

Political Events in the Middle East and their Impact on Energy

Robert Mabro considers a political awakening and its implications for oil

Recent events in the Arab world are challenging an old conventional wisdom that held that Arab populations have come to accept passively, or fatalistically, oppressive regimes that denied them freedom of expression, meaningful participation in the governance of their countries, and in many cases basic human rights.

Another familiar tenet of the political conventional wisdom is that any change in the current political regime in the Arab world will open the door to the Moslem Brothers or to some extremist Islamic group. Regimes have indeed been challenged but so far there has been no successful take-over by Islamic fundamentalists.

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Demonstrations, the occupation of major squares in the country's capital and clear calls for the demise of rulers and the regimes they imposed on their people, occurred in Egypt, Tunisia and elsewhere. In Egypt and Tunisia the rulers were forced to resign. These were extraordinary events. The revolutionary forces were successful in achieving some of their objectives in those countries where the army or the police refuse to fire on their own people. Alas, this is not the case everywhere. In Libya, for example, the security forces do not seem to be hindered by such inhibitions. Much depends, of course, on the composition of these forces. Where

mercenaries rather than nationals are used it is easier for governments to be repressive. Yet there are cases where security forces staffed by nationals have shot nationals involved in peaceful protests.

The question, however, is whether significant, permanent regime changes have occurred. This is not yet very clear. In some instances leaders or their cronies have gone away, but the same old repressive institutions have too often survived.

Democracy does not always follow the overthrow of an autocratic regime. Autocracy sometimes emerges again soon after the demise of a given autocratic rule. Democracy involves a specific political culture, also a number of favorable political factors that may not exist, or more often are not strong enough to withstand opposite pressures. The French Revolution removed a monarchy but was followed soon after by Napoleonic rule. The communists in Russia removed the tsarist regime but that historic event was followed by the emergence of Stalinism, an autocratic and very cruel regime.

Yet something has changed in the Arab World, and this cannot be concealed by the pathetic attempts of some governments to bribe their citizens with handouts or to deceive them with cosmetic changes to the prevailing political system. The rich countries with small populations can afford some handouts, but this is not the case everywhere. Anyway, the idea that you can buy loyalty, support or indeed anything that has moral value with a distribution of cash is plainly wrong. And the recourse by some rulers to removing the prime minister or dismissing unpopular ministers, whether they are corrupt or not, does not go far enough. This measure is not convincing when corruption reaches people whose status is higher than that of these ministers.

What people do want is a change of

regime, not simply a change of faces on the television screens.

The new phenomenon has demographic and cultural foundations. Most of the present regimes are old. Socialist regimes emerged in the 1950s or the 1960s, often backed or led by a military junta, or by some groups enjoying the support of one or the other super-power – particularly the Soviet Union. Others that rely on tribal loyalties are even older, and usually enjoy the support of the West. They pay for the support received not with cash but by importing military hardware, goods and services, and offering military bases.

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There is a lethal discrepancy between the rates of change involved in these different systems. The old regimes have not changed very much, but the societies they rule did. The changes were particularly significant in the attitudes, motivations, behaviour, of the new generations with access to the internet and to cultural developments in the world.

It is not evident that rulers and their governments have fully understood the nature and the scale of these changes. And in any case it is not evident where they are perfectly aware of what is going on, and their implications, that their response will be either commensurate or relevant. They may not be able to respond effectively because this would involve sacrifices to cherished interests that they are not prepared to make.

Globalisation is as much a cultural as an economic phenomenon. In fact

economic globalisation has been in existence for a long time thanks to the historical development of international trade, imperialism and other linked factors. One can argue that cultural globalisation has recently received a significant boost from the development of information technology.

The Arab youth with access to the new global culture have become frustrated by the constraints that society and governments have erected around them. In many countries the frustration of the youth is compounded by the economic burden of unemployment prevailing in most of the Arab countries, including in the oil-rich ones.

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What are the implications of these changes to the oil policies of the exporting countries of the Middle East? One can take the comforting view that, as countries, irrespective of their political regime, need revenues, nothing much will happen in the longer run. This may be true but the path to the stable long run may be paved with obstacles, crises and much instability.

So far, the wind of change has not blown over the major Arab oil countries with the notable exception of Libya. In that country oil production before the conflict was 1.6 million barrels a day and is now virtually all cut off. Saudi Arabia has promised to make good this, or any other production loss. Libyan oil, however, is special, because of its fine quality (light and sweet) and its proximity to European markets.

Nothing seems to be happening in Kuwait, Abu Dhabi and Qatar. The prospects are less clear in Oman where demonstrations have taken place with slogans calling for a change of regime. The big question mark

arises about Saudi Arabia not because disturbances are occurring there; stability seems to prevail despite the small demonstrations reported to have taken place in some towns. Yet, Saudi Arabia is so important that any risk factor however small carries a much bigger weight than elsewhere.

The question, as regards the oil price, is how will the market that determines it react to all these events? So far the reaction has been somewhat subdued. But this may change suddenly, depending on what will happen to the economic fundamentals of oil supply and demand, to expectations about their future behaviour, or to geopolitical events.

There are no convincing reasons to expect significant changes in the oil supply/demand conditions prevailing today in world oil. It seems therefore that the most significant factors will be geopolitical. We need to watch keenly political and social developments in all the relevant Middle Eastern countries. These are usually difficult to interpret; and making good predictions is an almost impossible task. But the effort is worthwhile. Without it we would be likely to miss the workings of important forces, and our understanding of what is actually happening will be poorer.

