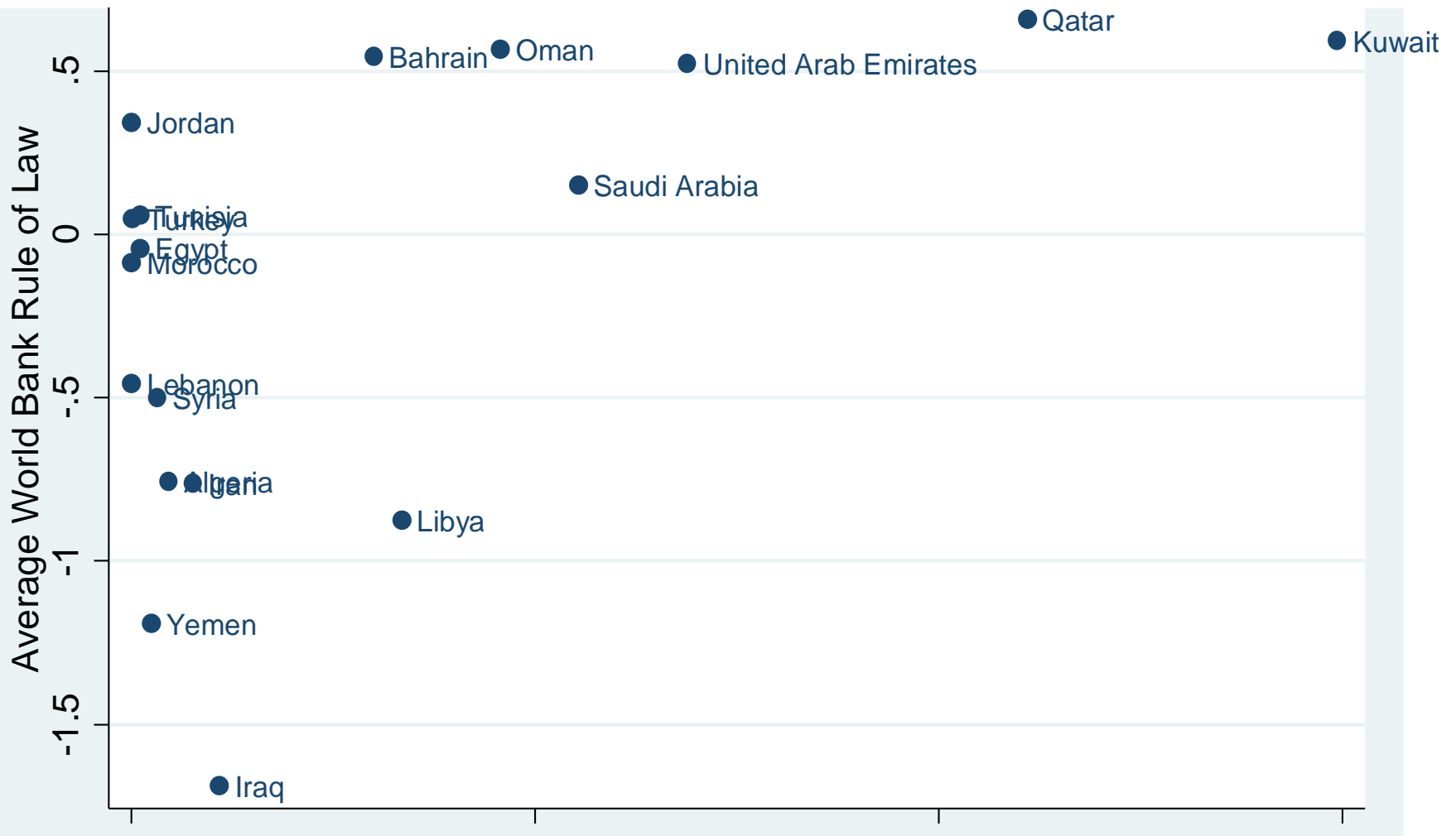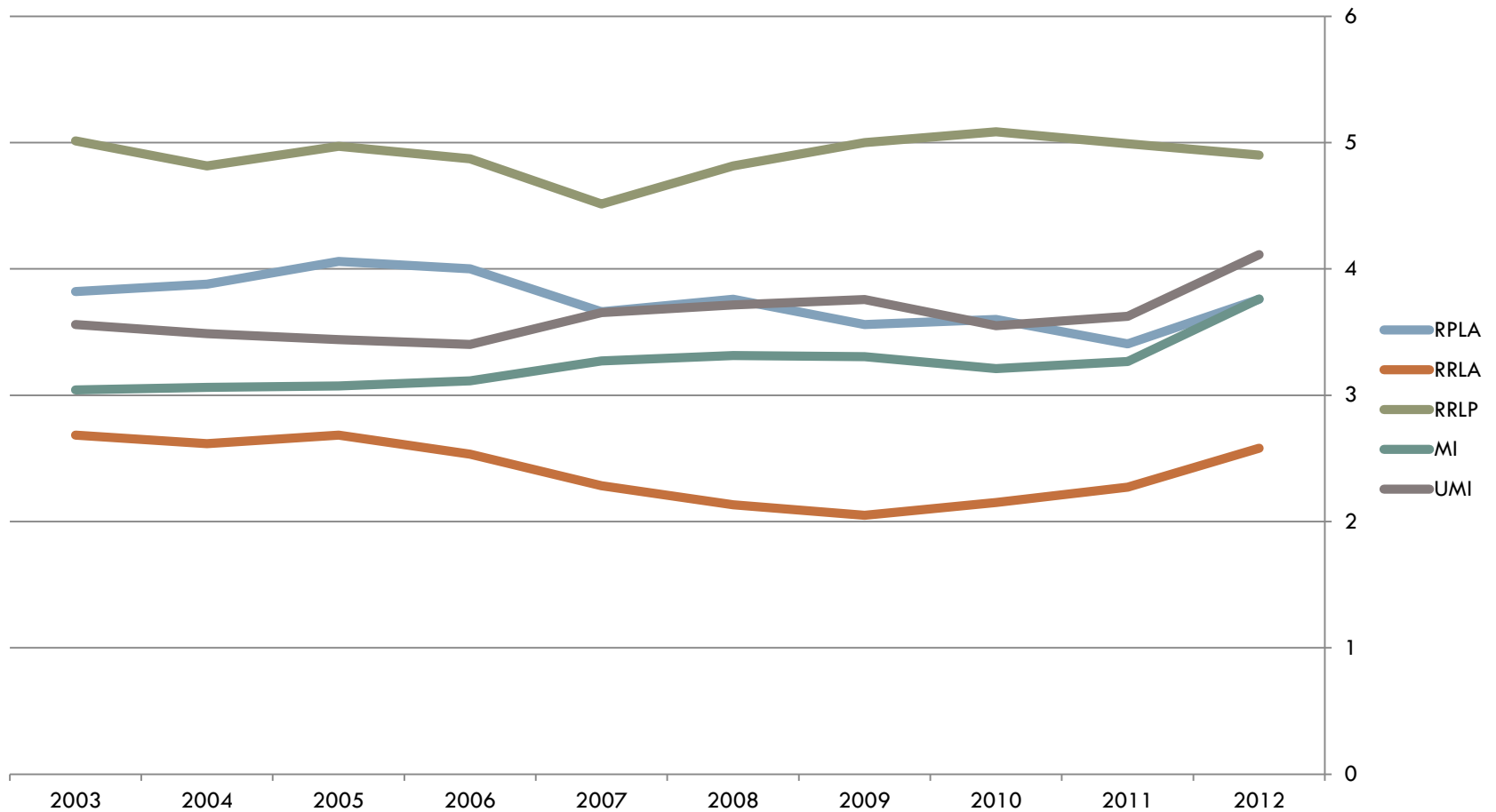| Country Classification	Oil Rents per Capita	Oil Rent/GDP	GDP per Capita
Resource Rich Labor Poor (RRLP)	**$9,248.5**	**32.3**	**$32,435.5**
Bahrain	3,489.5	19.2	18,174.6
Kuwait	21,858.4	48.3	45,255.5
Libya	4,974.9	42.3	11,761.0
Oman	7,505.7	36.1	20,791.4
Qatar	10,535.2	14.6	72,159.1
Saudi Arabia	9,074.8	47.2	19,226.3
United Arab Emirates	7,301.2	18.4	39,680.4
Resource Rich Labor Abundant (RRLA)	**1,015.1**	**28.1**	**3,250.9**
Algeria	732.0	16.9	4,331.6
Iran	1,259.2	23.5	5,358.4
Iraq	3,118.7	73.6	4,237.4
Sudan	303.1	17.4	1,741.9
Syria	427.6	16.3	2,623.2
Yemen	249.8	20.6	1,212.8
Resource Poor Labor Abundant (RPLA)	**55.8**	**2.1**	**4,032.8**
Egypt	167.7	6.3	2,661.6
Jordan	0.1	0.0	4,183.8
Lebanon	0.0	0.0	8,627.9
Morocco	0.1	0.0	2,785.3
Tunisia	166.9	4.1	4,111.1
Palestine	0.0	0.0	1,827.2
Turkey	15.6	0.2	9,878.4
Overall MENA	**2,067.0**	**20.5**	**15,413.2**

Rule of Law by PE Group
1996-2010

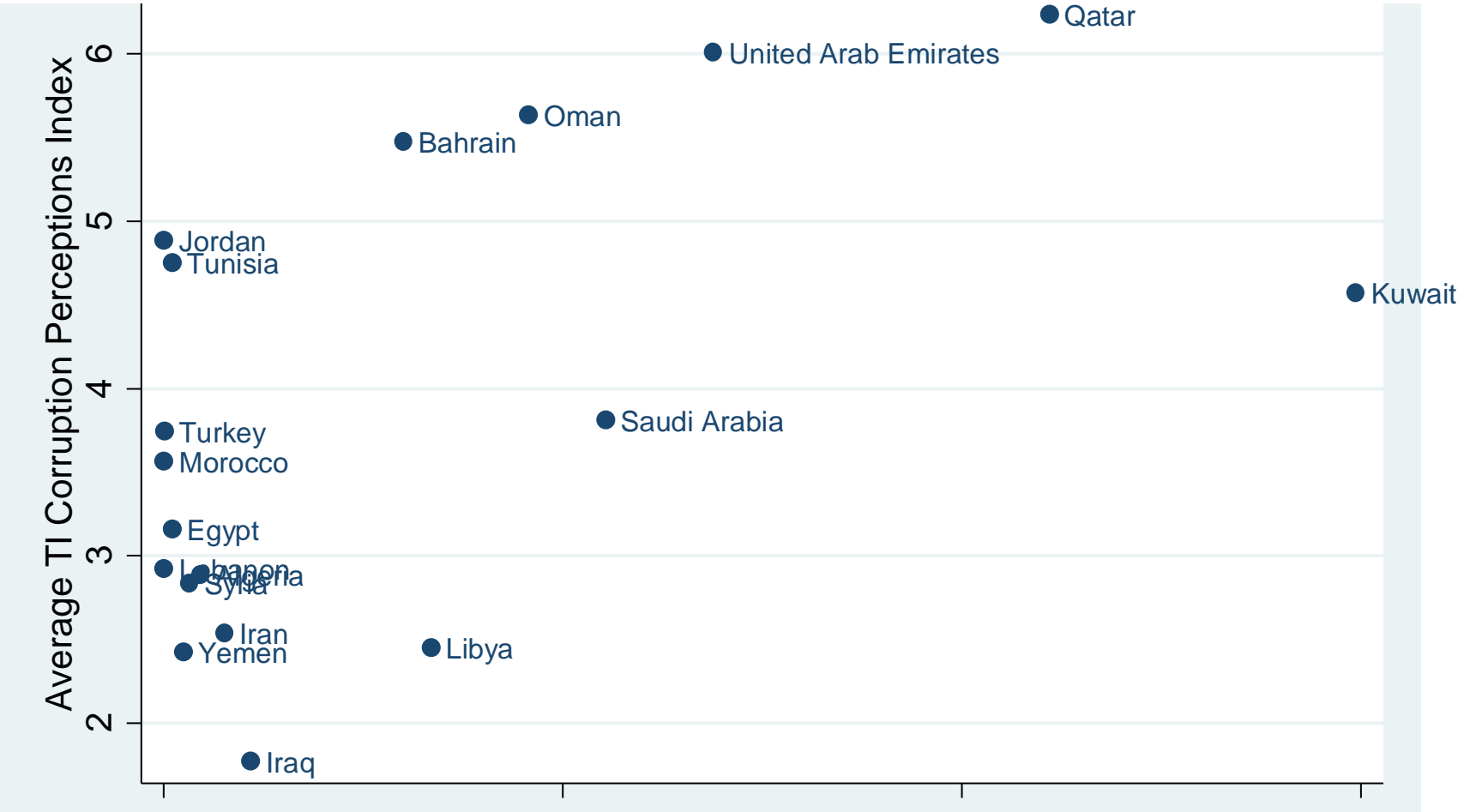# Rule of law & oil rents/cap. by country
1998-2010

Control of Corruption by PE Group
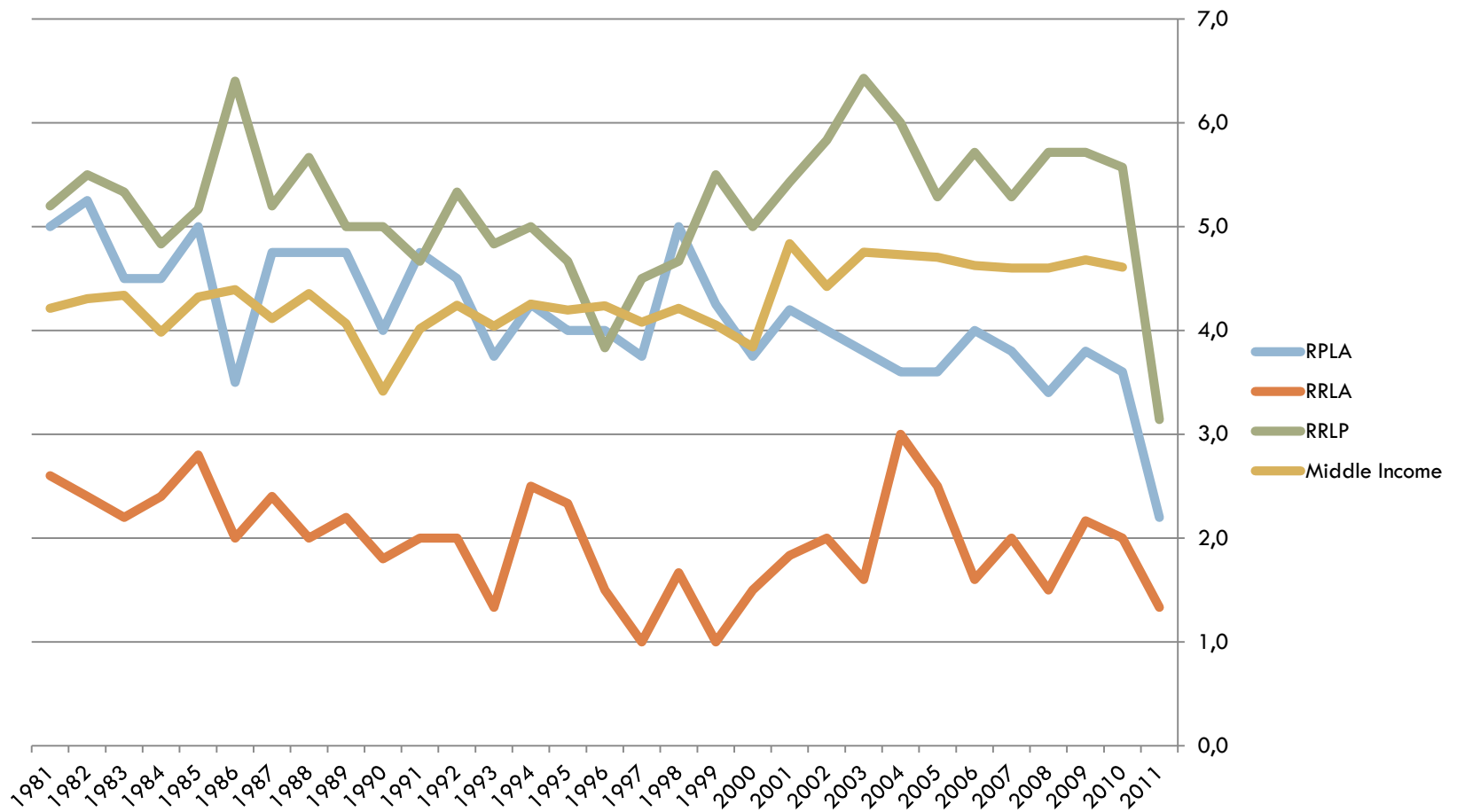## 1996-2010

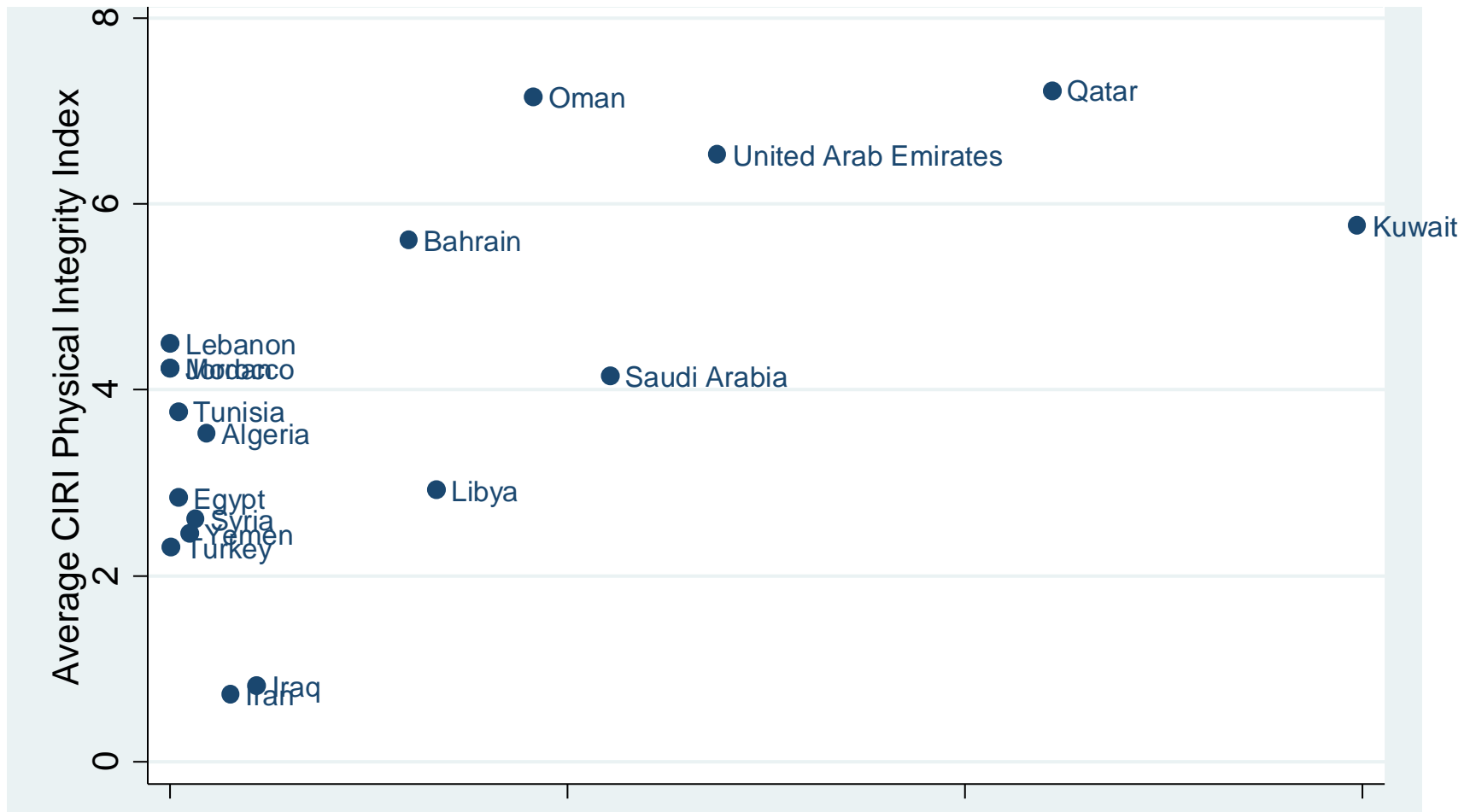# Control of corruption & oil rents/cap. by country
1998-2010
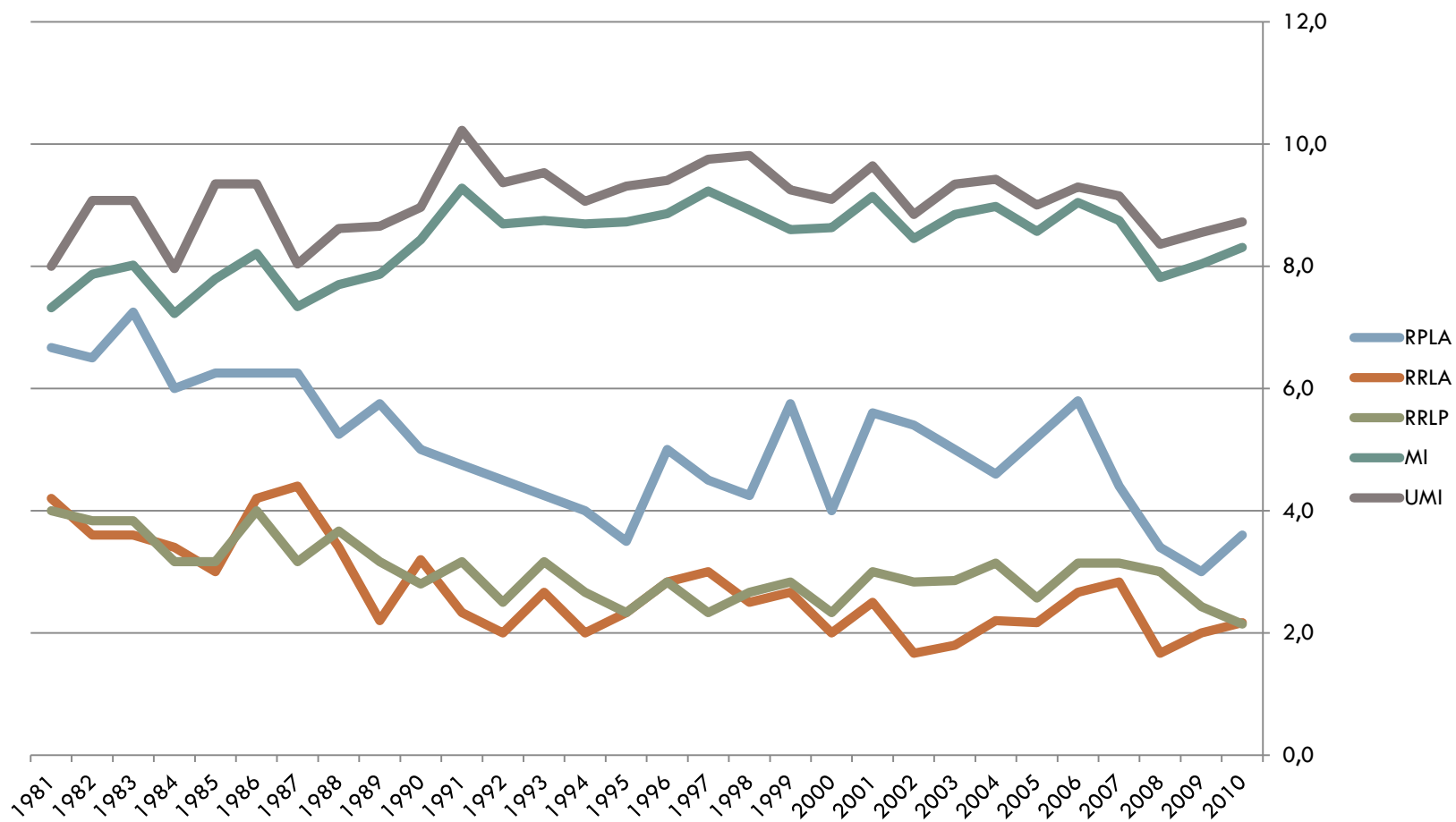
Repression by PE Group

1981-2010

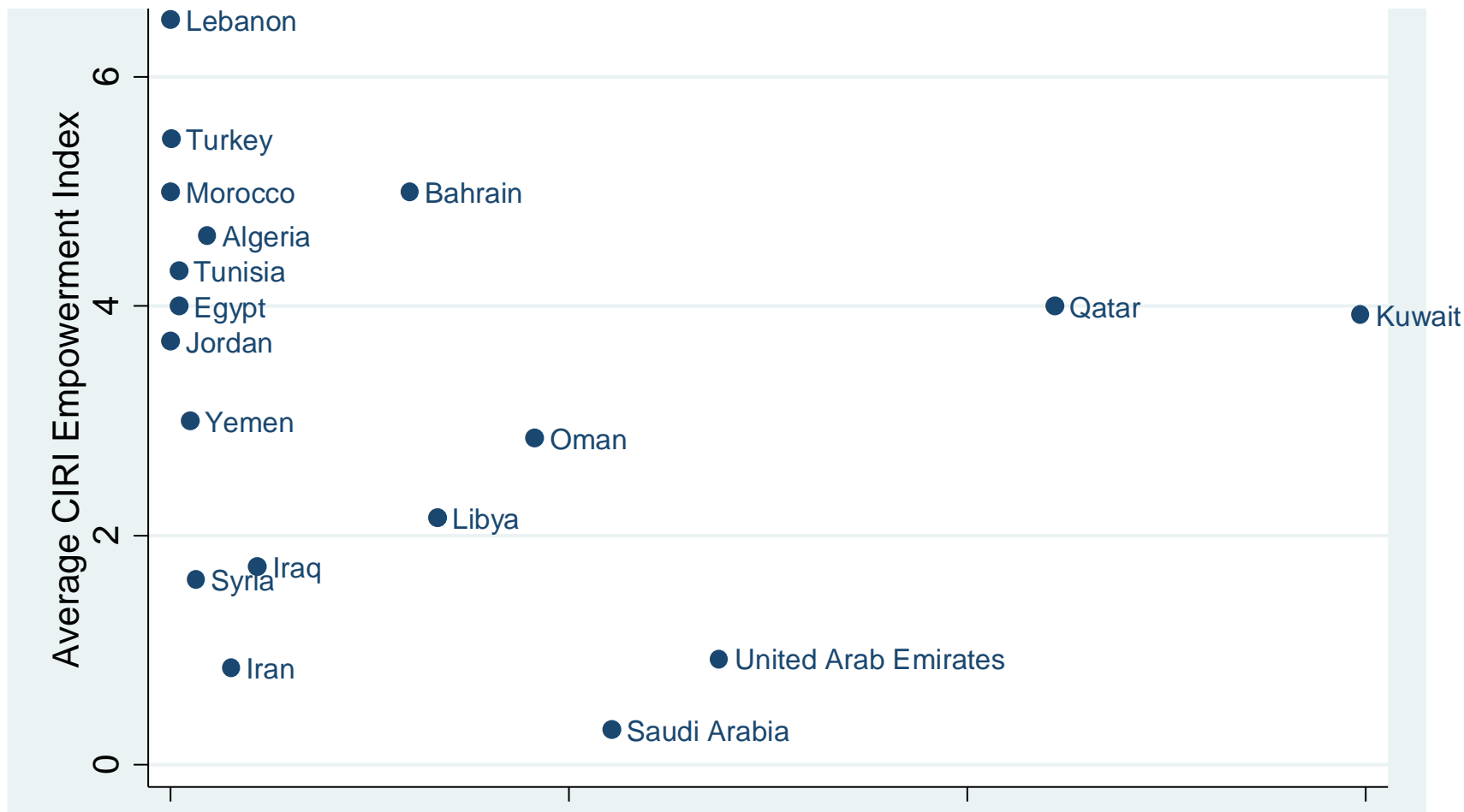# Repression & oil rents/cap. by country
1998-2010

Political Freedoms & Rights by PE Group
1998-2010

Political freedom & oil rents/cap. by country
1998-2010

Empirical patterns: Key takeaways

- RRLA score worst on virtually all indicators (exc. political freedom in some years)

- RRLA scored worse than RPLA on repression & all other indicators, despite greater capacity to distribute material benefits

- Only Libya (formally in RRLP) has comparable patterns

- RRLP scores "best," exc. political freedoms

- RPLA not so bad vis-à-vis other MICs (esp. RoL, corruption)

- NB: Basic hypothesis tests confirm cross-group differences

Analytical framework

- Resources: Per cap. oil rents facilitate distinct strategies of social control, reinforce political settlements

- Political settlements
  - Institutional arrangements derived from prior conflicts over resources, largely among elites
  - Core coalition ensures regime security through (threat of) force & extraction/distribution of rents to maintain some popular support
  - Breadth & nature of bargains in coalition
    - → more/less efficient economic strategies, more/less patronage, more/less repression
    - → distinct "scores" on governance indicators

Ruler strategies & calculations

- Strategies
  - Consent: Distribution (patronage & clientelism)
  - Repression
  - Sustainable development (very difficult)

- Cost-benefit calculations
  - Consent = less risky than repression but entails forfeiture of some resources
  - Stable rules for distribution & access to profit-making signal credible commitments, buying more consent and reducing incentives for rebellion or defection
    - → Incentives to promote rule of law, limit rampant expropriation, etc.

- The role of resource wealth
  - More plentiful resources facilitate equilibrium w/stable rules (i.e. limited "rule of law")
  - More constrained resource environments are less permissive
    - Fiscally impossible to buy off masses
    - Instead, funnel resources to the powerful
    - Narrow political settlements → popular disaffection → repression (to preempt or quell protests)

Varieties of political settlements in the MENA oil economies

- RRLP (i.e. Gulf oil countries)
  - Negative taxation (service, subsidies, housing, jobs)
  - "Private sector" (i.e. well-connected trading families) enjoys exclusive access to economic opportunities
  - Low voice, but minimal repression (with notable exceptions)
  - Do not suffer from "resource curse"

- RRLA (i.e. Algeria, Iraq, Syria, etc.)
  - Selective allocation of rents, opportunities
  - Less developed private sectors
  - Big coercive apparatuses, repression to quash dissent
  - Apparent "resource curse"

The explanatory limits of resources

- Is high per capita resource wealth *necessarily* associated with inclusive distribution patterns? No.
  - RRLA: Attempted construction of developmental states
  - RRLP: Broad distribution of rents (among citizens) not inevitable, citizenship is a political construction (Lori 2014)

- The lessons of cross-national comparison
  - Equatorial Guinea v. UAE

A prior question: When does oil shape political settlements?

- Timing and sequencing (Smith 2007): Oil and nascent political settlements (RRLP)

- Colonial legacies and modes of political centralization
  - RRLP v. RRLA (on average)
    - Continuity and consolidation in RRLP
    - Revolutionary breaks & populism in RRLA

Conclusion

- Recap: Per capita resource endowments and political settlements

- Beyond the MENA region
  - Are the RRLP countries anomalous?
  - Are the MENA RRLA countries exceptional or the norm?
  - Next step: Situate in broader cross-regional analyses