ENERGY FACTOR ON DEMOCRACY IN PERSIAN GULF COUNTRIES

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ABSTRACT: Energy (oil and gas) is one of theimportantandcriticalfactorsin thePersian Gulf countries. Energy is important factor on the economy-politics-cultureandallaspects ofsociallifeandtheouterareasofthecountry. Democracyandtheruleofdemocracy inthese countriesareimportantfactors. Energy ithas helpedorhinderedthe process ofdemocracy. What arethe importantfactorsof democracy? Persian Gulf are often considered a perfect example of the so-called “resource curse” the argument that energy tends to undermine democracy. Given high oil prices, some observers see the countries as virtually condemned to authoritarian government for the foreseeable future. In addition Persian gulf are countries with an Industrialized economy, a highly educated, urbanized population, and an Petroleum sector that remains majority private-owned is unlikely to be susceptible to most of the hypothesized pernicious effects of resource dependence.The most fundamentalquestion is which, Do oil and other mineral resources inhibit democracy? Studies of mineral-rich countries in the Middle East, Africa, and other world regions have often suggested that the answer is yes. This article explains the interaction of the energy role and democracy in Persian Gulf countries.

Key word: energy, democracy, Persian Gulf countries

Introduction

The discovery and exploitation of energy (oil and gas) in Persian Gulf countries has become of increasing importance. Energy in Persian Gulf countries have never been in short supply. Indeed, much of Persian Gulf countries recent history is defined by the scramble for and exploitation of its resource wealth. Although energy has been a source of income for many decades, new discoveries and global economic and political dynamics have prompted much debate as to how this resource can be used for development purposes. For many of the Persian Gulf countries in which energy is present, the financial revenues gained from this resource could go a long way towards redressing development needs that continue to plague the continent. Thus far, however, the indicators are not encouraging: countries that are highly dependent on energy revenues (a) are more likely to experience violent conflict [1], (b) tend to priorities' military over civilian expenditures [2] and (c) Primary human development indicators, such as health, education, and poverty worsen Over time. Academic work on this subject has contributed to a better understanding of the Relationship between oil and democracy, primarily in the area of economic governance.

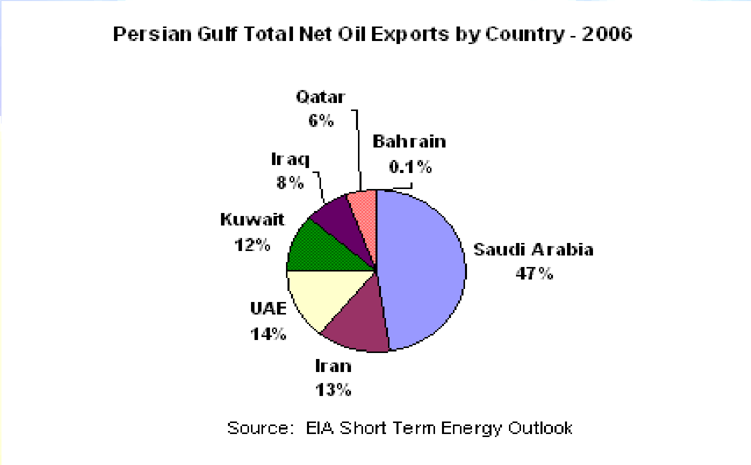
At the end of World War I, the states of the Persian Gulf were weak, with faltering economies and with local rulers who maintained their autonomy only with British assistance. The rulers controlled mainly the small port cities and some of the hinterland. The discovery of oil in the Persian Gulf countries changed all this. Oil was first discovered in Iran, the Anglo-Persian Oil Company (APOC), was producing oil in Iran. The British found oil in Iraq after World War I. In 1932 Standard Oil Company of California (Socal) discovered oil in commercial quantities in Bahrain. SOCAL then obtained a concession in Saudi Arabia in 1933 and discovered oil in commercial quantities in 1938. Since the early 1970s, increased oil production and regional instability have dominated events in the Persian Gulf countries. Revenues from the oil industry grew dramatically after oil producers raised their prices unilaterally in 1973; as a result, funds available to Persian Gulf states increased. Governments began massive development projects that brought rapid material and social change. Those states that had benefited longest from oil revenue, such as Iran and Qatar, made the greatest progress in adjusting to the new oil wealth.

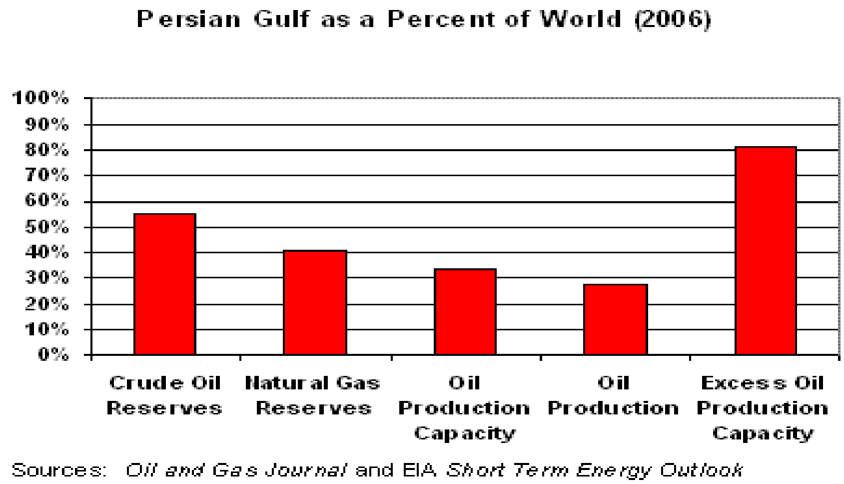
The relationship between energy (oil and gas) and democracy is one of the most debated topics in social sciences in Persian Gulf countries. More studies have also addressed the so-called resource curse that seeks to explain how countries with energy resources not only do not benefit from them but also post economic growth lower than that of countries with fewer natural resources. In the last decade, scholars have used statistical methods to test the hypothesis that oil and gas Wealth is opposed to democracy. Most believe there is evidence of a statistically significant relationship. For instance Sachs & Warner [3, 4], inquire into the relationship between a country's natural resources and its economic performance. Counter to the intuition, in post world-war II, they find evidence of a negative relationship: resource abundant countries have grown on average less than resource poor countries. Resources, they argue, are not a blessing which helps economic development, but rather a curse, limiting growth and socio-economic progress.

Outlook of Persian Gulf countries

The Persian Gulf region countries include,Saudi Arabia , Bahrain , Kuwait, Iraq, Oman, United Arab Emirates, Qatar andIran. The Persian Gulf is an arm of the Arabian Sea extending some 600 mi (970 km) from east to west. It covers an area of approximately 89,000 square mi . It is connected to the Arabian Sea in the east by the Strait of Hormuz.the Persian Gulf countries produced about 25 percent of the world's oil. These countries hold almost 65 percent of the world's proven crude oil reserves. The Persian Gulf region also has some 36 percent of total proven world gas reserves [5].

Today, the Middle East areas and Persian Gulf play a special significant role in the world, some three-quarters of the world's oil reserve are located in the Muslim world, and some two-thirds of these reserves are in the Persian Gulf, 40 percent of the daily shipment of oil passes through the Persian Gulf, almost 20 percent of U.S. oil comes from the Persian Gulf. The Persian Gulf reserves will last from 50 to 150 years, the longest among the known world oil reserves, and the production cost of oil is the least, Light oil, the transfer is easy, good quality, and there may exist the new oil fields [6]. Currently, the stability of Middle East oil is extremely important to the world threatened by ongoing conflicts in Iraq, nuclear in Middle East, and radical Islamic movements. As the analysis here has shown that the West will continue to depend on this oil for decades to come for a significant portion of its increasing oil needs, almost all oil states face wonderful economic hardship and many depend on oil revenue for 90% of their foreign exchange earnings. In the world today, oil is recognized as a power tool in all aspects in these societies, the importer countries of oil special European countries and exporter countries are affiliated to this single production, and is creating a kind of bilateral relation.





Theory of Rentier States in Persian Gulf

From the sociological point of view, energy is a form of rent. Initially, the State-centric focus gave rise to the theory of the 'rentier' State as applied to the countries of the Persian Gulf. The First time, the concept of the "rentier state" was postulated by Hussein Mahdavy with respect to pre-revolutionary Pahlavi Iran in 1970. The idea has since been appropriated by a community of Middle Eastern specialists in their discussion of the Arab world. For Mahdavy, the stage at which a country can be called a rentier state is determined arbitrarily, but he is primarily interested in cases in which" the effects of the oil sector are significant and yet the rest of the economy is of secondary importance [7]. Later as Beblavi and Luciani[25], pointed out as soon as the concept was pursued the important analytical problems emerged, to focus exclusively on the state, independent of the economy, and to define a rentier state as any one that derives a substantial part of its revenue from foreign sources and in the form of economic rent is a rather restrictive definition that says little about the economy.HazemBeblawi suggested four characteristics that would determine whether or not a state could be identified as "rentier"If rent is a predominant situation. If the economy relies on a substantial external rent – and therefore does not require a strong domestic productive sector. If only a small proportion of the working population is actually involved in the generation of the rent and perhaps most importantly, that the state's government is the principle recipient of the external rent [8]. The theory claims that states that get their income from external sources have very little need to be accountable to the people they govern. Rather than deriving legitimacy from people consenting to being taxed, they gained legitimacy by dispensing money earned from external rents. Rentier theory holds that such a state enters periods of crisis when the economy enters a downturn and there are insufficient resources available to appease all the groups previously supported. The emergence of the new oil states and their increasing importance in world trade in the 1970s brought a renewed interest in thinking on rentier economies in the aforementioned disciplines of political science and relations. Examples of rentier states include oil producing countries in the Middle East region including Saudi Arabia, United Arab Emirates, Iraq, Iran, Kuwait and Qatar as well as states such as Venezuela and Libya in Latin America and North Africa, all of whom are members of OPEC[9]. As an above explanation the Iranian state also is characterized as a rentier state, which on a regular basis received substantial amounts of oil revenues. The rentier state has the explanatory power in Iran's foreign policy. The rentier oil supports the continuity of Iran's authoritarian state. The oil politics is the main pillar of the Iran foreign policy. The rentier state also has explanatory power in the intra-regional relationship among neighbor's countries. Every rentier state has some privileges and some problems. In this state there is no financial connection between the government and the people. The government has only to keep its people in line so that they do not overthrow it and start collecting the oil rents. In a rentier state, citizens do not oppose the government in the same way. It derives almost all its income from external rents in the form of oil revenues; it does not tax its population. Consequently in these resource-rich rentier states, there is a challenge to developing civil society and democratization. Hence, theorists such as Beblawi conclude that the nature of rentier states provides a particular explanation for the presence of authoritarian regimes in such resource rich states [10].Beblawi identifies several other characteristics particularly associated with "rentier" oil states. For example, where the government is the largest and ultimate employer, the bureaucracy is frequently bloated and inefficient – and indeed comes to resemble a "rentier class" in society. Moreover, local laws often make it impossible for foreign companies to operate independently. This leads to a situation where citizenship becomes a financial asset. In order to do business, foreign enterprises engage a local "sponsor" who allows the company to trade in his name in return for a proportion of the proceeds – another type of rent? In addition, the oil "rent" leads to "secondary" rents, usually stock market or real estate speculation [11].

Petro Politics states

Friedman has formulated the ingenious 'first law of petro politics' by using contributions from Ross. The argument is simple: the more crude prices go up, the more erosion there will be in individual freedoms, the structure of political-el Friedman applies the law to "petro politics states," which he defines as "states that are both dependent on oil production for the bulk of their exports or gross domestic product and have weak institutions or outright authoritarian governments." Examples of states that meet this criterion include Egypt, Iran, Nigeria, Russia, Saudi Arabia, Sudan, and Venezuela, among others [12].

Petro-States are a particular kind of State whose main source of revenue comes from abroad through sales of oil, which represent at least 40% of total exports and 10% of GDP. These are States that are highly dependent on a resource that is expendable, capital-intensive, strategic, and vulnerable to external variables and which can provide a high monopolistic income. Two important aspects of Petro-States have been addressed, and while they are related they can also be examined separately. First is the economic performance of these States, which tends to be considered poor. In second place, researchers more recently have looked at why oil wealth has negative effects on democratization and the maintenance of democratic regimes.

Friedman's proposed law suggests that there is a negative correlation between the "price of oil and pace of freedom," which "always move in opposite directions in oil-rich petro list states." In his framework, the "pace of freedom" means the development of the elements of a democratic government, such as free speech, free press, free and fair elections, an independent judiciary, independent political parties, and general rule of law. The historical record seems to provide strong evidence for Friedman's law: Suddenly, regimes such as those in Iran, Nigeria, Russia, and Venezuela are retreating from what once seemed like an unstoppable process of democratization, with elected autocrats in each country using their sudden oil windfalls to ensconce themselves in power, buy up opponents and supporters, and extend their state's chokehold into the private sector. On the other hand, in the oil-rich Middle East region, some resource poor states, such as Bahrain, have made great strides toward democratic government [13].Friedman, says a rise in the price of black gold gives a greater margin of operation to leaders of oil States, who are not very receptive to domestic demands and even less worried by the opinion of other countries. On the basis of this observation, Friedman warns of the danger this phenomenon poses for the international system. However, even though control over oil can create asymmetric relations among States, the use of this source of wealth in order to exert influence on the international scene is no different than the use made available by possessing other goods or resources [14].

Modernization, socio-economic and energy

Exploitation of oil and gas starting in 1908 is closely linked to the consolidation of the national State. Rapid development of the oil industry due to international demand turned petroleum into Persian Gulf countries "s main export starting in 1911.From that point on, oil was fundamental in the country's socioeconomic and political modernization. In just a few decades, Persian Gulf went from being an agricultural and rural society with a backward economy to another kind of society that quickly became industrial and urban and boasted an expanding economy. In the early 1970s, black gold accounted for more than 90% of Persian Gulf "s export revenue, 20% of GDP and more than 65% of its tax **revenue.** In summary, even though in some situations this dependence has eased or been accentuated, it has always been prominent and no change in this trend in foreseen for many years. Ever since oil started being exploited in Persian Gulf countries, the pace and scope may have varied but successive governments used this source of wealth to develop the country, strengthening the role of the State in economic and social life. These States intervention was consolidated with the establishment of democracy. The Persian Gulf countries share several specifications which connect them to each other. Some of these specifications are as follows:

1. This fact will lead to a decrease in their armament competition;
2. The decrease in military expenses causes a fast growth in the economy of these countries;
3. This situation will guarantee the security of the region;
4. It will decrease the presence of foreign forces in the region.

<u>Common specifications Persian Gulf countries</u>:

1. All of them are located beside the Persian Gulf;
2. The main source of their wealth and income is oil;
3. All of these countries are among the developing countries;
4. Their economy is dependent upon the capitalism system of the West;
5. The main part of their foreign trade is fulfilled through the Persian Gulf;
6. Islam is the religion of all these countries.

Besides, the cultural, historical, and geographical specifications have made situation in a way that can potentially pave the way for any type of cooperation. There exist common cultural and geographical specifications among the people of southern provinces of Iran and the residents of the Persian Gulf countries.

Cooperation of Energy

The Persian Gulf countries own around 60% to 70% of the whole world oil and gas sources. More than 90% of the income of these countries is obtained through oil export. Therefore, their economy is greatly dependent on oil incomes, and can be affected by any fluctuation of oil price. Thus, the cooperation of these countries in terms of oil price seems to be very necessary. In recent years, the decrease of oil price has damaged the economical situation of the Persian Gulf countries. Moreover, the decrease of oil price has had a negative effect on the economical growth of these countries and has led to economical stagnancy of them. So the national benefits of all the Persian Gulf countries necessitate the increase of oil price, but these will come true if these countries have collaboration with each other; and this aim can be achieved via OPEC.The relations in this area could be reviewed by two aspects that both of them are cooperative and competitive relations[15].**The Cooperative Aspect**: As all the countries in the region have gas and oil, and their budget depended upon the oil, so they became force to make cooperative decisions against the consumer countries, like as controlling the price in OPEC or establishing the Cooperation Council of the Persian Gulf.**The Competitive Aspect**: Related to the political, military, economic and cultural influences it led to the serious disputes even the war, such as the 8 years war between Iraq and Iran, attack to Kuwait by Iraq and claims of the UAE about the Iranian Islands Tonb-e-bozorg and Tonb-e-kuchak.

Rentnegativeeffects

Ross introduces the three main causal mechanisms that can explain the link between energy rich countries and authoritarian rule: the rentier effect, the repression effect, the modernization effect, which now we briefly explain [16].

Rentier effect. Countries rich of gas, oil, or other natural resources gain much of their revenues from stamps, royalties, or export taxes. Such rent-seeking activities can be used to relieve social pressure that might otherwise lead to demand of greater accountability. This may occur in three ways. The first is through a taxation effect. Since governments get sufficient revenues from oil or other resources, they do not have to impose tight budgets and / or heavy tax burdens on citizens, thus relaxing their control over government activity and making fiscal pacification much more effective. Second, through a spending effect, oil revenues can be (at least partially) used for general spending and for patronage, thus dampening latent pressures for democratization. Third, through a group formation effect: governments can use their money to corrupt or prevent the formation of independent social groups that may be inclined to demand political rights [17].

Repression effect. A second argument is that revenues from oil and gas enable governments to repress their Populations. Since the government has more money available, it is less costly to be authoritarian in order to avoid the sharing of its rent with the population. Mineral rents provide the cash to hire more policemen, train security services, and Monitor citizens with high technology equipment. The huge stakes involved might also make Incumbents more determined to use violence to crush political opposition. Ross examined this, using as a measure of repression the annual frequencies of torture, Extrajudicial killings, political imprisonment, and disappearances attributable to the government, as collected from US State Department human rights reports by Cingranelli and Richards[18].He found that, in fact, controlling for regime type, oil producers were no more repressive than non-oil producers .also, This effect is consistent with Collier and Hoeffler [19],findings that natural resource abundance tends to make civil war more likely, since the expected benefit of winning the war is much higher for the different stakeholders at play (governments, oppositions, political parties, ethnic groups, oligarchies).

Modernization effect. Democracy stems from a collection of social and cultural changes, including occupational specialization, urbanization and high levels of education. None of these changes are likely to occur in a resource abundant country: the labor force is trapped in the energy sector and does not shift to the manufacturing and to the service sector, citizens are not forced to move to the cities and the lack of economic need diminishes the effort of investing in human capital. As a side effect, it is known than democratic pressure is low when there are less educated citizens, thereby reinforcing the effect.

Corruption effect. Wesaythere isa indirect relationship between resources and democracy. Another negative effect of rent is corruption, According to Robinson [20] and Mehlum [21**],** the impact of resources on growth crucially depends on the quality of the political institutions and, in particular, on the degree of corruption in the public sector. Mehlum et al. show that the variance of economic growth among resource rich countries is due to how rents are distributed. Some countries have institutions that favor producers and re-investment of those rents, while others have "grabber friendly" institutions that divert scarce entrepreneurial and human resources into unproductive rent-seeking. Therefore, the quality of institutions is the factor which determines whether abundance in natural resources is a curse or a blessing for a country.

Human rights effect. Studies show that countries rich in easily extracted and highly profitable natural resources that do not have well developed democratic traditions do not sufficiently invest in education, productivity, or economic diversification. In addition, such resource-rich governments do not feel obligated to be answerable or clear to their people and they deny them representation. While their energy allows them to be the strategic pivot of world politics and economy, these "trust fund states'" record on human rights, political stability and compliance with international law is abysmal. Although Persian Gulf countries have made an effort not to repeat the irresponsible spending policies that accompanied previous spikes in oil prices, diversifying their investment portfolios and strengthening their non-oil sector, they still continue to use oil revenues as a means to maintain their power, allowing freedom and democracy to advance at an extremely slow pace if at all.

Taxation effect . In the absence ofadequategovernmentrevenuefromoil salesachieved,peoplearelesslikely totaxornottaxisessential. Instead, thelikelypublicdemandforaccountabilityfromthegovernment andgovernmentagencieswill be reduced. Samuel Hantington has emphasizedthekey roleoftaxationin democratic societiesandsuggeststhatgovernmentsRentiremadeto eliminatethetaxationsystemintheir communities, One Generatingelement ofdemocraticsystemsaredestroyed.Thus,incountries where thegovernmentsof Peopleare notgetting atax,the government's position isinverted.Instead, governments need tobeaccountableto the people,thesearethe peoplethatthegovernment are dependent [22].

Cost Effect. Wherewealthcanincreasethe cost ofgovernmenttosupportparenting andtoreducethe potential pressurefordemocratization [23].Persian Gulf statesusetheir ownfunds, by givingrewardsto citizens, theywere abletoshut down or hide the democracy in thiscountries.

Formationofclasses. Whengovernment oil revenuesaresufficient,bydonatingthis money, would preventthe formation ofindependentsocialgroups.Sincetheformation ofthese groups, it is possible thegovernmenttodemandbasic rights.The governmenttries topreventthe formation ofthese institutions [24].

Acknowledgement

Institute for International Energy Studies (IIES) dependent to ministry of petroleum (MOP) Islamic republic of Iran.

Conclusion

Dependence on natural resource wealth can promote the emergence or persistence of authoritarian regimes, as many scholars have noted, but especially statistical studies have failed to note that it can sometimes encourage democratization as well. The observed findings are consistent with the theory and can be summoned as follows) energy does hurt democracy) the link is not specific to the Middle East but valid at the global level) all resources, included non-fuel mineral wealth, hinder democracy) energy resources inhibit democracy in poor countries while in rich countries such link is not statistically significant) there is weak evidence to support all three channels presented above, the rentier, the repression and the modernization effect. Because most rentier states are not democratic when they become dependent on oil-exporters, oil tends to buffer authoritarian rule. Oil exploitation and highly-centralized rule to go hand in hand, mutually reinforcing each other, and this 'vicious' cycle both delays and deters democracy. Traditionally, oil companies preferred to conduct their business with one strongman, and rulers, in turn, used oil rents to further concentrate power. Thus, high levels of dependence on oil rents have always tended to support the regime in power, and authoritarian rule has lasted for unusually long periods of time in these countries. This is not to say that regimes dependent on oil could not occasionally become democratic, as Venezuela demonstrated with the fall of military rule in 1958. In the rare cases where regime change occurs and some type of electoral democracy is actually established, reliance on oil rents as the chief source of the state's livelihood is likely to produce defective democracies.

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