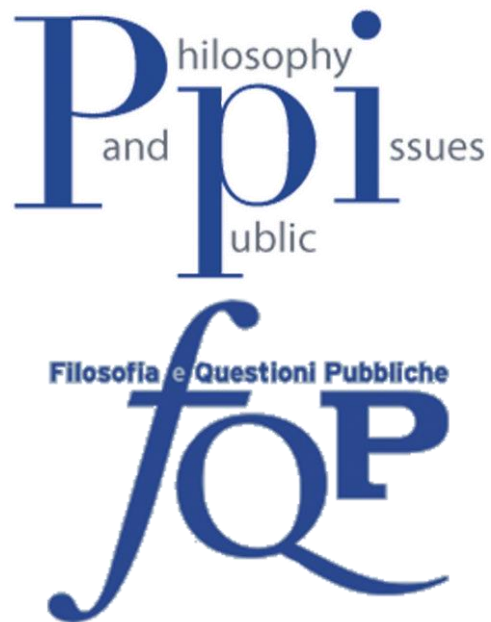


SYMPOSIUM
TYRANNY, DEMOCRACY, AND ECONOMY



BLOOD OIL
A PRÉCIS

BY
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Blood Oil

A Précis

Leif Wenar

Looking back across the last four decades of headlines in the West, one word comes up again and again.¹ In 2014, Iraq became a war of oil against oil, as the Iraqi government, the Kurds and ISIS all funded their armies with large oil revenues. Syria's oil-funded autocrat, Bashar Al-Assad, ordered the barrel-bombing of his own cities, worsening a refugee crisis whose defining image became a Syrian boy lying drowned on a Turkish beach. By 2015, this refugee crisis was straining the politics of Europe.

The Iraq-Syria conflict soon became part of the cold war between the two oil-funded regional antagonists, Saudi Arabia and Iran. In 2015, Vladimir Putin—his coffers still full from years of high oil prices, which had paid for Russia's incursion into Ukraine—also began a more destructive campaign of urban bombing in Syria. By 2016, television news worldwide was showing the apocalyptic devastation in Aleppo. In 2017, the Saudi crown prince intervened in regional politics from Qatar to Lebanon, and most dramatically through an air campaign in and sea blockade around Yemen, which caused thousands of civilian casualties, a massive famine, and the largest cholera outbreak in modern human history.

¹ This essay is an overview of arguments in Leif Wenar, *Blood Oil* (New York: Oxford University Press, 2016).

Oil was not the only cause of these conflicts and crises—the world is never monocausal, or even oligocausal. But when we look back over the past 40 years, oil is often a factor in the West’s bad news.

In 2011, for instance, the West intervened against Muammar Gaddafi, who financed terrorists for decades—from the IRA to the Lockerbie bombers—with Libya’s oil money. Before Gaddafi, it was the genocide in the Darfur region of the oil state of Sudan. Before Darfur it was 9/11, in which 17 of the 19 hijackers were from major oil-exporting countries.

In 1990, Saddam Hussein launched his invasion of oil-rich Kuwait, triggering a Western invasion, then sanctions, then another invasion and an occupation. In the 1970s and 1980s, the Soviet Union, used its growing oil revenues to surge ahead of the West in the nuclear arms race. And since the 1979 revolution, the Iranian regime has used oil money to fund militant groups like Hezbollah while grasping for nuclear weapons.

When we about these oil-exporting states, we often critique our leaders’ decisions. Many, for instance, will lament George W. Bush’s decision to go to war in Iraq. Others will blast Barack Obama’s policies on Assad or Islamic State. Donald Trump’s relationships to Putin and the Saudi crown prince have drawn much scorn.

All of these complaints are correct. Western leaders have cost their countries dearly in terms of lives, money, and influence—and some of their decisions have simply been criminal. Yet there is a deeper level to these stories, which involves us all more directly. The stories above are not just disasters that we’ve watched—they’re disasters that we’ve paid for. After all, the bombs and the tanks and bullets in the stories above cost a great

deal of money. And, ultimately that money has come from us—the world’s consumers—paying for oil.

What consumers pay at the pump has also gone to grim places that never make the headlines. The president’s family in Equatorial Guinea, for instance, has for decades spent the country’s oil money on themselves—private jets, supercars, luxury residences in Paris, Washington and Malibu—while most Equatoguineans live in severe poverty, and half have no access to clean drinking water or adequate sanitation. The President has also quashed all resistance to its rule, including having its guards urinate on political prisoners, tie them down, slice their ears open, and smear their bodies with grease to attract stinging ants.

Somehow, consumers’ money is going to fuel suffering and injustice and threats worldwide. Understanding consumers’ complicity with these disasters and dangers overseas is essential for understanding the deepest flows of global power. And, as we’ll see, ending our own complicity is also the best way to drive positive change.

The Resource Curse

For as long as the world uses oil, we should expect headlines to feature big oil exporters like Russia, Iran, Iraq, and Saudi Arabia. The main reason for this might seem an obvious fact. Outside of democratic countries, whoever can control resource-rich territory by force today can make large profits by exporting those resources. Essentially, whoever can keep control over some holes in the ground will get rich.

When an authoritarian regime (like the one in Algeria) controls a country’s oil wells, it gets the money to buy the muscle and loyalty it needs to stay in power. When armed groups (like those

in the DRC) control the gold mines, they get the money they need to buy arms and pay their soldiers. Money—and, with oil, a lot of money—will go to whoever has the most guns (and help them buy more guns).

More, coercive actors can export resources even when the people of the country are very badly off. Even if most of the population is uneducated, unemployed or hungry—indeed, even if the country is in the midst of civil war—whoever can control the wells or mines will still gain large export revenues. Autocrats and militants do not need a productive population to get the money, and the people cannot stop exports by going on strike. In these countries, when an autocratic regime or an armed group controls resource-rich territory, it is like they are digging out huge troves of buried cash.

Political scientists call the results ‘the resource curse.’ Oil states in the developing world 50% more likely to be authoritarian, and much more likely to suffer from grand corruption. Since these authoritarians get all the money they need from the oil wells, many of these oil-rich countries are full of poor people: Angola’s elite lives in luxury, for instance, while the children of their country die from poverty at one of the highest rates in the world. Civil war is another symptom of the resource curse: oil countries are twice as likely to be at war with themselves.

Oppression, conflict, corruption—oil curses the world’s main artery of oil, which runs from Siberia through the Caspian to the Middle East through North to West Africa. Adding in the authoritarian and failed states that are cursed by the money from metals and gems would show an even broader resource curse, including badly fractured states like the Democratic Republic of the Congo.

Some of these resource-cursed countries suffered colonial exploitation by the Western powers, as well as more recent exploitation by the West's oil companies. Some of these countries have also been invaded and sanctioned. But the resource curse is a systemic phenomenon that strikes countries that are otherwise quite different in their histories and their geographies—compare, for instance, Azerbaijan and Bahrain and Chad. The resource curse calls for a deeper explanation.

The Cause of the Resource Curse

The cause of the resource curse is that today coercive control over resources yields entirely unaccountable power. Controlling oil, metal or gems is like holding huge troves of buried cash—cash that authoritarians and armed groups can use as they like.

With oil money, an authoritarian regime can pay the security forces needed to repress dissent (as in, for example, Algeria). The regime can create useless jobs in the state bureaucracy to keep citizens dependent for their incomes and status (Angola). The regime can play regions, tribes or religions against each other (Saddam was a master of this). It will have the cash to fund nationalist propaganda (as in Russia) or religious indoctrination (as in Saudi Arabia). If times get tough, it will have the money to distract the population by stirring up a military crisis with neighbors or with the West (as Gaddafi did many times). In the popular uprisings of the past decade, from Iran's Green Movement to the Arab Spring, the trend was that the authoritarians in oil states survived, while the authoritarians in non-oil states fell. (Syria, which is running out of oil, is the intermediate case.) Striking oil is every autocrat's dream.

Natural resources—and especially oil—are also sought by militants for the unchecked power they bring. Resource money

allows armed groups to start or continue a conflict—and the money comes with no strings attached, it never has to be paid back, and it comes in regardless of the condition or the wishes of the country’s people, who have to watch while the country’s natural assets are sold off beyond their control. (As Paul Collier once quipped, ‘Diamonds are a guerilla’s best friend.’) The unaccountable power of resources divides many countries against each other.

The results of the resource curse are striking. Most emerging countries have made great progress over the past four decades—China and India have grown remarkably, for example, while the ‘third wave’ of democratization swept over much of the world. In marked contrast, the major oil states outside the West are, on average, no richer, no freer and no more peaceful today than they were even in 1980.

Worse, resources curse not only the countries of extraction—they also curse the West. This is where we began, with the threats to the West that have come from oil-exporting states. The threats that have come from adversaries like the Iranian regime have been obvious. Yet even greater threats have come from the West’s allies like the Saudis.

For decades, the West has sent tens of billions of dollars to the Saudi regime in exchange for oil. In turn the Saudi regime has spent tens of billions of dollars spreading its archaic form of Islam worldwide, funding schools, mosques and ‘study centers’ from Indonesia to North America. With their oil money the Saudis have transformed once-tolerant Muslim communities into wellsprings of extremism from Pakistan to Belgium to Britain. This is likely the largest ideological campaign in human history, and the Saudis’ intolerant creed has now mutated into jihadi violence across the Middle East, in Paris, in London, and in the United States too.

The Rule of Effectiveness

The deepest cause of the resource curse is the fact that today whoever can control resource-rich territory will gain unaccountable power by selling the resources to foreigners. And, as we noticed, the ‘foreigners’ who buy the resources are us—the consumers of the world, who pay for the resources of other countries whenever we buy anything that is made from or transported with those resources. We are the ultimate source of the unaccountable power of the violent and oppressive men in resource-cursed states, and these men use our money to dominate and attack and indoctrinate their people.

Why does the money from our everyday purchases go to violent and oppressive foreigners? Why are consumers unwillingly in business with these men?

The answer is an archaic law, a relic of the days of the Atlantic slave trade. This is the Italian law, for instance, that makes it legal for Italians to buy natural resources from whoever in foreign countries can control them by force. This is in fact the default law of every country, which lawyers call ‘effectiveness.’ Effectiveness says that for the resources of other countries, ‘Might Makes Right.’

For example, when Saddam Hussein’s junta took over Iraq in a coup, Italian law made it legal for Italians to buy Iraq’s oil from the junta. And then, years later, when ISIS took over some of those same wells, all countries’ law made it legal to buy Iraq’s oil from ISIS. Every country’s default law for the oil of other countries is, ‘whoever can control it by force can sell it to us.’

Effectiveness has been the world’s law for natural resources since the Thirty Years War. Yet the law makes little sense today.

Say an armed gang seizes an Eni station in Rome. Should Italian law give Italians the legal right to buy the gasoline from that gang? No—that law would empower criminals and cause chaos. But when Gaddafi took over Libya in a coup in 1969, American law did make it legal for Americans to buy Libya’s oil from Gaddafi. And then during the Arab Spring, when rebels captured some of those same wells, American law made it legal to buy Libya’s oil from the rebels.

The world pays over a trillion dollars a year for oil imports, which is why there is such an extreme oil curse—but all countries use effectiveness for other foreign resources too. Your smart phone, for instance, may be made with a mineral that was mined at gunpoint by one of the vicious militias fighting the Congo’s civil war. These resource-funded militias have committed so many violent sexual assaults that the Congo has been called ‘the worst country in the world to be a woman.’

Yet even if your smart phone is made with metal plundered in the Congo, under the law of your country you own every piece of your phone, and your rights to it will be enforced by your country’s police and courts. Under your country’s law, plunder abroad becomes property at home. The militants’ violence turns into our legal rights—and our money goes back to empower the militants.

Our law of effectiveness turns violence there into property rights here, and it puts consumers into business relations with some of the world’s most ruthless men. The resources they extract flow through the world’s supply chains to us, trillions of our euros and pounds and dollars flow back through the world’s supply chains to them. Our laws today make foreign violence pay, and, without change, our laws will continue to incite ever more violence tomorrow.

Overcoming Effectiveness

Could we ever hope to lift the resource curse? Could we reform world trade so that it no longer generates so much suffering and injustice—and so that it stops sending the West these impossible threats and crises?

There is hope. In fact, we know for certain that effectiveness for natural resources can be abolished, because humanity has abolished effectiveness many times before. Indeed, abolishing ‘*Might Makes Right*’ has marked humanity’s greatest moral advances over the past three centuries.

Effectiveness was the primary rule for the Westphalian international system that solidified in the 17th century. In that violent era, ‘*Might Makes Right*’ was the world’s rule not only for natural resources, but for nearly everything—even for human beings.

Three hundred years ago, every country’s law was ‘whoever can seize Africans by force can sell them to us.’ Under that law, 12 million Africans were forced through the Middle Passage to the Americas, where the survivors were bought as legal property. Back then, might made right for people.

Even a hundred years ago, effectiveness made colonialism legal. Any state that could forcibly seize control over foreign territory got the internationally-recognized legal right to rule its people as their sovereign. Might made right.

Even 30 years ago, effectiveness made apartheid legal. A regime that could dominate a population gained the internationally-recognized right to maintain white rule. Ethnic cleansing, and even genocide, used to legal. International law was little more than the legitimization of coercive success.

Now, in our time, all of those instances of effectiveness have been abolished. The slave trade, colonial rule, apartheid, ethnic cleansing and genocide: all of these are now violations of international law.

More, the world has already abolished effectiveness for a single natural resource: diamonds. Nearly every major importing country has passed a law banning diamonds pillaged by armed groups. This progress on blood diamonds can now be extended to blood oil.

Clearly, the world is still far from perfect. Slaves are still secretly trafficked from poor countries; genocides still occur; blood diamonds still leak into global commerce. Still, the great progress that humanity has made over the past three centuries has been in turning what used to be accepted practices of violence into reviled crimes.

A Better Rule for Resources

There are even more grounds to be optimistic about reform: most of the world has already agreed on a principle for global trade to replace effectiveness. This is the principle that a country belongs to its people—a country belongs to all of its citizens, and the country's natural resources start out as their property. This is the principle of Popular Resource Sovereignty.

By Popular Resource Sovereignty, anyone who sells off a country's resources must be accountable to the owners of those resources—to the country's citizens. If a government wishes to privatize resources, or to sell them to foreigners, then the government must be accountable to the people when it does so. If a government decides to privatize or sell resources without any

possible accountability to citizens then it will literally be stealing the resources from their owners: the people.

The principle that a country belongs to its people is already widely affirmed. World leaders from Bill Clinton and George W. Bush to the Prime Ministers of Britain and Australia to the Presidents of Brazil, Mexico and Ghana to the Norwegian parliament to even the Ayatollah Khamenei have publicly declared that ‘the oil belongs to the people.’

This is natural for politicians to say, because it reflects public opinion everywhere. Large majorities of individuals in every part of the world say that they believe that citizens should be sovereign over their lands. And as far as the world has heroes, they are men like Gandhi and Mandela, who led the 20th century’s great struggles for the people’s rights.

More, the right words are already on the page. Both of the main international human rights treaties declare in their first article that, ‘All peoples may, for their own ends, freely dispose of their natural wealth and resources.’ Almost every country in the world is already party to one of these treaties: 98% of the world’s population lives in a country that has already officially signed on to those words. Many national constitutions and laws also assert the people’s resource rights. The battle over the principle that a country belongs to its people has been won.

Reforms for the People’s Rights

Peacefully and responsibly, resource-importing states can now change their own rules to abolish effectiveness and affirm all peoples’ rights to their resources. The main reform will be a Clean Trade Act that taper off imports of oil and other natural resources from authoritarian and failed states. States can change

our laws, on their own soil, for their own people, to say that we from now on it will only be legal to buy resources from those who could possibly be accountable to their own people. State leaders can say that who rules in, say, Saudi Arabia is ‘none of our business’—but that the wholly unaccountable Saudi regime qualifies for ‘none of our business’ in oil.

Other reforms can be added to a Clean Trade Act as needed. Clean Hands Trusts can pressure trade partners such as China, who continue to buy resources from unaccountable regimes, by putting duties on their imports equivalent to the value of the stolen imports that they buy. An Accountability Spectrum can shape trade policies toward countries ‘over the line’ so that they further encourage empowerment of citizens to control their resources.

The greatest power of these reforms is their soft power. Allow yourself to imagine the day that Italy, or the European Union, for example, declares it will no longer be buying authoritarian oil. By making this announcement, the people of the enacting countries will be declaring that they are taking a stand with the people of resource-rich countries—and that they will no longer be in business with anyone not accountable to their citizens. Such an announcement will greatly encourage the democratic reformers in resource-cursed countries—who live outside, and also inside the palaces—to press their regimes for greater public accountability.

Picture an American president declaring to the world that from now on America will be honoring the American principle—as stated in Abraham Lincoln’s first inaugural—that a country belongs to its people, and honoring Lincoln’s principle not only in words, but in law, to show a proper respect for the people of all nations. That will be the day on which America begins to help lift the world’s resource curse.

The reforms also work with the greatest shift in power in modern history. Europe's colonies, including the American ones, did not gain their freedom just because they had moral principles on their side. The people of the colonies fought to be free, and they won because they had become stronger: better organized, better armed, more confident. As we have seen in the uprisings of the past decade, the citizens of resource-cursed countries like Iran and Syria and Libya also want to be free—and they are getting better weapons, better technology, higher expectations. What is keeping these people down is mostly the money that we consumers keep sending to those who are oppressing and attacking them.

If we keep sending that money, these people will continue their struggle through uprisings and armed conflicts. Some of them will, in exasperation, turn to extremism. The regimes that we empower will respond to these challenges with more violence, more repression, more indoctrination. The peoples of these countries are getting stronger. Eventually they will win—the question is how violent and chaotic this transition will be. We can ease the transition by moving now onto the peoples' side.

Abolishing effectiveness for resources will dissolve some of the coming threats and crises that the world will otherwise face. That will, in turn, keep the international agenda clearer for states to work together to address urgent issues like climate change. Stopping foreigners from dividing against each other will stop them from dividing against us so violently, which will open more opportunities for our countries to solve the problems of the future together. Abolishing effectiveness for resources will be a major step toward what all want, which is a human race that is more free while also being more united.

It may seem that today's rule of 'Might Makes Right' for resources is just the way that the world must work, and that it will

be too hard to change this. Yet that is just how the slave trade, and colonialism, and apartheid, and trade in blood diamonds seemed in their day. Humanity has now abolished its old law of violence for all of those practices. The world is now ready to abolish 'Might Makes Right' one more time. We can get ourselves out of business with violent and oppressive men abroad. We can look forward to a world beyond blood oil.

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