

**EVALUATING RENTIER THEORY AND RESOURCE CURSE THEORY:
THE CASE OF THE LIBYAN CIVIL WAR**

**A THESIS SUBMITTED TO
MASTER OF SCIENCE IN POLITICAL SCIENCE AND INTERNATIONAL
RELATIONS
OF
MIDDLE EAST TECHNICAL UNIVERSITY NORTHERN CYPRUS CAMPUS**

BY

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**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
THE DEGREE OF MASTER OF SCIENCE
IN
THE DEPARTMENT OF POLITICAL SCIENCE AND INTERNATIONAL
RELATIONS**

FEBRUARY 2014

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ABSTRACT

EVALUATING RENTIER THEORY AND RESOURCE CURSE THEORY: THE CASE OF THE LIBYAN CIVIL WAR

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February 2014- 122 Pages

This thesis seeks to explain the causes of the 2011 internationalised Libyan civil war and the collapse of the Qadhafi regime. But its primary purpose is to evaluate the usefulness of two neglected sets of theory, namely rentier state theory and resource curse theory, in the explanation of civil war and international intervention.

Rentier state theory holds that control and distribution of natural resource revenues is crucial for state power, but that rentier states are fragile and inflexible in the long run, particularly in the face of international economic changes. Resource curse theory holds that resource-rich states can be fatally undermined by the very resource wealth found in a state, as it generates internal (and external) competition for its control.

Having elaborated and criticized these two theories, they are applied to the case of Libya, one of the oil wealthiest states in the world. Can the collapse of one of the longest enduring regimes in the world – the Qadhafi regime from 1969 – be explained by resource curse theory? Why and how did Qadhafi's rentier state collapse? These questions are addressed through testing the internal and external dimensions that shaped the experience of the Libyan state.

Keywords: Rentier State, Resource Curse, Civil War, Libya, External Actors

ÖZ

RANTAR DEVLET TEORİSİ VE KAYNAK LANETİ TEORİSİNİN DEĞERLENDİRİLMESİ: LİBYA SİVİL SAVAŞ VAKASI

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Şubat 2014- 122 Sayfa

Bu tez 2011 uluslararasılaşmış Libya sivil savaşının ve Kaddafi rejiminin çöküşünün nedenlerini açıklamayı amaçlamaktadır. Buna karşın, bu tezin öncelikli amacı, sivil savaş ve uluslararası müdahalenin açıklanmasında, ihmal edilmiş iki teorinin- rantar devlet teorisi ve kaynak laneti teorisi- yararlılığını değerlendirmektir.

Rantar devlet teorisi doğal kaynakların kontrolünün ve dağıtımının devlet gücü açısından önemli olduğunu savunur; ama rantar devletler özellikle uluslararası ekonomik değişimlerle yüzyüze geldiğinde uzun süreçte kırılgan ve kalıplaşmış özellikler sergilemektedir. Kaynak laneti teorisi, kaynak zengini ülkelerin devlet içinde bulunan zengin kaynakları yüzünden kaçınılmaz şekilde zayıfladığını savunur. Bu zengin kaynaklar, üzerlerinde kontrol elde edebilmek amacı taşıyan iç ve dış mücadeleler oluşturmaktadır.

Detaylandırılarak ve kritik edilerek, bu iki teori dünyadaki petrol zengini ülkelere biri olan Libya'ya uygulanacaktır. 1969'dan beri Kaddafi yönetimindeki uzun ve kalıcı rejimin çökmesi kaynak laneti teorisiyle açıklanabilir mi? Kaddafi rejimi niye ve nasıl çöktü? Libya'nın deneyimleriyle şekillenen iç ve dış dinamikler test edilerek bu soruların olası cevapları irdelenecektir.

Anahtar Kelimeler: Rantar Devlet, Petrol Laneti, Sivil Savaş, Libya, Dış Aktörler

To my Family....

ACKNOWLEDGE

The research presented in this thesis was conducted under the supervision of Dr. Julian Saurin. He has been best supervisor, instructor and person that I met in this university. His extraordinary insight and warm attitude provided motivation in each stage of this research. I am honored by working with him.

If not for bureaucratic reasons, the approval page would list the formal and main advisor for my thesis as actually having been Dr. Hayriye Kahveci, for whom I thank for all her support and guidance during my under-graduate and graduate study. I am grateful for her motherly attitude and good intentions. She is more than an instructor for me.

My deepest thanks will go to my family; Süleyman Aslan, İkbâl Aslan and Ömer Alp Aslan. They always support me and feeling them behind my back always give me power. Without them, I could not reach to this point. Especially, my dearest mother has been the most loving, caring mother. I am so lucky for being her daughter. She has always been there for me.

I would also like to thank Doğan Aras Şenlier for his support, and love in every stage of my educational and personal life.

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INTRODUCTION

The purpose of this thesis is to analyze the Libyan civil war by using the resource curse literature. The main argument proposed by this study is that Libya was cursed by oil so that in 2011, Libyan state suffered a civil war. The internal dimensions of the Libyan state like its economic structure and regime type, political and institutional structures which were shaped by oil can be regarded as the main factors that caused to the civil war. However, examining internal dynamics of Libyan state are not enough to understand 2011 internationalized Libyan civil war and international intervention. After 1969, Qadhafi's own ideology like isolationism can also be regarded as one of the factors of Libyan civil war. In addition to this, with the increasing importance of energy resources, resource wealth countries have strategic value on the world chessboard so that they may be target for imperial aim of external actor. As a result, by regarding all of these dimensions, this study seeks to examine whether Libya is cursed by oil or not. This thesis may contribute to existing literature on the resource curse and Libyan civil war by comprehensive research.

Resource curse theory, which will be used as the main theory in this study, seeks to examine the relation between resource wealth and civil war. In general, this theory indicates that rentier states have unique features different from resource poor counterparts and that their political, economic and social structures have been shaped by the effects of resource richness especially of oil. In the long term, the characteristics of a rentier state made

them more vulnerable to oil shocks and other external events. On the other hand, some resource curse theorists like Humphrey (2005) focuses on the importance of oil for external actors. They argue that external actors, as greedy outsiders, can be factors for collapsing into civil war of resource wealthy states. The main conclusions revealed by resource curse theory, in the long run, is that rentier states may be faced with civil conflict resulting from their effects on their internal and external dynamics. In this study, Libyan internal dynamics will be analyzed and the study will try to show that Libyan state experienced civil war as a result of being oil wealthy and rentier state.

This study shall focus on the economic and political aspects of resource curse theory, and shall focus on the concept of the rentier state specifically. Before examining the concept of rentier state and main distinctive characteristics of rentier states, to be familiar with what rent and state are separately will be beneficial to clarify the distinctive characteristic of rentier state. In this regard, according to Yates' definition (1996), "rent is the difference between the price at which a resource, such as oil or gas, is sold and the costs incurred in discovering, transporting and refining it. Beside the definition which is done by Yates (1996), to give basic definition of 'rent' is important to differentiate the rentier state from general definition of rent. In general forms, according the dictionary of economist, rent "has two different meanings for economists. First one is that rent is the income from hiring out land or other durable goods. The second is that rent is the measure of market power. The difference between what a factors of production is paid and how

much it would need to be paid to remain in its current use” (<http://www.economist.com/economics-a-to-z/r#node-21529784>). In addition to this, by definition of dictionary of Britannica, rent is “in economics, the income derived from ownership of land and other free gifts of nature. Apart from renting land, it is of course possible to rent (in other words, to pay money for the temporary use of any property) houses, automobiles, television sets and land mowers on the understanding that the rented item is to be returned to its owner in essentially the same physical condition” (<http://www.britannica.com/EBchecked/topic/498237/rent>). Lastly, “in modern economic usage, rent is represented as the difference between the total return to a factor of production (land labor, or capital) and its supply price—that is the minimum amount necessary to attain the services.” (<http://www.britannica.com/EBchecked/topic/498237/rent>). According to different definitions, it is possible to argue that rent does not have to only belong to the state. For example, the company and the person can be rentier in broad term. Therefore, it is possible to argue that that rentier state is just one expression of a bigger rentier theory.

On the other hand, there are two dominate state theory in modern political science. The first one is Marxist definition of state. The second one is Weberian definition of state. According to Marxist definition, the state and its coercive agencies act for interests of bourgeoisie. These acts are against the interests of rest of the society that is called as proletariat and other class by Marxist definition. This kind of state is constrained by the imperatives of capitalism. On the contrary, the Weberian definition of state is commonly

described as modern state and his definition is less political than Marxist definition. In other words, instead of character of its rule and the nature of its output, Weberian perspective was more interested with how the state operated. The modern state is defined as compulsory association with a territorial base. It has monopoly of the legitimate use of physical force. This legitimacy is gained by its members and it is run by an impersonal bureaucratic staff (Leftwich, 1993:56)

It is possible to say that the Weberian conception of state and bureaucracy has affected by non- Marxist political science in the west. Both of these two dominant traditions of the state presuppose advanced or advancing industrial capitalist society. However, from the 1950s, scholars began to intensify their study on third world states and they realized that with few exceptions, these states carried only few characteristics of these two dominate traditions (Leftwich, 1993:57). They generally illustrate Weber's notion of patrimonial authority¹. In this regard, this thesis will also show that rentier state has not been completely fitted to the general definitions of state because of different structures that will be examined in the following chapter.

When the rentier state is comprehended, according to Shaw (2013), rents can be regarded as different from other potential source of revenue because of a number of different reasons. The first reason is that these rents go directly to the state so that these rents prepare absolute condition for state to distribute these rents to the citizens. The second reason is that different from any alternative source of revenues, these rents requires a small number

¹ Highly personal form of authority

of highly skilled workers so that rest of society cannot participate in production process in the rentier states (Shaw, 2013). These two reasons which makes these rents different from other source of revenues are the key issues of contention in rentier state theory (Shaw, 2013).

For the literature of rentier state, the study of Hossein Mahdavy (1970) has crucial importance. Mahdavy (1970) provided the main foundation of the field study with his article that is named as 'The Patterns and Problems of Economic Development in Rentier State: The Case of Iran'. In addition to this, Beblawi and Luciani's (1987) study within the geographic and cultural boundaries of the Middle East. In general, both Mahdavy (1970) and Luciani and Beblawi (1987) get Middle Eastern region as case. Rentier state theorists like Smith (2004) and Yates (1996) give the studies by Mahdavy's and Luciani and Beblawi's as their starting point and they analyze the relation between resource wealth and regime durability, positively. Their main argument is that main characteristics of rentier state such as authoritarianism, absence of taxation, and central authority over economy make these countries more durable against the conflict (Smith, 2004). In this point, it is possible to argue that rentier state theories have several limitation. The main reason is that rentier state theories have been applied to Middle Eastern States because of emergence of the region as main oil production center in twenty first century. (Shaw, 2013). However, the experiences of the countries in Africa are analyzed, explanation for civil war, political instability and authoritarianism and this can be seen easily (Basedau and Lay, 2005). In this way, their contrary experiences about regime durability by the effects

of their rich resources can be examined by using existed literature. In addition to this, in Latin America, experiences of countries such as Venezuela have been analyzed where it is possible to see examples of corruption and inequality (Ross, 2001). Consequently, resource curse theory argues that resource wealth countries may face with civil conflict as a result of their rentier state features like authoritarianism, one- sided economic structure that depends on oil revenues (Karl, 2005; Collier and Hoeffler, 2005; DiJohn, 2005; Humphrey, 2005).

With the increasing the importance of oil and expanding liberal economic principle throughout the world, many countries began to experience civil conflict more than before (Anderson, 2004). In recent years, the emergence of civil war in Middle East and North Africa increased the importance of resource curse theory, one more time. This explains why the subject of the study is Libya. Libya experienced civil war in 2011. (Prashad, 2012). Libyan state is characterized by the effects of rich oil reserves. Libya which had been under rule of King Idris, get under the rule of Qadhafi by the coup of 1969. Before gaining independence, Libyan state had been under colonial rule for long years. Then King Idris came to power in 1951but the state had been still under the protection of external actor like England. When Qadhafi came to power, he began to shape the Libyan state by effects of his own ideology and oil. In the first ten years of Qadhafi, Libya turned classic example of rentier state (Wandawella, 1998). Libyan economy was based on oil revenues and these rents were going directly to the government so that Qadhafi's government had huge power over the society as a distributor of

these revenues. By the absence of taxation, accountability could be kept at minimum level. In this way, state could act for their own interests. However, rent-seeking activities and corruption began to rise dramatically (Wandawella, 1998). Rent-seeking is “cutting yourself a bigger slice of cake rather than making the cake bigger. Trying to make more money without producing more for customers. Whether legal or illegal, as they do not create any value- rent-seeking activities can impose large costs on an economy.” (www.economist.com). As a result of oil shocks in 1980s, Libyan economy had been affected very seriously. GDP fell more than 14 percent and government had to decrease public expenditure. All of these damaged the balance of Libyan state, politically and economically. On the other hand, Qadhafi’s isolationist policies, central authority and US embargo on Libyan economy have also affected Libyan state negatively (Altunışık, 1996). In this point, it is possible to argue that Libyan state as a rentier state were more vulnerable against the oil shocks. As a respond for these economic imbalance, until 1990s, Libyan state had begun to implement economic reforms that consists of privatization and liberalization of the economy. However, because of weak institutional structure, Libyan state could not be so successful to implement these economic reforms. During the years after 1990s, inequality and unemployment rate increased (Wandawella, 1998:255). In addition to this, privatization attempts created new power balances between people and gap between poor and rich became more dramatic in the country (Altunışık, 1996). As a result of all of these conditions, in 2011, Libya experienced civil war by the claim of human rights deficiency

and economic inequality (Nzemroaya, 2011). In addition to this, when Libyan civil war is analyzed, it is possible to see that role of external actor were so crucial and they played really active role. Some scholars such as Nzemroaya (2011) and Prashad (2012) argues that external actors supported rebellion to destroy Qadhafi regime and to reach to their imperial aim that is to gain control over rich oil reserves of Libyan state.

In order to provide a clear theoretical framework for application to the Libyan case, this study uses the work of Karl (2005), Collier and Hoeffler (2005), DiJohn (2011) and Humphrey (2005). They identified main characteristics of rentier state that cause civil war. They agree on lots of factors. These factors can be ordered as follows: Oil market is more volatile than other market so that it is possible to see dramatic fluctuation in oil prices. The economy of the rentier state is one- sided. The lack of manufacturing and any alternative production activities ensures their economy depends on oil revenues. Therefore, any fluctuation in oil prices can affect their economy seriously (Collier and Hoeffler, 2005; Karl, 2005; DiJohn, 2011; Humphrey, 2005). Secondly, rent- seeking activities and corruption level are higher than their resource poor counterparts. This leads to inequality among citizens and may lead to a weakened state durability in the long run (Collier and Hoeffler, 2005; Karl, 2005; DiJohn, 2011, Humphrey, 2005). Thirdly, rentier states have weak political and economic institutions so that they cannot sustain equal distribution of revenues or creation of market economies. Also, they cannot manage stability of the state either economically or politically (Collier and Hoeffler, 2005; Karl, 2005; DiJohn,

2011; Humphrey, 2005). However, there are limitations to these arguments, for example, it is possible to argue that Humphrey (2005) makes more a comprehensive study by dealing with the effects of external actor on emergence of conflict in resource rich states. He argues that greedy outsiders can intervene into the resource wealth country directly or indirectly. In other words, these greedy outsiders can intervene in the resource wealth countries and they can support rebellion to gain control over lucrative resources.

In this study, the claims of Collier and Hoeffler (2005), Karl (2005), DiJohn (2011) and Humphrey (2005) will be used as theoretical framework and these claims will be used to analyze the formation of the Libyan civil war. In this way, this study will try to show that whether Libyan is cursed by oil or not. Also, this study will therefore also analyze whether Libyan civil war emerged as a result of being cursed by oil or not. Therefore, the main research question of this study can be formulated as follows:

What are the triggers to the Libyan civil war and how did external actors play role on Libyan civil war?

This study tries to make comprehensive analyzes of Libyan civil war by not only dealing with resource curse theory but also examining role of external actors during the process of civil war. In addition to this, this study may help to clarify that the only reason for civil war in Libya was not economic structure of Libyan state. In the international economic system which adopts principle of free market economy, despite it is strong or not,

rentier economy can face with serious economic problem. On the other hand, rentier states became target for external actors because they have strategic value on the world chessboard with their rich oil reserves. Moreover, this study will help us to rethink the role of external actor and the aim of their involvement in Libyan civil war.

The structure of this study can be divided into three main parts followed by a conclusion.

First part will consist of a theoretical background. In this section, rentierism and basic characteristics of the rentier state will be examined. By doing this, the study of Mahdavy (1970) and Luciani and Beblawi (1987) will be used as starting point. After understanding the main characteristics of rentier state, resource curse theory will be examined. By examining resource curse theory, the study of Karl (2005), Collier and Hoeffler (2005), DiJohn (2011) and Humphrey (2005) will be used to constitute the frame to analyze the relation between resource wealth and civil war, comprehensively. The main aim of this section is to show how the subsequent analysis will help this study to illuminate the main point of this study.

The second part of this study will give brief information about the historical background of Libya and state consolidation by the effects of oil. In addition, in this part of the study, the political economy of Libya and economic reform period between 1990s and 2011 will be examined briefly. Then, Libyan civil war will be analyzed by dealing with the role of external actors. The main aim of this part is to show factors that caused civil war. In

addition to this, the study will try to show how greedy outsiders can participate in civil war of resource wealth states by dealing with basically claim of Humphrey (2005).

The third part of this study will analyze the Libyan civil war by referring to basic arguments of resource curse theory which will have already been mentioned in the second part of the study. More broadly, in this part, this study will try to clarify that which characteristics of Libyan state made the state more vulnerable to oil shocks. Also, why economic reforms could not be successful will be examined by using resource curse theory. In addition to this, this part will be focused on the interpretation of role of external actor during Libya's civil war.

Lastly, this study will be concluded by brief summary of thesis and main inferences of this research.

CHAPTER 1

THEORETICAL FRAMEWORK

1.1. Rentierism and Rentier State

The concepts of the 'rentier state' emerged from a sub-category of research into the wider study of the resource curse. It is appropriate therefore to describe the 'rentier state' as one of many potential manifestations of the resource curse. For the purposes of clarify, to attempt to analyze the concept clearly will help this study to understand resource curse theory and applying the resource curse theory to the Libyan case.

In general, it is possible to say that rentier state theories propose that rents serve as the independent variables. On the other hand, the dependent variable can differ. In other words, rentier state theories get rents as constant variable and they analyze the effects of external rents on different dimensions of the state. Ross (2011) organized this into two categories. First one is effects of external rents upon the capacity of the state to promote economic development. Second one is effects of external rents on good governance and state quality. Therefore, this section of the study addresses the effects of external rents on governance quality, economic and socio-economic structure of the resource wealth countries.

The foundation of this study is the simple definition offered by Hussein Mahdavy (1970). He characterizes rentier states as "those countries that

receive on a regular basis substantial amounts of external rent. External rents are in turn defined as rentals paid by foreign individuals, concerns or governments to individuals, concerns or governments of a given country (Mahdavy, 1970:428). It is possible to claim that rents could be a product of aid like political rents. However, more commonly, the concept of 'rentier state' has been applied to states which have resource based economies.

Mahdavy's definition of the rentier state theory was based on his study oil rich states in Middle East. Oil revenues are received by the governments of oil exporting countries. They have not been so interested with the other production process of their domestic economies. Their economic structure directly depends on the extraction of raw materials so that the inputs from the local economies are insignificant (Mahdavy, 1970:429). To give evidence, Mahdavy uses data from a ten year period between 1948 and 1958 in Iran. During this period, oil production of Iran increased by 36.87 percent. Despite this, local expenditure of the oil industry decreased by 18.32 percent. (Mahdavy, 1970:429). According to him, this circumstance in Iran puts the lights on a key characteristic of rentier states. This characteristic is the relative economic simplicity by which rents are accrued. In other words, the circumstances in oil exporting states can be examined like this: the production costs are lower. The price of the commodity is higher. As a result, the revenue which is get from oil rents will be larger. In the light of this study which is based on data from 1948-1958 in Iran, Mahdavy concluded his study with one conclusion which is that oil revenues is a free gift of nature. (Mahdavy, 1970:429). As a result of Mahdavy's argument, it is possible to

say that the foundation characteristic of the rentier state is the regular receiving of external rents which requires minimal investment. Mahdavy (1970) clearly recognizes that oil wealth states depend on a free gift of nature that create free foreign source of money and they are lacking of production process in their national economy. The amount of this rents are proportionally high in oil rentier states. Generally from 10 per cent to 55 per cent of GDP is constituted by oil revenues in oil rentier states. (Mahdavy, 1970). Actually, it is possible to argue that government of resource rich countries can carry the features of rent- seeker.² Iran, Iraq, Saudi Arabia and Libya can be regarded as oil rentier states where oil revenue is the most significant on their economy and rest of economy does not develop.³

Different from Mahdavy (1970) who uses the concept of 'rentier state', Beblawi and Luciani (1987) used the concept of 'rentier economy' as a starting point and their concept is one of the most important guides in the rentier state literature. According to definition made by Beblawi (1990), rents are coming from abroad and accrue to the government directly. Only a few people, top bureaucrats, local elites, high military services, are engaged in the generation of this rent. They are responsible on distribution of oil revenues to the citizens and utilizing these revenues for other aims like running of economy. The majority, the rest of society, are involved in the only distribution or utilization of these rents. In other words, few people produce

² As it is mentioned before, rent- seeking is "cutting yourself a bigger slice of cake rather than making the cake bigger. Trying to make more money without producing more for customers. Whether legal or illegal, as they do not create any value- rent- seeking activities can impose large costs on an economy." (www.economist.com).

³ See figure 1

wealth and the wealth is gained from the result of windfall and this wealth is without any efforts of citizens of the rentier state. (Luciani & Beblawi, 1987; Herb, 2005).

Amin (1974) pointed out that government receiving vast amount of either foreign aid and oil revenue does not urgently need for productive activities to increase or diversify exports or to tap other sources of savings. They are blessed with free gift of nature and they trust on oil revenues for functioning of the national economy. Actually, it is possible to say that increasing importance of oil in the international arena gives them this comfort that they will get this revenue on a regular basis. The economy of oil rentier state is generally one-sided and their manufacturing and industrialization process are negligibly small or none.

Another important point that should be mentioned is the role of government in oil rentier economy. Government is the only power of control over oil revenues and government is the main distributor of oil revenue. Mahdavy (1970) describes this position of the government as 'fortuitous etatisme'. The government of oil rentier states can be called as distributor. By using oil revenue, a government may provide public goods and services like national security, education, health, social security, employment, and infrastructure. (Luciani and Beblawi, 1987; Herb, 2005). One of the important features of government of oil rentier states is the distributive mechanism and absence of taxation. This distributive features may be used to gain popular support by providing free housing, electricity, water and bread. While people are getting free goods and services, government demands no tax. (Kuru,

2002) It can be regarded as a kind of gaining consent of people and consolidating the government's power on the state and repressing opposition. On the contrary, state which get taxes from people has to be transparent on their budget and people has right to know flow of revenues of state. However, in oil rentier states, no taxation destroys the accountability and liability between government and citizens (Kuru, 2002). Like Kuru (2002), Robinson and Acemoğlu (2013) also argue that being heavily dependent on natural resources, particularly for the financing of government breed unaccountability because the state can fund itself without the help of citizens. This strengthen the power of government that does not need any help. Besides, this affects the quality of institutions. The control of government and few people who are close to the government over oil revenue create ways for clientelism and corruption. Karl (2005) describes this position by using the concept of the 'honey pot'. He argues that this windfall of revenue from oil encourage rent- seeking behavior. The state become like a honey pot and people who want to gain more from oil revenue try to capture portions of the state. In addition, the state begins to encourage clientilist tendencies. (Karl, 2005). As a result, the gap in the society become bigger and institutions became weaker to manage the state. Generally, it is believed that wealth helps government to develop their institution in democratic way and in wealthier states, viability of democratic institutions has been increased by wealth of states. However, rentier states create special case at that point. (Kuru, 2002). The excessive role of government and absence of accountability between government and citizen directly affect the quality of

institutions, as well. They are generally authoritarian regime type so that their institutions are generally weak and inefficient.

Oil revenues accrue to the state: they therefore increase the power of the state bureaucracy and because they reduce or eliminate the need for taxation, they also the need for the government to solicit the acquiescence of its subjects to taxation. The lower the level of taxation, the less reason for public to demand representation. 'No taxation without representation' was a political demand; 'No representation without taxation' is a political reality. (Huntington, 1991:65)

1.2. Resource Curse Theory

Before examining the current literature of resource curse and basic characteristics of oil rentier states which may cause the civil conflict in these states, to show the distribution of oil revenues throughout the world is significant. In this way, being familiar to the region which will be examined will be easier.

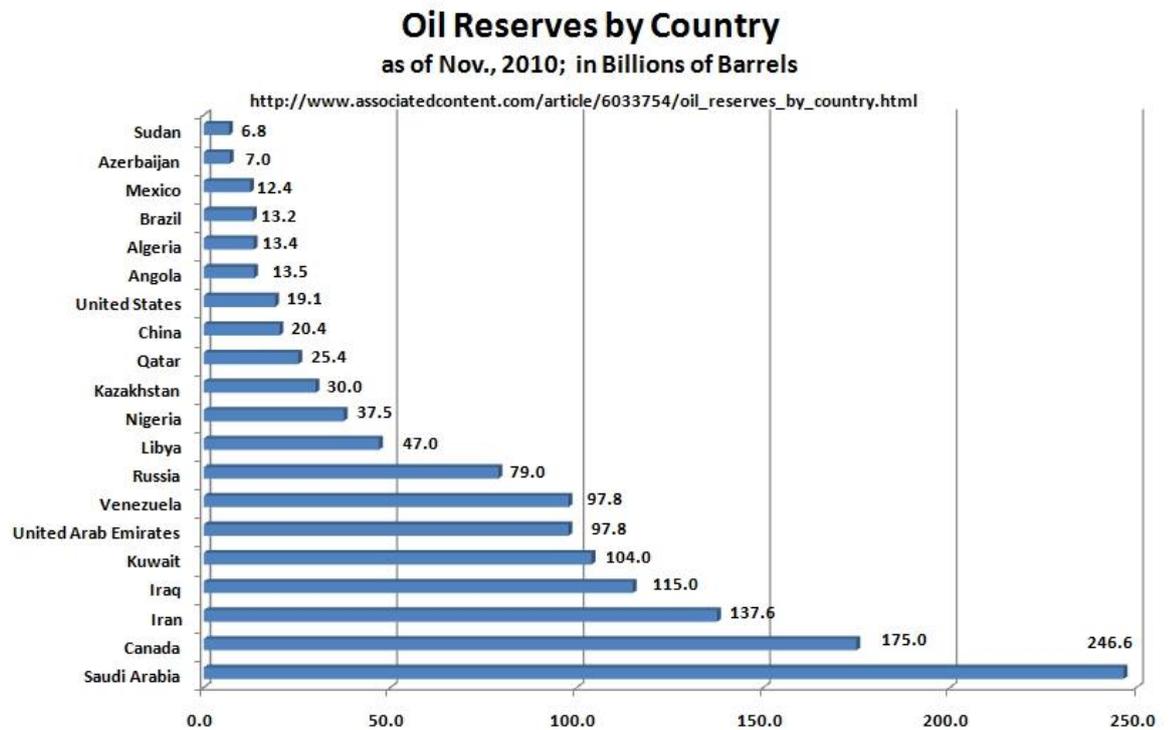


Figure 1: Oil Reserves by Country

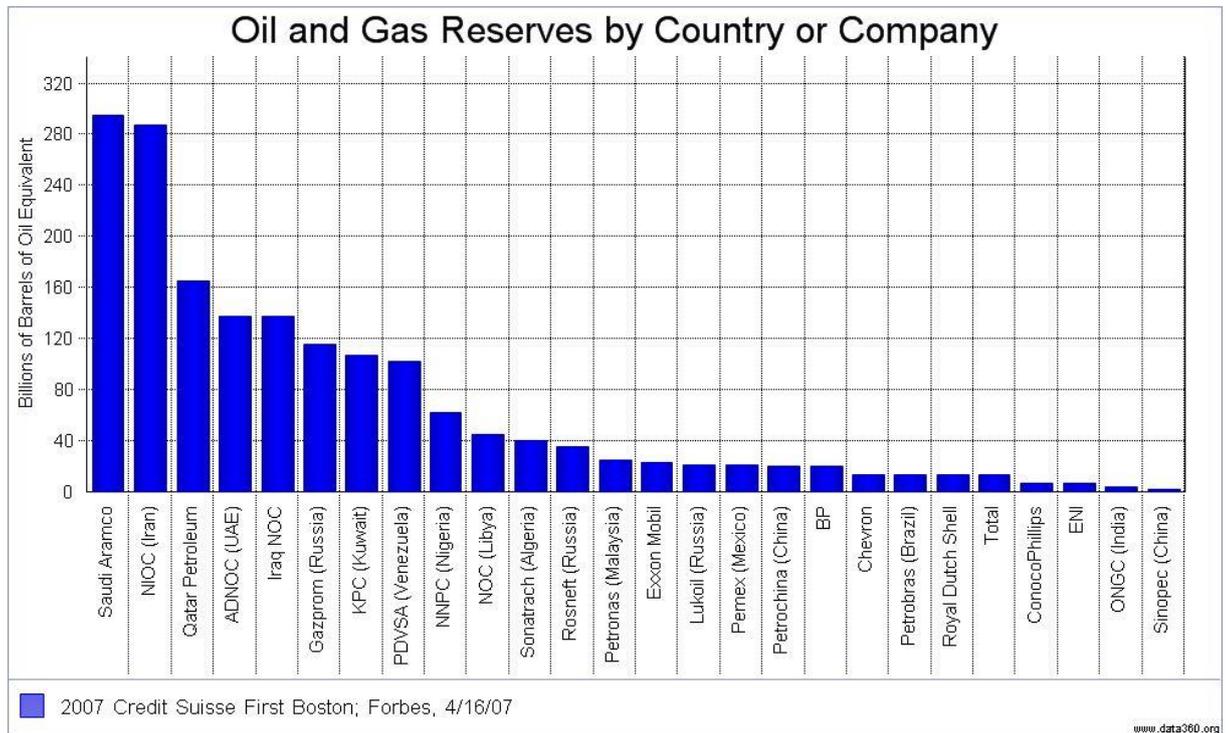


Figure 2: Oil and Gas Reserves by Country or Company

Karl (2005) is one of the influential scholar whose work has contributed on the resource curse literature. According to him, oil exporting is generally to be defined as suffering from the paradox of plenty. Countries that depend on oil revenue for their survival are the most economically troubled, the most authoritarian and the most conflict- ridden in the world. De Soysa (1999) argues that being 25% dependent on oil for government revenues leads to a state to be four times more likely to be engaged in a conflict. For Karl (2005), the development level of oil exporter countries has been negative for the past 40 years. When compared to other countries, mineral and oil exporting countries suffer from high poverty, poor economic performance, poor health care, widespread malnutrition, poor educational performance and low life expectancy.

Due to the volatile nature of oil markets, a sudden decline in the oil income will affect the economic performance of oil exporting countries negatively. He gave the statistics to exemplify this. Saudi Arabia's crude oil reserves is the greatest in the World.⁴ In 1981, per capita income was around \$28.600. However, in 2001, this oil revenue decreased to \$6.800 and the economy of the state and development level began to decrease dramatically (Karl, 2005). The figure below can clearly illustrates the fluctuation level in oil industry.⁵

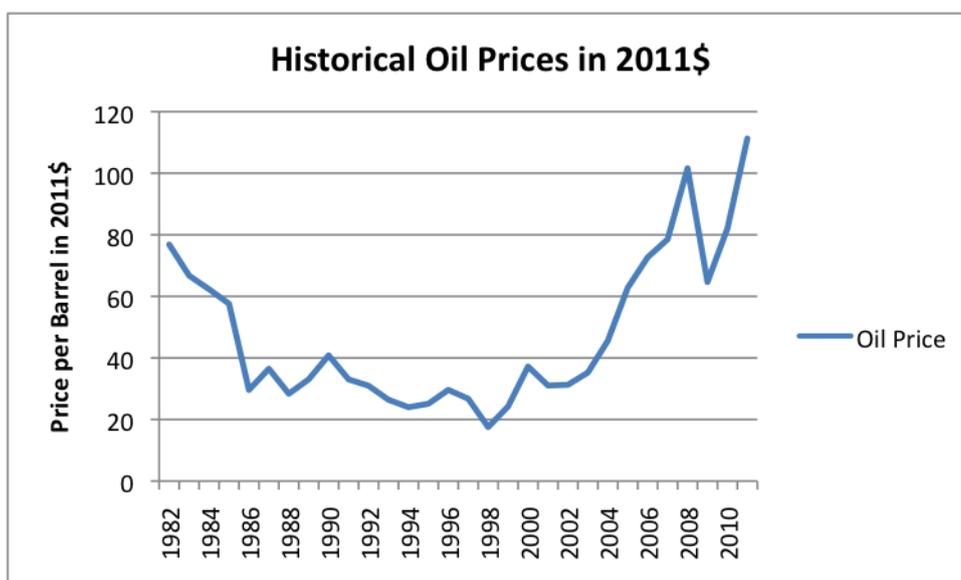


Figure 3: Crude Oil Prices 1982-2011

Karl (2005) defines resource curse by focusing on the negative outcomes in oil- mineral dependent countries. He argues that to understand what resource curse is, to understand what it is not is more important. He

⁴ See the figure in page 18

⁵ Figure 1 shows that oil prices have been changed dramatically. Beside economic factor, important events in international arena also affect the prices of oil dramatically. For example, in 2011, with the emergence of Arab Spring, the oil prices have been dramatically increased. As Karl also argues, it is possible to say that oil market is more vulnerable to the events both inside the border of a country who produce oil and international arena.

argues that resource curse is not destiny for resource wealth countries. On the contrary, there are strong historical examples of successful resource-based development in resource wealth countries like Australia, Chile and Norway. In this point, it is necessary to argue that, according to him, resource curse is not related with the oil wealth of countries. On the contrary, it is related with the level of dependency on oil revenue in the countries. This dependence is measured by the ratio of oil and gas exports in gross domestic product (Karl, 2005).

In its narrowest form, the resource curse is defined as negative relation between natural resource dependence and economic growth rates. In other words, the resource rich developing countries have shown slower economic growth than resource poor counterparts. Sachs and Warner (1997) selected ninety five developing countries as a sample and they tried to find the relationship between natural resources based export and national growth in the period between 1970 and 1990. They found that only two countries, Malaysia and Mauritius, could sustain 2% per annum growth during this period. They concluded their study by arguing the results that extremely resource- abundant countries such as oil states in the Gulf, Mexico and Venezuela have not experienced sustain rapid economic growth (Sachs and Warner, 1997). In this point, Karl (2005) differentiated resource types depended on the effect on resource curse. He argues that not all resources create equal effect. For example, those countries dependent on exports of 'point source' natural resources (meaning those extracted from a narrow geographic or economic base such as oil and minerals) are more strongly

associated with slower growth. He adds that in fact, oil and mineral driven resource rich countries experience weakest growth performance despite the fact that they have high investment and import capacity. For instance, a study of OPEC members from 1965- 1998 showed that their per capita gross national product decreased by an average of 1.3 percent per year (Karl, 2005). However, non-oil developing countries grew by an average of 2.2 percent over the same period. Auty (2001) also reaches to the same conclusion which is that during the period between 1960-1990, per capita income of resource abundant states grew between two or three times lesser than resource poor counterparts.

Karl also emphasized different factor that cause poor economic performance in oil wealth countries. He argued that combination of factors makes oil exporters especially more vulnerable to policy failures and growth collapse (Karl, 2005). Oil price volatility is one of the most important factors that causes poor economic performance in oil wealth countries. He claimed that the global oil market is the most volatile market in the world. The sudden price changed during boom and bust period are difficult to manage the state's economy for policymaker. In addition to this, this oil price volatility effects investment, improved income distribution negatively (Karl, 2005).

Dutch disease is another factor that cause poor economic performance. This means that oil sector increases the exchange rate of the local currency. In this circumstances, other export sectors become noncompetitive like agriculture, manufacturing and this makes economic diversification difficult. In this kind of circumstances, policymakers adopts the

more protectionist policy and this leads to loss of competitiveness in the country (Karl, 2005).

In the concept of lagging skill accumulation and heightened inequality, he emphasizes that the petroleum industry creates few jobs and these jobs are not fit for the profile of the unemployed in oil- exporting countries (Karl, 2005). Jobs in the petroleum industry need skilled labor. This labor is generally educated abroad. Due to this economic and employment structure, only few people can participate in production process and this leads to inequality among people and gap between people in this kind of states become huge. In addition, unemployment rate is bigger in these kind of states. On the other hand, because of a non-diversified economic structure, demand for education for especially manufacturing sector is so low (Karl, 2005). He argues that 'according to the second Arab Human Development Report, released by the United Nations in 2003, high dependence on oil in parts of the Middle East has led to the over concentration of wealth in a few hands and faltering economic growth and weakened the demand for knowledge.' (Karl, 2005: 13)

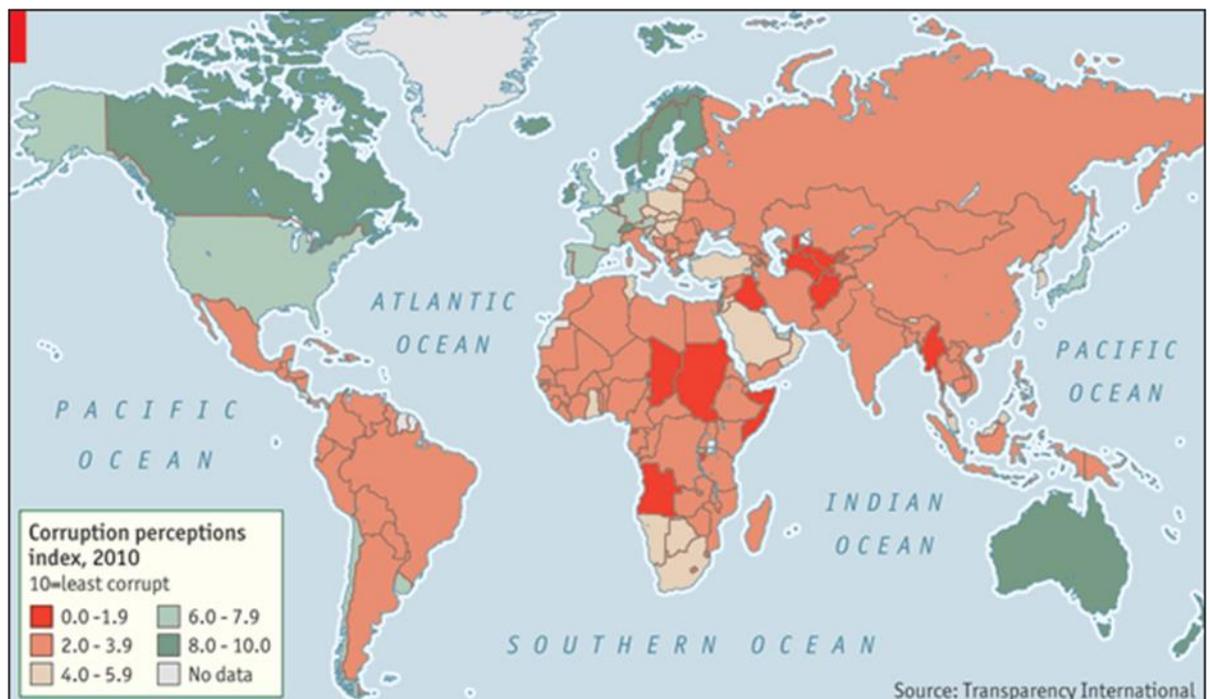
In addition to this, oil revenues go directly to the government because of large- scale, capital intensive and foreign owned features of oil projects. Because of exacerbating dependence on oil, establishing tax system is seen as unnecessary. In other words, the rulers who control coffers of the state see taxation harmful because of the link between taxation, representation and state accountability. In this way, rulers cannot be responsible to the citizens who do not pay tax. Also, it is necessary to add that revenues which

go directly to the state strengthen power of the state. The reason is that state is the only control mechanism on using and distributing these oil revenues (Karl, 2005).

In short, according to Karl (2005), all of these factors like oil price volatility, undiversified economic structure, lacking of education and concentration of power on the hands of government and few people who participate in production process may lead to civil conflict in oil rentier states. Moreover, Karl (2005) argues that state can overcome to the resource curse by smoothing out price volatility, more economic openness and sophisticated foreign exchange policies to escape from Dutch Disease, more efficient investment in human resources specifically on education and skill acquisition and greater transparency and new tax policies. However, implementing these policies is not easy. To achieve this, capable states and relatively high levels of governance are necessary. In this point, he emphasizes the importance of the strong institutions in rentier states to escape from resource curse and to sustain long term development. Institutions (political and economic) should be strong to have capacity to implement policies that helps them for protection against resource curse (Karl, 2005). Generally, overdependence on oil exports leads to weak public institutions that generally lack the capacity to handle the challenges of petroleum- led development. Karl (2005) adds that in rentier states economic and political power are concentrated on hands of the government and the line between public and private is almost none. Rent seeking is so common for wealth creation. Rulers try to stay in power by using their control power on oil revenue. They are stuffing with their

supporters by the effects of rent-seeking. In other words, authoritarian rulers use oil revenue to keep themselves in power and to prevent themselves against rebellions of opposition groups and they try to create repressive apparatuses. This structure decreases the capability of public institutions in oil rentier state to implement effective policies to escape from resource curse (Karl, 2005). In short, political and economic institutions cannot act independently from the interests of rulers in oil rentier states so that they are not capable to regulate the state.

On the other hand, Karl (2005) mentions about other political problems that leads to policy failures. The state is like a honey-pot so that the state is more prone to capture by powerful interests and to widespread corruption. Karl (2005) argues that 'oil exporting countries are significantly more corrupt than the world average (even if Canada and Norway are included.)'. (Karl, 2005:25)



*Figure 4: Map of corruption index, the data of The Economist from
Transparency International*

From the figure 1, it can be easily seen that the most corrupt countries are at the regions that are rich in natural resources. Karl (2005) pointed out that high levels of corruption in resource rich countries causes to the deformation of policy choices. For instance, policy makers in oil rentier states choose the mega project because in this kind of projects payoff can be more easily hidden and bribes collection can facilitate business. By doing this, policy makers in oil rentier state do not choose long term investment due to transparent structure of investment. In short, he concluded that all of these which are mentioned above causes to decrease growth rate and income levels in the corrupt countries (Karl, 2005).

According to Karl (2005), oil dependent countries are criticized by dealing with their policy failures. These policy failures are generally derived from the institutional setting of the country. A regime uses the distribution capacity of resources to keep themselves in power. This political distribution of rents causes economic distortions, depresses the efficiency of investment, and entrenches opposition to economic reforms and inefficiency protective barriers. In the long term, all of these factor causes to collapse of growth and it reveals violence in the country. As a result, petroleum is more associated with civil war and conflict rather than any other commodity. In addition, this civil war and conflict that is revealed due to oil dependence are longer and more intense than the wars where oil is not present. He summarizes all these

claims which are connected themselves leads to different structure of oil dependent countries that leads to civil war by saying that:

Such petro mania is by no means confined to rulers. The pernicious access to easy money weakens traditional work ethics and reduces incentives for entrepreneurship, lowering financial discipline within bureaucracies and leading to reckless budgetary practices. Most importantly, it preempts efforts to mobilize domestic resources through taxation, reduces tolerance for austerity and produces a dangerous reliance upon the state for the resolution of all problems. This in turn creates more dependence on oil revenues, and it requires an even more substantial degree of state involvement in the private sector. (Karl, 2005:35)

Like Karl (2005), Collier and Hoeffler (2005) also focused on resource curse theory. To do this, they conducted case studies and they do not only focus on economic results but also social, geographic and political variables. They argue that large natural resource rents create bad government. This bad government is generally corrupt and detached governments which concern with looting for elites rather than providing public goods for ordinary people. Elites can distribute this oil revenue selectively to the citizens and this create clientelistic networks that leads to discrimination and inequality in the society. In this kind of situation, only few people can engage to the wealth and access to the oil revenue is granted through personal ties. (Karl, 1997; Auty, 2001; Robinson, 2006).

In discussing the economic effects of dependency on oil revenue in oil rentier state, they refer to two concepts which are rents and shocks that are used by economist generally (Collier and Hoeffler, 2005). Dependence on oil revenue is generally associated with a large share of location- specific rents in national income. In other words, this rent is directly generated from oil export and national budget is heavily dependent on this rents rather than tax

and any other productive activities. On the other hand, this dependency makes oil rentier states more prone to the shocks. That means that global prices of primary commodities especially oil are much volatile than other prices. The reason for this is that these shocks on prices of primary commodity can be related with the quantity, events on international arena and climate. The fluctuation on oil market, or “shocks” by Collier and Hoeffler (2005), affect the growth rates of the countries and this makes economic management more difficult and this decreases citizens’ trust on government performance. All of these can be reason for civil conflict in oil rentier states in the long term (Collier and Hoeffler, 2005).

In this point, it is necessary to argue that, both Karl (2005) and Collier and Hoeffler (2005) agree on the issue that large resource rents are not intrinsically a curse. In other words, saying that curse that is generated by rich natural resource is destiny for oil wealth state is wrong.

The main cause of the rise of industry has been Japan’s need to overcome her limited endowment of natural resources. For this reason, she has had to develop the trade pattern of an advanced country, exporting manufactured goods and importing raw materials. Although industrialization is usually attributed to changes in demand, more than 75 per cent of Japan’s industrial growth is traceable to changes in supply conditions. These include substitutions of domestic for imported manufactured goods, substitutions of manufactured goods for primary products and other technological changes. (Chenery, Shishido and Watanable, 1962:129)

Rich natural resource can be key for peaceful development by adopting true policy choices. For instance, Botswana is a successful example which manage their rich natural resource by adopting beneficial policy choices (Collier and Hoeffler, 2005). Dunning (2005) argues that Botswana was in a fortunate position thanks to their De Beers arrangements. In the site

of World Trade Organization, the fortunate position of Botswana by adopting new arrangement is pointed out clearly with following quotation:

While the diamond sector is by far the leading sector of the Botswana economy in terms of its contribution to gross domestic product and foreign exchange earnings, its contribution to employment is extremely low (under 3.6%) due to the high capital intensity of diamond mining and the fact that most of the diamond is exported in rough form. As a result of the low contribution to employment and fear of losing the market for beef in the EU, the authorities have adopted an industrial strategy aimed at promoting non-diamond industries both for export and local consumption. (Mbekani, n.d cited from http://www.wto.org/english/res_e/booksp_e/casestudies_e/case6_e.htm)

From the previous quotation, it can be easily seen that diversification in the economy has played crucial role for escaping negative effects of dependence on natural resources. For instance, Botswana is one of the founding member of World Trade Organization and the country's economic growth has been gradually increased over years. Despite huge natural resource, diamonds, the country achieved the diversified their export and its exports are concentrated around seven major products which are diamonds, vehicles, copper-nickel, meat and meat products, soda ash, hides and skins and live animals, and textiles. (http://www.wto.org/english/res_e/booksp_e/casestudies_e/case6_e.htm). As mentioned before, oil markets are more volatile. However, the more important problem of oil dependent countries that leads to resource curse is not directly about the structure of oil market. The most important problem which leads to resource curse is being dependent on one basic product for export. In this point, it is possible to say that Botswana is good example

which achieved the diversification of export commodities (Karl, 2005; Collier and Hoeffler, 2005).

Collier and Hoeffler (2005) also focus on the distinctive characteristics of oil different from other primary commodities. They argue that oil has high value rather than other commodities. In other words, rents that is gained from oil export is much more than rents that gained from other commodities. Greater revenue from oil creates the huge tendency to be dependent on only one product. Governments in oil rentier states uses this oil revenue to operate their economy and they do not need diversification in the economy or they do not need any alternative way that will contribute for running of the national economy. As a result, greater dependency on oil revenue leads to greater vulnerability to the price fluctuation in the oil prices. This fluctuation in oil prices is described as shocks by Karl(2005), as it is mentioned before. This fluctuation decrease the ability of the government to manage the national economy and this can cause distrust to the government by the citizens who will suffer from decreasing income level that is associated with decreasing national budget (Collier and Hoeffler, 2005).

In this point, there is one important issue that both Karl (2005) and Collier and Hoeffler (2005) agree on which is importance of quality of government, public institutions and policy choices. This policy choices can be diversified as looting for distribution versus investment. Looted public resources decreases growth process of the country. Patron chooses using rich resource rather than making investment to consolidate his power on the society. In other words, 'elites choose the loot rents rather than invest in the

public good of growth.’ (Collier and Hoeffler, 2005:p.630). In this point, it is possible to argue that Collier and Hoeffler (2005) argue that the key issue of growth is making public investment. On the contrary, in the government where are large resource rents, looting natural resource provides finance for patronage and reduce the need for taxation. Absence of taxation decreases accountability between government and citizens that makes democratic structures unlikely in the state. Absence of democratic institutions strengthens power of the patronage system and autocracy in the state. In short, it is possible to say that these are feeding each other proportionally.

Is the society autocratic? If so, the time horizon of the autocrat becomes important. In conditions of extreme regime instability, whoever is in power will rationally loot. Even if the autocrat expects to be in power for a long time, looting might still be the preferred strategy if incomes are so low that the opportunity cost of growth foregone is small. This might, for example, characterize the Central African Republic under Bokasa and Zaire under Mobutu. Even if growth opportunities are good, if the autocrat is dependent upon a narrow ethnic minority, then looting will be chosen. This might, for example, account for Nigeria under the military regimes of 1983 to 1998. (Collier and Hoeffler, 2005: 631)

DiJohn (2011) is another scholar who has studied the resource curse. He provides the critical survey. He began his analyzes by focusing on the necessity of industrialization. He argued that one of the main lesson of world economic history of the past two centuries is that to sustain economic growth, sustained and successful industrialization is crucial. Although the historically the analysis of the positive relation between natural resource abundance and industrial growth for many no- advanced countries, since 1950, the literature began to cover less developed countries. As a result conclusion became negative unlike before. It began to be seen that natural resource can be

regarded as a curse rather than blessing for many poor countries. He focused on the claims of structuralisms and dependency theorists to explain this phenomena. By doing this, from the structuralist point of view, he argues that primary products were subject to declining terms of trade and destabilizing price volatility (DiJohn, 2011). On the other hand, from the dependency theorists' point of view, natural resource decreases the growth rate of resource wealth countries because generally, foreign multinationals dominated resource extraction and were allowed to repatriate profits. For instance, Marxists like Paul Baran, argue that local elites dominate governments in poor economies and their interests are not compatible with national development (DiJohn, 2011.) In short, it is possible to argue that, like Karl (2005) and Collier and Hoeffler (2005), DiJohn (2011) pointed out the importance of diversified economy and he argues that investment in non-mineral/oil sector is crucial for national development.

DiJohn (2011) also emphasized on the different structures of oil sector and oil rentier states than other mineral sectors and mineral rich countries. He points out that oil exporting nations have been considered as special cases because of some peculiar features of petroleum production. These features include that such activities are large scale, enclave and capital intensive and pay much higher wages compared with the average wage in a labor surplus economy. To mention about economic explanation of resource curse clearly, DiJohn (2011) firstly focuses on the Dutch Disease theories. For his explanation, Dutch disease can be described as follows:

In an economy in full-employment equilibrium, a permanent increase in the inflow of external funds results in a change in relative prices in favor of nontrade goods (services and construction) and against non-oil traded goods (manufacturing and agriculture), leading to the crowding out of non-oil tradable by non-tradable. That is, an appreciation of the exchange rate leads to a decline in the competitiveness, and hence production and employment, of the traded goods sector (DiJohn, 2011:123)

According to previous explanation, it is possible to argue that in the country where Dutch disease syndrome is experienced, external funds which came from oil boom can be translated into real domestic expenditure if the flow of imports increases. As a result, there is huge gap between import and export in national budget. DiJohn (2011) concluded that deindustrialization can be regarded as a destiny as a result of oil boom in oil Rentier states. He adds that oil boom can be reason for making more investment in nontrade goods that discourage manufacturing investment. The reason is that the prices of non-traded goods increases relative to the prices of non-oil traded goods as a result of exchange rate appreciation. On the other hand, decreasing competitiveness of manufacturing increases manufacturing wage rates that results from increases in aggregate demand for labor that oil booms can generate. This also reduces the ability for competition of manufacturing sector in oil rentier states (DiJohn, 2011).

On the other hand, it is necessary to add that like Karl (2005) and Collier and Hoeffler (2005), DiJohn (2011) also do not see resource curse as inevitable. He argued that the outcomes of resource booms depend on state policy responses.

Insofar as one general conclusion can be drawn [from our collection of empirical studies], it is that a country's economic performance following a resource boom depends to a considerable extent on the policies followed by

its government. . . . [E]ven small economies have considerable influence over their own economic performance. (Neary and Wijnbergen, 1999:10)

By dealing with state's policy responses to the fluctuation of the oil market like boom period, it is important to mention about the state's general tendency to determine policies is crucial. In this point, it is possible to say that rentier state models tries to explain that why state decision-makers in natural resource-rich economies create and maintain growth-restricting policies. DiJohn (2011) pointed out that the rentier state model attempt to explain poor economic performance of resource rich state by dealing with outcomes of historically specific institutional arrangements rather than economic decline. Oil and mineral rich countries generate growth restricting state intervention and large scale of rent seeking and as a result, their development level is lower than resource poor counterparts. 'Rent seeking can be broadly interpreted as activities that seek to create, maintain, or change the rights and institutions on which particular rents are based.' (DiJohn, 2011:171). In other words, a higher level of resource rents increases rent-seeking and corruption. Also, it is necessary to argue that authoritarian regime and absence of taxation feed activities of rent-seeking and corruption. This in turn reduces political bargaining between state and interest groups that makes governance more arbitrary, paternalistic and even predatory. There are few people who participate in the production process of the countries so that transparency level is lower proportionally. As a result of increasing in rent-seeking and corruption and lower political bargaining prepare ground for lower growth rate (DiJohn, 2011).

Humphrey (2005) is another important scholar who studied the resource curse. It is possible to claim that he in his article 'Natural Resources, Conflict and Conflict Resolution: Uncovering Mechanism, did one of the most comprehensive study about the resource curse literature. He focuses on six causal mechanisms that could explain the relationship between natural resources and war onset and duration.

One of the six causal mechanisms is called as 'The Greedy rebel mechanism, with three variants' by Humphrey. Domestic group may want to benefit from resources and they want to do this by being independent from the state. To do this, they may engage in quasi- criminal activity. In addition to this, the prize value of capturing the state may be increased by natural resources. To capture state may give power to the people to gain much more control oil revenue and this may help them to gain much more money from oil revenue. Lastly, natural resources can be concentrated on one particular region of a country. This causes that some dissatisfied people may think that a seceding state could be viable or even prosperous. In other words, the people who live in the region where it is rich in natural resources in the country may feel themselves powerful to rebel against the state (Humphrey, 2005).

The second mechanism is called as 'The grievance Mechanism' by Humphrey. He argued that dependence on natural resource could be associated with grievances rather than greed. He explained this mechanism by using three variants. First one is that being dependent on natural resources may leads to inequality in the development process. Second one is

that economies which is dependent on revenues of natural resource may be more vulnerable to terms of trade shocks and this circumstances may lead to instability and dissatisfaction among people who suffer from this trade shocks. In this point, it is necessary to add that the problem which is mentioned above is not directly related with being dependent on natural resources. The problem is related with being dependent on small number of commodities for countries' export earnings. Third variant is that the process of extraction of natural resource may produce grievance. That means that some people began to be forced to migrate. This leads to negative reaction of people in this region and they may rebel against the state (Humphrey, 2005).

The third mechanism is called 'The feasibility mechanism'. The conflict can occur due to different reasons. In this kind of circumstances, rebellions can use natural resources to finance rebel activities. This can occur in two different way like through control of production during conflict or through the sales of booty features (Humphrey, 2005).

The fourth mechanism is called 'The Weak State Mechanism'. State structures of the resource dependent countries may be weaker. In this argument, Humphrey reveal two different variant by focusing on the linkages between state and society. One variant is on the society side. When citizens are untaxed by governments, they have less power over government. Citizens have less information about activity of government and weaker incentives to monitor government behavior. As a result, resource- dependent states have little chances to respond to the demand of the citizens in their

states. Second variant focuses on the state side. The government which depend on natural resource revenue rather than taxes have weakened incentives to create strong bureaucratic institutions. In short, it is possible to argue that because of weak linkages between state and society, resource-dependent states have weak bureaucratic institutions and government and citizens are disconnected. These disconnection may cause dissatisfaction among citizens whose demand are not taken as regards by the state and these citizens may rebel against the government (Humphrey, 2005).

The fifth mechanism is called as 'The Sparse Networks Mechanism'. Natural resources may affect the daily economic activities of citizens and this may affect attitudes of citizens or relations between citizens. It was mentioned before that manufacturing sectors are often weak in resource dependent countries. In addition to this, internal trade may be weak because of the Dutch Disease dynamics. In this point, Humphrey focuses on the liberal point of view to explain the importance of internal trade. Trade can strengthen the relation between countries or people who trade each other. Absence of internal trade may weaken the relations between people in the state (Humphrey, 2005).

The last but not the least mechanism is called 'The Greedy Outsiders Mechanism'. By this mechanism, Humphrey focuses on the role of third parties which can be states or corporations on the conflict in resource wealth states. It is possible to say that this mechanism differs Humphrey from the lots of resource curse theorists who do not focus on the role of external actor by analyzing the relation between resource wealth and civil war. In this

mechanism, Humphrey argues that the existence of natural resources may be motivation for third parties – states and corporations- to engage in or indeed foster civil conflicts. In other words, third parties, who want to gain control over rich natural resources, may foster civil conflict directly or indirectly. That means that they can help rebellions in the state or if it is possible, they may directly intervene to the state. As it is mentioned before, the main aim is to gain control over lucrative resources (Humphrey, 2005).

In the light of the reviews above, it is possible to say that Karl (2005), Collier and Hoeffler (2005), DiJohn (2011) and Humphrey (2005) agree on one argument which is that resource curse is not a destiny. In other words, to have rich natural resource does not mean that this resource wealth states have not any other alternative than to collapse into the resource curse. If countries can manage this resource wealth with good policy choices, they can escape from resource curse and they can escape from lapsing into the conflict. In this point, scholars agree on the necessity of strong institutions to implement successful policy choices to escape from lapsing into resource curse. The other general argument which is defended by Karl (2005), Collier and Hoeffler (2005), DiJohn (2011) and Humphrey (2005) is that economic structure of the resource wealth states is the most important determinant. This economic structure is one-sided and national economy of the state directly depends on revenue of natural resources rather than tax and any other productive activities. This economic structure makes the countries more vulnerable to the fluctuation in the market. For instance, in oil market, oil wealth states may be subjected to the boom period that destroys the balance

of the national economy. In this regards, both Karl (2005), Collier and Hoeffler (2005), DiJohn (2011) and Humphrey (2005) agree on the necessity of diversification of economy and industrialization to sustain economic development. DiJohn (2011) specifically argues that, when the historical process is examined, it is clearly to be seen that countries who became successful on industrialization process have been successful in development process. For instance, when the example of Japan is analyzed, it can be seen that the country could manage their wealth of natural resources by diversifying the economy. As a result, they can achieve economic development and stability. On the other hand, it is possible to claim that Humphrey makes more comprehensive study. Unlike the other scholars like Karl (2005), Collier and Hoeffler (2005) and DiJohn (2011), Humphrey (2005) focuses on the role of external actor to explain the one of the dimensions of the resource curse theory. Basically, he argues that natural resource has crucial importance for the states in the world. Especially, by using oil as an energy sources rather than coal, importance of oil has been risen dramatically and the countries who have rich oil reserves became strategic value in the world chessboard. Resource poor countries who want to gain control over this wealth may engage in or foster civil conflicts directly or indirectly.

In the study, I am going to use the general arguments, on which both scholars- Karl (2005), Collier and Hoeffler (2005), DiJohn (2011) and Humphrey (2005) agree, to examine Libyan civil war. Basically, I will examine Libya's economic features and how they became reasons for

emergence of civil conflict in 2011. Libya like the other rentier states had one-sided economy and its national economy depended on oil revenue. During the period of King Idris, role of external actor had been more dominant on states.⁶ However, after the Qadhafi coup in 1969, Qadhafi adopted new strategy and he made Libyan state totally independent from external powers. Also, it is possible to claim that Libyan state began to adopt totally rentier state features during the early years of Qadhafi period. Qadhafi strengthen his own power of Libya by absence of taxation system and any other productive activities. However, changing world structure and increasing neo-liberal politics in the world force Libyan state to change from a nationalized economy. The reason is clearly to be seen from the existing argument by Karl (2005), Collier and Hoeffler (2005), DiJohn (2011) and Humphrey (2005). Like other rentier states experienced, especially during the boom period, Libya's one-sided economy began to suffer from fluctuation on oil prices so that national economy could not manage themselves by its own revenue. Absence of any other productive activities and taxation affected Libyan economy, because the state could not find any alternative to recover economic imbalance. As it is mentioned by Karl (2005), Collier and Hoeffler (2005), DiJohn (2011) and Humphrey (2005), as a rentier state, Libya suffered from its own economic structure. However, Libya could manage this economic imbalance by adopting good policy choices. As Karl (2005), Collier and Hoeffler (2005), DiJohn (2011) argues that as resource curse is not a destiny. Resource wealth countries can overcome over this problem. Libyan

⁶ This will be examined in section 2.1- Libya before Qadhafi period

weak political and economic institutions resulted in the Libyan state could not resist against oil prices shocks and civil conflict. As a result of being a rentier state, there were only few people to engage in productive activities in the country. These people were generally top bureaucrats and high ranking military who were so close to the government. As a result of this structure of the state and weak linkages between state and citizens, state did not have to be transparent so that rent- seeking activities and corruption began to be increased.⁷ Although Qadhafi tried to adopt some reform policies, Libyan state could not escape from experiencing civil war in 2011.

On the other hand, when the arguments of scholars, Karl (2005), Collier and Hoeffler (2005), DiJohn (2011) and Humphrey (2005) are examined, there is important deficient point in their analyses. This deficient point can be summarized like this: They focus on different factor that cause the civil conflict in oil rentier states. However, when economics of oil rentier states are analyzed, they get internal economic features of oil rentier states as their main point. As it is mentioned several times, they argue that if economy of rentier states could be diversified, they can almost overcome one of the main reason that makes them more vulnerable against external shocks. However, in the international economic system, the process does not run like this. International economic structure is prone to eliminate different economic structure. Countries' economic system can be diversified and they can be successful on manufacturing. However, if these countries refuse the

⁷ See figure 1 from Transparency International- shows the corrupt level of the country. It is possible to see that Libya's corruption level is higher among the World order. On the other hand, As Karl, Collier and Hoeffler, DiJohn and Humphrey argues, the most corrupt countries are generally less developed and developing countries and most of them are rich in natural resources.

total integration in liberal economy, by implementing some enforcement, super powers of the current international economic structure put these countries in difficult position to sustain economic development within boundaries. Despite of getting this as a greedy outsider mechanism may be possible, it will not be completely fitted with the Humphrey's sixth mechanism. Therefore, in Libyan example, this study will examine this condition by dealing with the results of isolationist policies of Qadhafi and authoritarian regime which has central authority over the state. By regarding this, in addition to main factors which argue by main scholars in resource curse theory, this study will also try to examine the effects of international structure on national economy.

Moreover, in this study, the role of being oil rich- rentier state will be analyzed critically to examine the Libyan civil war by using existing literature. On the other hand, until 2011, Libyan had been subjected to the economic embargo and enforcement by USA and UN. This decreased the trade level of the Libya that had to adopt some liberal reforms to manage their national economy. In addition to this, during 2011 Libyan civil war, role of external actor like USA, African Union, French and Italy began to be seen more clearly. From the very beginning of Libyan civil war, they began to intervene to the region. In this study, this role of external actor will be analyzed by using Humphrey's six mechanism which is called as 'The Greedy Outsiders Mechanism'.⁸

⁸ In this mechanism, Humphrey argues that the existence of natural resources may be motivation for third parties – states and corporations- to engage in or indeed foster civil conflicts. In other words,

third parties, who want to gain control over rich natural resources, may foster civil conflict directly or indirectly.

CHAPTER 2

HISTORICAL BACKGROUND and RENTIER FEATURES OF LIBYA

After having examined rentier state theory and resource curse theory, in this chapter of the study, Libya will be focusing point. The main aim of this study is to give main features of Libyan state. By doing this, in the last chapter of this study, the usefulness of the resource curse theory to examine Libyan civil war will be tested.

In this chapter, firstly, Libya's main features before Qadhafi period will be examined. To understand history and state consolidation of Libya is crucial to make comprehensive analyzing of Qadhafi's policies. Libya had been under colonial rules for long years. In 1951, by the support of external powers, King Idris became leader of the Libya. Especially, by the exploration of oil in Libyan territory changed some conditions. It is possible to say that being under colonial rule for long years and exploration of oil has crucial importance for future steps of Libya. For example, the income level of the state began to increase and Libya therefore did not need foreign supports, anymore. In addition to this, expectation of citizens was also increased. However, the King Idris was still under the effects of external powers and citizens whose income level had not been increased proportionally with increased state income became dissatisfied of existing regime. As a result, in 1969, Qadhafi became leader of Libya by the coup.

In the following parts of this chapter, Libya's specific features, which have been shaped by the effects of oil and Qadhafi's own ideology, will be examined respectively. During the Qadhafi's period, Libya showed the specific features of rentier state (Altunışık, 1996). On the other hand, due to experiencing colonialism, Qadhafi adopted isolationist policies. Being rentier state and Qadhafi's policies made countries more fragile and inflexible. Changing prices of oil and international structures forced Libya to reform. However, the insistence of Qadhafi for keeping main features of Libya during the reform process prepare ground for civil war in 2011.

In the last part of this chapter, Libyan civil war will be examined. When Libyan civil war is analyzed, the intervention of external actor was so crucial. From the beginning of the civil war, NATO intervened to Libyan territory and they began to struggle against Qadhafi's forces instead of trying to balance. The civil war ended with the capturing of Qadhafi and his sons.

2.1. Libya before Qaddafi Period

Although the features of oil rentier state became crucial under Qaddafi regime, giving brief information about King Idris regime before Qaddafi's coup is necessary to understand the consolidation of Libyan state. It is important to understand the historical role of external actor on Libyan state. Moreover, despite of huge role of oil on Libyan state's consolidation, the effects of history of Libya has been also crucial for state's consolidation. For instance, Qadhafi adopted isolationist policies from Western power while determining the main political and economic structures of the Libyan state that will be examined in following sections.

Libya had been under colonial rule for long years. During the period between 1551 and 1911, Libya had been under the control of Ottoman Empire. Libya had been under Ottoman's colonial rule until 1911. As a result of weakening of Ottoman Empire, Italy occupied this region in 1911. Other powers like French, United Kingdom was not comfortable of the Italian power in this region which has significant strategic position to reach to Middle East that has rich natural resources. From the beginning of 1945, there had been some political and diplomatic maneuvers and the United Nations, Britain and the United States played crucial role in these maneuvers. After Second World War in 1947, Libya had been left to control of England and French. Then, in 1951, Libya became independent by the decision of United Nations (Wandawella, 1998). Idris al- Sanusi became King of Libya. (Otman and Karlberg, 2007). In 1953, Libya entered under the protection of England and

a treat between two states that would be last for twenty years. By this treaty, England got right to have military troops in East part of Libya. In 1954, USA rented the Wheelus Air Base that is near Tripoli. The regime under the control of King Idris trusted on foreign rent which had been gained existence of foreign troops within boundaries so that the development of economy was ignored (Tekin, 2012). King Idris seeks his own interest and only filled his own packet and as a result of anger of citizens, during 1958-1959, external effects on Libya was so visible. In this point, it is necessary to summarize that Libyan had been under colonial rule for long years as it is mentioned before. The role of external actor on the state had been so crucial and visible. Even, the independence of Libyan state had been done by the effects of external actors. In this regard, foreign powers did not want to lose their power over Libyan territory so that they had been so effective on King Idris' regime. In other words, Libyan state had been a kind of puppet so-called independent state that had been controlled by foreign powers.

In 1959, the discovery of oil brought Libya into another phrase. Libya became one of the world's leading petroleum producers in the five years after its discovery. In 1961, the first oil exports began from Libya. The growing wealth undermined the presence of UK and US in Libya's territory and King Idris' monarchy in Libyan territory (Otman and Karlberg, 2007). The reasons can be ordered like this: Firstly Libya was no longer bounded to foreign financial support. The state could afford itself with their oil revenues. Secondly, in the 1950s and 1960s, increasing voice of Arab world for nationalism, weakened the power of monarchy had directly affected the

legitimacy of the state that was under the control of UK and USA. Lastly, people's expectation for a better life related with the increasing wealth undermine the position of Britain, America and monarch in Libya (Otman and Karlberg, 2007). People expected better life because "in spite of the large increase in per capita income of the oil money was in reality benefiting of few people. Political scandals reached into the highest levels of government. Resentment was building against the king and his government. Most Libyan citizens considered King Idris's regime as corrupt and too strongly allied with Western nations."(Sullivan, 2008:21). Because of being under the effects of foreign power and the rules of King Idris, Libyan economy had not been independent and they could not control over their oil revenues. Also, under the colonial rule, they could not constitute strong institutional system that could sustain balance in the Libyan territory (Wandawella,1998: 142).

Weakened monarchy and dissatisfaction of Libyan citizens and rising expectations of them create the coup-plotters everywhere. Finally in 1969, Colonel Qaddafi and group of young military launched an almost bloodless coup and Qaddafi became new leader of state who promised to make new policy to extend the benefits of oil wealth to all citizens (Otman and Karlberg, 2007). In this point, it is true to say that absence of strong bureaucracy and institutions under King Idris rule had two consequences. These are that Qadhafi could constitute system however he wanted and he could gain total control over oil revenue. When Qaddafi came to the power, he was reacting against previous colonial powers and foreign influence over the Libyan state. During this period, the foreign power's interests on Libyan oil had increased,

dramatically and they wanted to protect their existence in the Libyan national boundaries. The reason of that is clearly examined by Sandbakken (2006). He claims that despite scarcity of statistical data, oil rents as a share of government revenue increased from zero in 1950 to 83.1 in 1970 (Sandbakken, 2006:144). It should be added that, Libyan oil is particularly significant for Western power. The significance of Libyan oil is that Libya is close to the Europe so that transportation was easier and its oil is called as a “sweet” oil that means that it is easy to operate. Also, Libya has lowest rate of price to sell oil to abroad. All of these dimensions made Libyan oil crucial for foreign powers.

To see the effects of colonial power on Libyan state is so easy. Kuru (2002) pointed out the general problems of combination of the rentier economy and colonial legacy. He argued that colonial exploitation can be seen as an obstacle for industrialization. After gaining independence, new state should try to consolidate industrialization policy. However as reviewed in the previous chapter, in rentier economies, state generally focus on short term expenditure rather than long term investments. In other words, rentier states prefer using oil revenues rather than investment on productive activities for economic development (Kuru, 2002). The other problem defined is political. Colonial power diminishes the resistance of the state through social institutions. After being independent, the state should rehabilitate institutions and association to make them stronger. Nevertheless, in a rentier economy, the government is too powerful in comparison to civil society because of oil revenues so that government uses institutions and association

to resistance against political opposition. As a result, in many rentier states, in short term, a weak society can be identified. On the other hand, this leads to a weak state in the long term. (Kuru, 2002). In this point, it is possible to say that as Kuru (2002) pointed out that by the effects of colonial history and being rentier state, despite Qaddafi's idealistic position and making exploration of oil nationalized under the idea of centralization and getting rid of foreign influence within borders, Libya could not escape from centralization and weak institutional capacity that will be analyzed in next sections.

2.2. Libya and Rentierism during Qaddafi Period

After the long term colonial rules and exploration of oil in Libyan territory, Qadhafi began to consolidate the new structures for Libyan state. Like the other leader of rentier state, Qadhafi also trusted on oil revenue and he formed the state by the direct effects of these revenues on Libyan state. When Qaddafi came to the power, the new government adopted a model of a form of socialism. However, Qaddafi's own political ideology with the combination of socialism created the new political ideology. (Prashad, 2012). It is possible to argue that Libyan history is so important for Qadhafi to adopt this new form of socialism. Sandbakken (2006) identifies Qaddafi's ideology by saying that Qaddafi's ideology was seen as mix of socialism, Arab nationalism and Islam. He defined his own ideology as an alternative to both capitalism and communism. By adopting the new ideology, Libya's name changed to the Socialist's People's Libyan Arab Jamahiriya. (Otman and Karlberg, 2007). Formal political power was held by People's Congress, their Committees and the General People's Congress. Their members were chosen from all levels of society like industrial or commercial workers, peasants, merchants, officials and professionals. In this way, Qaddafi believed that direct democracy or authority of people would be implemented. (Otman and Karlberg, 2007). The political system required the income equality among all citizens, the government control over oil revenue and government is the only power on the distribution of goods. All production process were under the control of government. Government provided free

social health, education, free housing for citizens and demanded political compliance in return. (Otman and Karlberg, 2007). Qaddafi's government nationalized all factories, stores and apartment buildings from the hand of private owners. By this way, he targeted to guarantee that no one could make unfair profit from the labor of other and government's power on the production process would become stronger. Foreign companies who was operating on oil sectors and taken oil revenue to outside of Libyan territory had been expelled (Sullivan, 2008). In other words, the regime restricted private entrepreneur and the control of firms supported workers to get control of these firms and the state was the only power to control all macroeconomic policies of the country. (Prashad, 2012). According to Wandawella (1998) and Djaziri (1995), nationalization of oil, land and the monopoly over imports and exports gave the state the possibility to have control over all sectors of the economy. However, this kept economic regulation at very low level by both design and weak institutional structures. Like the country's political institutions, Libyan economic institutions were meant more for the pursuit of the regime rather than for regulation. Qaddafi trusted on the oil revenue to get consent of people. (Prashad, 2012). In other words, people were not taxed and they gained house with low or free tax and the state was distributing oil revenues to the citizens. Autocrats could get most of their funding from national oil industry. By the oil wealth of country, they could keep their countries' secrets. The main aim is that this secrecy would help Libyan states to sustain balance and this would protect country from any diversification between people, because citizens were happy with absence of

taxation and they could benefit from national budget so that they were not interested with what their state's actual wealth and there is any corruption or not? (Ross, 2011). In other words, oil revenue is used to get citizens' consent within state and corruption is still one of the features of this kind of economy. Beblawi and Luciani (1987) in their book, 'The Rentier State', define Arab Countries like Libya by saying that they extremely dependent on foreign supplies for supply their food consumption, they use their currency to cover imports. In other words, they are dependent on oil exports for also to meet food items. This shows that, any fluctuation on oil prices and level of oil exports directly affect the food prices in the rentier state that people suffer from this. For instance, during boom period, by the increasing of oil prices, food prices increases, as well. The following figure shows the correlation between oil prices and food prices clearly.

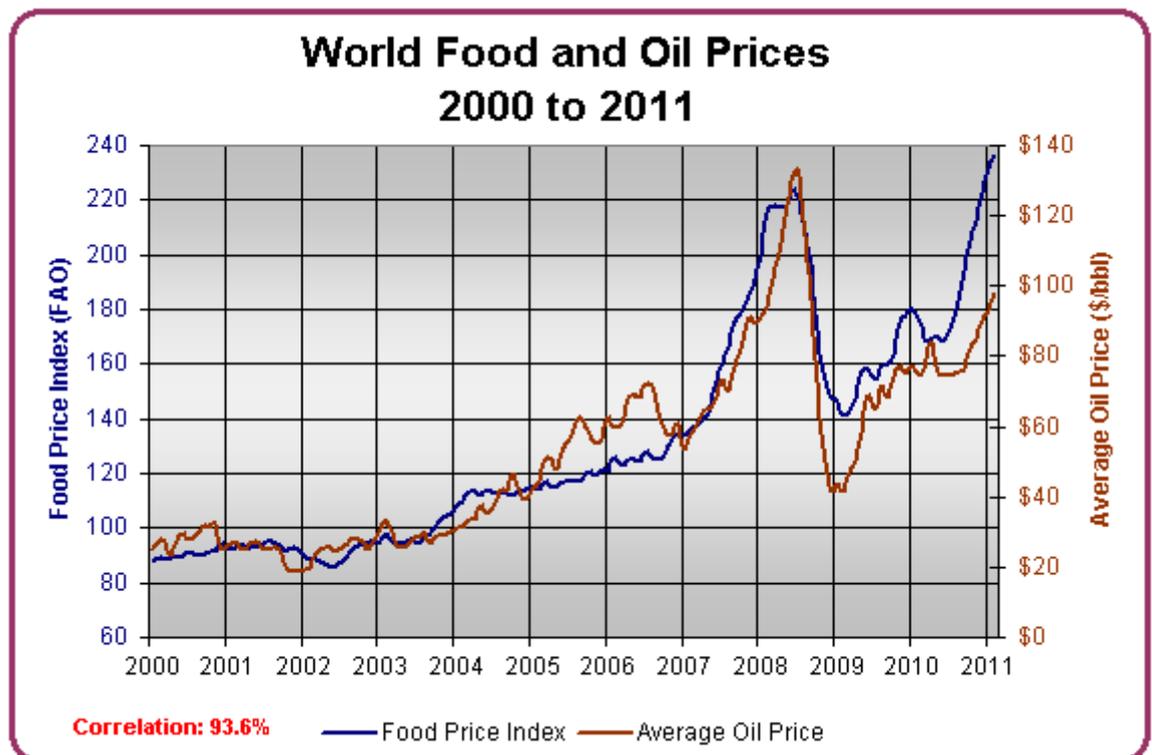


Figure 5: The correlation between food prices and oil prices

As result of prohibition of privatization in the Libyan state, people could not find any cheap alternative to provide daily needs. There was no competitive market in Libyan territory by the effects of central authority of the government. Qaddafi was trying to encourage people for the Popular Revolution for his own saying. For this encouragement, he wanted the Libyan people to be enthusiastic about their state. They would work hard for the wellbeing of Libyan state (Sullivan, 2008).

By analyzing the main features of Libya, it can be easily seen Qaddafi's different adopted ideology prepare the ground for people to give out their demands. However, Libya met the main features of being rentier state like authoritarianism, and distribution policies (Luciani and Beblawi, 1987). It should be added that the oil revenue is the basic determinant to implement these policies so the crucial importance of oil in the Libya should not be ignored.

2.3. Political Economy of Libya

In the first ten years of Qaddafi's regime, lots of radical reforms had been done by government to increase the general wealth of Libya and to expand of the distribution policies of Libya. For instance, from the beginning of 1970s, rents which was get from foreign oil companies had been risen especially from Western Europe export.

Table I:
Libya: Destination of Oil Exports 1974-1980
(%)

	United States	Western Europe	Total
1984	0.1	77.3	77.4
1975	14.3	50.3	64.6
1976	27.0	49.1	76.1
1977	40.5	40.0	80.5
1978	37.5	45.8	83.3
1979	33.5	47.6	81.1
1980	33.0	44.1	77.1

Source: *Annuaire De L'Afrique Du Nord*, 471; *EIU Annual Supplement 1984*, 20.

Figure 6: Destination of oil exports of Libya 1974-1980

According to Hazem and Beblawi (1990), the first years period of Libya can be seen the beginning of decade to expand the rentier characteristics of Libyan economic, political and social system. In other words, in the first phase of regime, Qaddafi tried to sustain regime durability and strengthen and implemented his third way that is called as an alternative to both capitalism and communism by him. However, being far from world economic structure- isolated from free market based liberal economy, made

Libyan economy out dated and because of rentier features of state and economy shaped social and political structures, as well. (Altunışık, 1996). In the 1980s, the price of oil decreased dramatically, almost falling from \$27 per barrel to the less than \$10. The government structure of Qaddafi regime began to be affected negatively by the crash in oil price. The state had to implement austerity programs to balance the economy instead of structural reforms. Like the other rentier states, first reaction of Libyan states against economic problem became implementing austerity program rather than economic reforms. “In the early 1980s, the regime cuts imports; imposed austerity on development budgets, decreased the number of foreign workers, resorted to the non- payment of its debts to foreign contractors; and started to draw on foreign reserves to finance its budget deficit.”(Altunışık, 1996).

The oil boom of the 1970s undoubtedly resulted in a spending boom in the oil- rentier states. But when the oil price crash of the 1980s slashed their primary source and structure of public revenues (external rent), these same oil-rentiers were forced to implement austerity programs to limit the bloodletting. Even the bitter pill of austerity programs could do little to cure the rentiers of their structural and conjunctural constraints. Limiting government expenditure could not and did not alter the primary structure and source of government revenues for most rentier states. (Yates, 1996:15)

In addition to this, during 1980s, the coming of Islamists to the east part of Libyan lead to diversification in the society especially in Benghazi region. Both old Islamist classes and new social classes which was created by the results of Qaddafi’s regime began to want more political, social and economic power from the state (Prashad, 2012). In 1984, state super markets were created and all private transaction became illegal (Altunışık, 1996). By this attempt, again the control over all sectors get under state.

During the 1980s, the implemented austerity programs became successful. Libyan regime achieved to survive economically. However, it should be added that in the long term, austerity program would not be enough to balance Libyan economy that will be discuss later. Although there had been huge decline in oil revenue, in 1985, state was able to restore a current account surplus. In this point, it is necessary to add that small population of Libya made the recovery easier for Libya in the first years. (Altunışık, 1996). The austerity programs was significant for Libyan economy generally because by this programs, Libyan state overcame the decline on oil prices and international restriction, as well. However, some policies under the austerity programs was seen unnecessary even catastrophic by the citizens. Many consumer goods had included in the list of import quotas. Altunışık (1996) argues that “in a country like Libya where almost 70 per cent of food and practically all consumer goods were imported, consumers were the hardest hit by the cuts that were made in the import budget.”(Altunışık, 1996). People began to suffer from this import quotas and austerity programs that affected their ability to reach daily needs. As a result, the relations between citizens and the state began to diminish. As Hazem and Beblawi (1990) argues that by 1980, Libyan society had been extremely irrelevant to the Libyan state. Especially, with the war in Chad in 1987, the army was weakened and large amounts of oil revenue spent before, during and after war.⁹ This declining on oil revenues caused the decreasing of the spent of oil revenues for distribution system for consumer goods. This leads to shortage

⁹ Chad war is a serious of clashes between 1978 and 1987. This clashes was between Libyan forces adn Chadian forces. Chadian forces were supported by French. It is a kind of civil war that affected Libyan economy negatively, because state had to invest on military apparatus (Wandawella, 1998).

of foodstuff that created the ground for people's anger to the regime (Altunışık, 1996). In 1987, GPC secretary consensus that country's state companies were inefficient and unable to meet local need for Libyan citizens. They asked for reform of the country's banking system and for tighter control over the country's expenditure (Wandawella, 1998). However, in 1990, financial constraints became so visible in Libyan regime. Government expenditure share in GDP fell from 36.5 per cent to 20.8 per cent. Public sector salaries were frozen. Corruption and unemployment contributed to an erosion of support of the regime (Sandbakken, 2006:145). In this point, it is necessary to re-mention that Libyan state's economy depends on oil revenues and people were not participated any other production process. By this regards, people directly depend on state's distribution of oil revenues to provide even their basic needs.

Libyan citizens who suffered from economic conditions of country began to make pressure on government to implement new policies. These policies were generally including the some liberalization attempt in Libyan economy. As a result, Libyan state could not resist against economic decline and people's demand so that Libyan state had to implement reforms that included the attempt for economic liberalization. These economic reforms can be called as '*infitah*'¹⁰ in Libya. Wandawella (1998) divided Libyan infitah in two waves. A first effort between 1987 and 1990 that aimed to relieve Libyan economy. A second wave was after 1990 that aimed to reduce state involvement in the economies. Their overall goals can be ordered like this:

¹⁰ Infitah is arabic word that means opening doors to provide investments.

1. To extend cuts in state spending
2. To gradually withdraw subsidies that contributed to such spending.
3. To promote private sector initiatives in the industrial, trade and agricultural sector. (Wandawella, 1998)

In 1990s, despite reformist efforts, international environment had limited Libyan economy and let the state into the deep fiscal crisis. 1992, because of economic problems and deficiency of democratic structure, Libyan state was subjected to UN enforcement (Wandawella, 1998). On the other hand, after the Cold War, the circumstance for Middle East in general, Libya in particular became terrific. By the collapse of Soviet Union, USA became super power. Besides, hostile relations between Libya and USA harmed Libya much more than before. National treasury lost almost 24 billion dollar and there was no foreign investment to oil sector so that oil revenues of the country decreased dramatically and prices for food increased two hundred percent. It is so predictable that Libyan economy which directly depended on oil sector began to be worsened after the decline of oil revenues (Wandawella, 1998; Altunışık, 1996).

In June 1992, the state decided on a law that allowed the establishment of joint- stock companies. In September 1992, General People's Congress adopted a general privatization law which permits involvement of private sector to the Libyan economy. In 1993, the GPC allowed the liberalization of the wholesale trade (Altunışık, 1996). In the same year, a way to the setting up of private banks was opened and the state let foreign banks to be in Libyan territory. In 1994, Qaddafi declared to

encourage foreign investment especially in industrial projects and made Libyan dinar fully convertible to open a way to the encouragement foreign investment in Libyan state (Altunışık, 1996; Wandawella, 1998).

However, despite of all of these liberal movement, Libyan economy was balanced but could not growth so much. To make these liberal policies beneficial for Libyan economy, two problems should be solved firstly. The first solution of these problems was to rescission of UN enforcement. The second solution of these problems was being close to USA. According to Qaddafi's claim, if allergic reaction of US against to Libya is solved, the economic and political problem of Libyan can be solved automatically (Prashad, 2012). To solve the problem between Libya and USA, Musa Kusa who was one of the allies of Qaddafi went to capital city of United States. Assurance for oil and money by Libyan government was huge for Atlantic states¹¹. As a result, in 1999, UN enforcements were suspended and in 2003 they were removed completely (Tekin, 2012). Removing of embargos and enforcement helped the Libyan economy for growth. In 2005, Libyan state made all tariff zero except from cigarettes and the banned product to export were determined again. In 2005, Libyan state let global brands into Libyan territory and the beliefs of foreign investors about development of market in Libya strength Libyan position in the market. During 2003-2005, market volume of Libya increased almost 16.5 per cent. (http://birlesmismarkalar.org.tr/images/UF/file/hedef-ulke_raporlari/Libya.pdf). In addition to this, Qaddafi regime agreed that they would not try to acquirel

¹¹ Atlantic states consist Europe, Africa, North America and South America

nuclear weapons that will be seen one of the most important mistake of Qaddafi that leads to one of the reasons of uprising revolutionary movement in Libya and involvement of external actor by words of Qadhafi (Tekin, 2012). As a result of his declaration, Libya was excluded from the list of countries who support terrorism by USA and George W. Bush cancelled all of restrictions against Libya (Tekin, 2012). By the construction of close relation between Libya and USA, the new foreign investors came to the Libya from both USA and other countries, because Libyan became safe state to invest anymore. Libyan economy began to develop dramatically and its dependency on oil revenue began to decrease by opening new sectorial companies within boundaries (Tekin, 2012).

Close relations between Libya and USA had been consolidated, but this circumstances caused the more opposition from Jihadist Islamist in the eastern part of Libya to the government. Qaddafi had never trusted European power because, before as the study pointed out that Libya was a colony of these European imperialist powers so that to balance the pressure which came from Europe, he tried to become close to USA (Prashad, 2012). Although Qaddafi had a close relations with West, his suspicions and insistence of centralization idea became barrier to apply liberal policies in Libya. He was increasing prices and taxes of oil for oil companies consistently. The main argument of Libyan state was related with the issue of reforms. Reformists tried to apply UN enforcement in the state. On the other hand, conservatizes tried to continue past policies. Increasing the powerful local elites, top bureaucrats and high military services who had privileges in

the regime began to struggle with Qaddafi's regime and Qaddafi began to lose supporters step by step. Despite of all liberal reforms, Qaddafi hold the power of state in the Libyan state with some reduction. This position made Qadhafi's allies angry which wanted no state intervention on the economic process. In this point, it is clearly seen that to claim that Libyan civil war in 2011 was only because of internal dimensions of the country will be deficient. Despite of economic reforms, Libya could not provide balance in Libyan territory. Also, foreign powers have been so interested with the region.

As a result of all of these which are mentioned above, Libyan state began to lose control mechanism over citizens. Besides, providing balance within Libyan territory became harder than before for Qadhafi's government. Therefore, in the beginning of February 2011, some groups began to rebel against Qadhafi's government state by claiming on economic power imbalance and human right deficiency in Libya.

2.4. Libyan Civil War in 2011

We all now told that Gaddafi was a dictator and he did not listen people. However, Gaddafi didn't stand in the way of decision of the People's Congresses to liberalize the economy- even though he knew that this was a great mistake. From that point on, the business class has grown and grown its power in Libya, and the great plans to develop Libyan industry have had to take second place. (Ireland and Libya: Two Sides of the Rentier State, 2012:3)

Naturally, the cry from NATO and its apologists would be that this is anti-democratic and counter- revolution. This would be understandable as their goal of a unified Libya subservient to international finance capital and oil interests would become unattainable (Draitser, 2014).

2.4.1. Key Moments of Libyan Civil War

In February 16, 2011, protests break out in Libya's second largest city, Benghazi. After one day, demonstrations spread from Benghazi to the other towns. In the first few days, it has been reported that dozens of people were killed by Libyan security forces. In February 20, 2011, demonstrations reached to the capital city of Libya, Tripoli. By this time, the demonstration began to be more catastrophic for Libyan state. The reason is that rebellion power who reached to Tripoli began to clash with forces loyal to Qadhafi. On the other hand, February 20 became the first day that Qadhafi began to lose his allies when Libya's Arab League representative, Abdel Moneim al- Houni resigned. Then in February 21, Chief of State of Protocol Nuri al- Mismari and Ambassador to India, Ali al- Essawi, Ambassador to U.S., Ali Adjali, interiors Minister Abdel Fattah Younes al Abidi resigned. This is important

point which is necessary to be mentioned is that these people began to claim against to Qadhafi forces and his government early after they resigned. Resign of other Libyan elites and Qadhafi's allies followed the previous resigns (<http://edition.cnn.com/2013/09/20/world/libya-civil-war-fast-facts/>).

In February, 25, External power began to participate in Libyan civil war. For the first attack came from U.S. President Barack Obama for freezing Qadhafi's assets. Following this, the U.N Security Council imposes sanctions against Libya that includes an arms embargo and asset freezes. The first claim for crimes against humanity in Libya came from U.N in the same day (<http://edition.cnn.com/2013/09/20/world/libya-civil-war-fast-facts/>). Just after imposing sanctions by U.N, European Union voted to impose sanctions against Libya that also included freezing Qadhafi's assets and imposing an arms embargo. In March 7, 2011, military intervention of foreign power began in Libyan territory (<http://edition.cnn.com/2013/09/20/world/libya-civil-war-fast-facts/>). NATO began twenty four- hour surveillance of Libya. The first face to face meeting of foreign powers with opposition forces was done in March 10. Mahmoud Jibril and Ali Assawi, representing the Libyan opposition met with French President, Nicholas Sarkozy. In March 17, The UN Security council voted to impose no-fly zone over Libya. In March 19, French fighter jets began enforcing the no- fly zone over Libya. In April 30, NATO launched a missile attack on a house in Tripoli. This attack killed Qadhafi's youngest son, Saif al- Arab, and three grandchildren (<http://edition.cnn.com/2013/09/20/world/libya-civil-war-fast-facts/>). Until May

2011, the war between rebellion forces and Libyan security forces was lasted by the direct participation of foreign powers. In May 11, Qadhafi appeared on the state television and he claimed that he was in place where he could not be found or killed. This action and claims of Qadhafi was regarded as provocation by rebellion forces and foreign powers. Following this, in May 16, the chief prosecutor of the International Criminal Court requested arrest warrants for Qadhafi, his son Saif and his brother-in-law. In June 1, NATO extended its mission in Libya for another 90 days. In the same day, the U.N. Human Rights Council announced that evidence of war crimes and crimes against humanity committed by Qadhafi's forces had been found. In October 20, Moammar Qadhafi was killed after being captured by rebel forces in his hometown Sirte. The actions of Qadhafi forces in Libya had been lasted until October 31 when NATO secretary general announces the official end of the NATO mission in Libya. Lastly, in November 19, Saif al- Islam Qadhafi was arrested and the Libyan civil war totally finished (<http://edition.cnn.com/2013/09/20/world/libya-civil-war-fast-facts/>).

2.4.2. Facts and Claims on Role of External Actors during Libyan Civil War

After killing of lots of people and increasing tension in Libya, in 21 February 2011, UN declared to censure Libyan regime. Atlantic world argued that Qaddafi started to violence against civil protestors. Lots of old technocrats who were Qaddafi's allies before changed their position from Qaddafi's side to rebellion groups. Robin (2011) who is Director General of Libyan- British Business Council, in February during civil war, in his speech said that "our contacts have always gone beyond the Qadhafi regime and include some of the key figures who are now forming the nucleus of an alternative government in Benghazi. Our contacts have enabled us to keep in direct touch with developments in Libya in the last two weeks and as soon as the dust settles, we plan an early visit to the country to engage and expand our network". He clearly pointed out British or liberalists connection within Libyan borders that helped them for their targets. In addition to this, Nzemroaya (2011) asked for rebellion groups. He argues that rebellion in Libya was not unified group. These groups consists of people who were against regime and resistance movement, and people who were only against regime. These rebellion groups were directed by both outside Libyan territory and inside the regime itself. This rebellion movement was directed and supported by social networking sides, international media and previous events experienced in other countries under the shadow of Arab Spring. In 26 February 2011, the draft resolution which was prepared by French,

Germany, United Kingdom and USA, had been accepted by UN. In this resolution, an ending of violence, is freezing of wealth of Qaddafi's relatives, banning of travel abroad and embargo on selling arms to Libya were agreed. The UN tried to create a no fly zone but especially China and Russia were against to this idea. Committee gave no right to talk to the Qaddafi's regime supporters, despite recognition of this regime's legality (Prashad, 2012). Unlike Tunisia and Egypt, army of Libya had been divided in two parts; Qaddafi's supporters and that of the rebels. After the call for no fly zone from David Cameron in 28 February, Arab Union made this claim sharp in 12 March (Prashad, 2012).

Tekin (2012) claims that after 15 days from the uprising of violence in Libya, genocide claim had been risen by Libyan permanent member of UN. As an evidence, the information from twitter had been shown. In this information was about injured 50.000 people and killed 10.000 people. Al Jazeera, BBC and USA's media helped to expand these information all over the world. It is true to say that the concept, 'genocide', created condition for foreign power to act without any inquiry. It can be said that using concept of 'genocide' is strategy for external actors to intervene Libya and gained control over this geopolitically important region to control Middle East and North African oil corridor. However, the reality about numbers released then (Tekin, 2012). According to the news of Britain independence, Amnesty International has failed to find evidence for human right violations. It also found indication that on several occasions, the rebel in Benghazi appeared to have knowingly made false claims or manufactures evidence

(<http://www.independent.co.uk/news/world/africa/amnesty-questions-claim-that-gaddafi-ordered-rape-as-weapon-of-war-2302037.html>). In addition to this, according to report of International Crisis Group, much western media coverage has from the outset presented a very one-sided view of logic of events. They were portraying the protest movement as entirely peaceful and they were repeatedly suggesting that the regime's security forces were unaccountably killed unarmed demonstration who presented no security challenge(<http://www.independent.co.uk/news/world/africa/amnesty-questions-claim-that-gaddafi-ordered-rape-as-weapon-of-war-2302037.html>).

In the months-long war, casualties vastly exceeded 3500 and were born to large degrees on both sides. Presence of civil war can be traced to Gaddafi's harsh regime causing grievance and forcing violent backlash, Libya's territorial division between Tripoli-centered loyalist forces and tribally-linked, internationally supported, and regionally and internationally armed and trained rebel troops, and Gaddafi's ostracism causing swift legitimization of the NTC and regime change. (Bhardwaj, 2012:90)

UN official Cherif Bassiuni went to Libya and found evidence about war crimes by Qaddafi, rebellion and NATO, as well. Lots of people killed but the number of these people consisted not only violence by Libyan army but also rebellions and NATO intervention in the region (Prashad, 2012) In other words, the number which was declared by UN is more than double of real number. (Sol Portal, 2013). Despite this, NATO crimes and people who were damaged because of NATO intervention was not declared, anyway. The main aim of external actors could be understood in this point, because if the issue was to stop violence and protect civilian from any violent action, the target should not be shown as Qaddafi only and NATO's war crimes which killed lots of civilian should be shown, too (Prashad, 2012).

As it is mentioned before, the claim about effects of external actor is the only factor responsible for the uprising of civil war in Libya is deficient, but to say that this uprising in these region about democracy, human rights and equality under the framework of Arab Spring create ground for external actors to implement their imperial aim in the region. The aim in Libyan intervention of external actors is to continue octopus arms of Atlantic World to the oil states (Prashad, 2012) The aim is not only power on oil reserves, but also Libyan with its geopolitical position create ground for imperial power to survive their political aim like having control over rich oil reserves. As it is mentioned before, the situation was different from Egypt and Tunisia. Cooperation power had been determined before: emergence new power balance due to economic liberalization in which Qadhafi's allies strengthened more by economic liberalization movement. Libya was different from Egypt and Tunisia, daily oil production is 1.6 billion barrels and total reserve is 46.2 billion barrels. In addition, under the soil, there is 142 trillion liter natural gas. For this special state, the special NATO doctrine was necessary and it became humanitarian intervention doctrine (İkinci, 2012). According to Nzemroaya (2011), the Libyan civil war was feed by two points: The first one is repression and fear of Qaddafi's regime. The second one is external desire for division and weakened of Libya. In the speech of Wesley Clark who is retired senior commander of NATO, Libya was controlled by Taliban and after intervention of Afghanistan, next country had been Libya. In this lists, there were also Iraq, Somalia, Sudan, Lebanon, Syria and Iran.

Few weeks later we were bombing Afghanistan. I asked that will we still fight against Iraq. He applied by saying there is something worse and he pulled

out some documents from drawer. This documents had an information that in next five years, we will intervene 7 other countries that are Iraq, Syria, Lebanon, Libya, Somalia and Sudan. (Interview with Wesley Clark by Amy Goodman, 2007)

From his speech, it is obvious that the targets were already determined and these countries were directly and indirectly intervened recent years. Beside, these countries counted for intervention were on a sea of oil and they have half of world total oil reserves. In that point, although this is so obvious, one more question comes to the mind. There is answer of Wesley Clark, one of the member of NATO which did so-called humanitarian intervention to Libya:

The truth is about Middle East is that if there had been no oil, it would be like an Africa. Nobody is threatening to intervene in Africa. The problem is the opposite. We keep asking for people for intervene and stop it. And there is no question that presence of petroleum throughout the region has sparked great power involvement. This is a specific motivation for the coup and I can tell you, there was definitely, there is always been this attitude somehow, we can intervene and use force on region. (Interview with Wesley Clark by Amy Goodman, 2007)

In 19 March, United Nations Security Council accepted the decision for no fly air zone. There would be a no fly over Libya different from humanitarian intervention. In this way, UN restricted Qaddafi's power against rebellious power and they can control Libyan air zone themselves. Just after being approved of a no fly air zone, NATO war plane began to bomb Libya. It is obvious that there was no peaceful settlement or negotiation between two sides during this period. This humanitarian intervention (in other word, aerial bombardment) became against any intention to end peaceful settlement (Prashad, 2012).

It is also a victory for French and English pride: as I predicted 4 months ago, the European countries caved in to their own need to keep face once they started interfering and they thus armed and trained the rebels, whilst NATO

acted as the rebels' air force. They said they wouldn't arm the rebels at the time but it was obviously more important to win than to stick to that promise. And it must be said, the victory has been well-managed so far with few reprisals. It is a good day for international justice. (Frijters, 2011)

It can be added that if there was no aerial bombardment in Libya, it was obvious that Qadhafi's power had been more powerful against the rebellions, may be government would have to agree on peaceful settlement in the country (Prashad, 2012). The destiny of Libyan citizens was not belong to them, foreign power decide instead of them. However, from foreign powers, only intervention was seen as solution in Libyan like Iraq. By doing this, although the declared aim was humanitarian intervention for Libyan citizen, the idea or agreement of Libyan citizens did not need to be seen. "Libyan state have almost unanimously rejected the prospects of foreign intervention during or after their revolution, on the grounds that its objective will be to keep Libya and its oil safe from Libyan people. Should they succeed in safeguarding their sovereignty, this may prove their best insurance against a 'democratic transition' Iraqi- style. (Rabbani, 2011)

Beside, Atlantic powers, Arab Union was also effective to do intervention of NATO on Libya. Especially, role of Qatar cannot be ignored. Qatar worked with NATO and Libyan rebellion had been trained in Qatar before civil war. Also, Qatar's help to Libyan rebellions who were supported by West by giving money and arms was seen in the media. In addition to this, soldiers who found Muammer Qaddafi in his base, were Qatar team trained in UK. (Sol Portal, 2012). In the light of this information, it will be true to say that the uprising of civil war in Libya under the frame of Arab Spring was not disconnected from Western powers, they directly used Libyan internal

problems for their own benefit and they created invisible army inside Libyan which help to collapse Qaddafi's regime.

Obama uses military force whenever he wants, wherever he wants, and without anyone's permission..... US military action is the prime ingredient ensuring future military actions. It is its own self-sustaining and self-perpetuating form of militarism. Whether that is why the US endlessly exerts military force in other countries, or whether it is a fortunate by-product of that continuous use of force (fortunate from the perspective of the National Security State), Obama's ongoing use of military force in multiple countries ensures that the posture of the US for the foreseeable future will continue to be one of endless war. (Greenwald, 2012:2)

In November when the civil war officially end, instead of Mahmud Cibril ,who was prime minister during transition, Abdurrahim el- Keyb who educated in USA and worked in oil, came to power and applied liberal policies in Libyan serving Western interests. In addition to this, NATO forces tried to catch Qaddafi that is out of the UN definition of mission. This action, which is so-called for finding civilians and intelligence service, mainly targeted to find Qaddafi and, if possible, to kill him. Despite the denial of the USA, Liam Fox, the defense minister of Britain, told this reality, clearly (Baldor and Burns, 2011)

Prashad (2012) tries to show relation between Libyan intervention and interests of Atlantic powers. In this regard, he is saying that liberals who created National Transition Committee has still power on Libyan Oil Ministry and Central Bank. In addition to this, In 19 March, National Transition Committee decided on power of Benghazi Central Bank over all Libyan monetary and Libyan oil production and oil politics. More important than this, in the document of National Transition Committee, there is an information

that rights and interests of foreigners and foreign companies will be protected.

Bhardwaj (2012) points out that there were five specific variables that are correlated with the presence or absence of civil war by regarding the cases and past examination of civil war. These are the nature of the governmental regime, territoriality of the conflict, militarization of the opposing side, international influence and regional players. When Libyan civil war is examined, it is clearly seen that all of these dimensions exist. The nature of governmental regime by features of rentier state was problematic and prone to the emergence of civil war as it is clearly explained in chapter two. The eastern part of Libya was against Qaddafi's regime and liberal doctrines that was implemented during his leadership time. Militarization of opposing side was supported by external actors before and during civil war. Arab Union compromised also on the intervention of NATO on Libyan territory

CHAPTER 3

ANALYZING LIBYA AND REFORM PROCESS FROM THE POINT OF RESOURCE CURSE

In this section of the study, the Libyan case will be examined by dealing with the main arguments of resource curse. In the second chapter, the reasons of conflict in oil wealth countries were organized under three titles. These are, economic structure of the country which depends on oil revenues and shows one- sided integration in the international economy, basic characteristics of the state like authoritarianism, rent seeking activities, institutional structures of oil exporting countries and the role of external actors. In the previous section, Libya's history which was shaped by the effect of oil and reform process that was implemented to provide balance in the Libyan economy was explained. In this section, this study will try to examine economic structure of Libyan economy and why Libyan economy had to implement some reform policies by the effect of fluctuation of oil prices. According to some scholar like Wandawella (1998) and Altunışık (1996), these reform policies could not be so successful to provide balance within border. As a result, it was seen that Libya experienced a bloody civil conflict in 2011. Therefore, in this study, the reason of why Libya was unsuccessful while implementing these reforms will be examined by dealing with the one of main argument of resource curse which is that weak institutional structure made reform process more difficult to implement for Libyan state. To do this, the main arguments of resource curse theory will be

used. In addition to this, the impact of international economic structure on Libyan state will be also examined. Qadhafi's adopted isolationist policy was crashed with the main principles of current international economic structure. Different from the claim that whether Libyan economy was strong or not, in current international economic structure, authoritarian regimes and states which are closed to the changes in international economic structure may be eliminated.

When the resource curse theory is analyzed, the basic and one of the most important problem of oil exporter countries is their one-sided economy system and absence of manufacturing process and taxation. The main problem for resource curse is not having rich natural resource. The main problem is level of dependency on these resource revenues (Karl, 2005; Collier and Hoeffler, 2005; DiJohn, 2011; Humphrey, 2005). On the other hand, this absence of industrialization and any other productive activities in oil rentier state can cause Dutch Disease which is mentioned by explaining resource Curse literature. That means that increasing the oil export decrease the ability of internal trade. In other words, oil sector increases the exchange rate of the local currency. As a result, other export sectors became noncompetitive like agriculture, manufacturing and this makes economic diversification difficult (Karl, 2005; Collier and Hoeffler, 2005; DiJohn, 2011). Also, this circumstances decreased the level of import because of high exchange rate and country faced with budget deficit. These structure of the rentier state can cause the serious problem during the boom and bust period. Although during the boom period, the oil revenue increase and national

economy and reach to the peak, during the boost period, national economy can be affected very badly and the economy needs any alternative revenue to recover and operate itself. In general, it is possible to say that oil market is more volatile so that oil exporter countries has faced fluctuation in oil prices, during boom and bust period.

The first important factors which made economic reform unsuccessful and created the conditions for the resource curse for Libya is the economic structure of Libyan state that has been shaped by effects of oil (Wandawella, 1998; Altunışık, 1996). As it is mentioned before, Libya is one of the most important oil exporters in the world. According to US energy information Administration, Libya's oil industry is the third largest in the Africa with 1.8 million barrels per day total production. It is largest in Africa with 44 billion barrels total reserves. Also, its estimated net oil exports are 1.5 million barrels per day and most of this export is generally to the Europe.¹²

¹² Source: Company reports, US energy Information Administration, Reuters

IMPORT DEPENDENCE ON LIBYAN OIL

IMPORTERS	IMPORTS FROM LIBYA (BPD, 2010)	% OF LIBYA'S OIL EXPORTS	% OF TOTAL LOCAL CONSUMPTION
Italy	365,742	29%	24%
France	177,797	14%	10%
China	160,676	13%	2%
Germany	138,067	11%	6%
Spain	129,227	10%	9%
USA	60,553	5%	0%
United Kingdom	50,815	4%	3%
Austria	32,867	3%	12%
Portugal	28,840	2%	11%
Netherlands	26,426	2%	2%
Ireland	21,814	2%	13%
Switzerland	21,576	2%	8%
Serbia	6,801	1%	8%

Sources: EIA and ITC Trademap

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Figure 7: import dependence on Libyan oil¹³-2010

The following to the 1969 coup, the oil industry was nationalized and all foreign troops left the country. The state consolidated central authority by using new adopted policies under Qadhafi's rule and it became distributive and for this, they did not expect any tax from citizens. As it is mentioned before, nationalization of oil and new state structure gave the state the possibility to have control over all sectors of the economy. (Wandawella, 1998; Djaziri, 1995). In the first year of the Qadhafi's regime, the rents had been increased dramatically. In addition, it is possible to say that, these years can be seen as beginning of decade to expand the rentier characteristic of Libyan state, economically, politically and socially. In the following part, the effects of constituted rentier economic system will be analyzed to examine

¹³ As it is mentioned that Libyan oil export has been generally made with European countries. This figure is clearly shows that the level of import of European countries.

effects on the Libyan civil war. The following figured can show the trend of oil production in Libya.

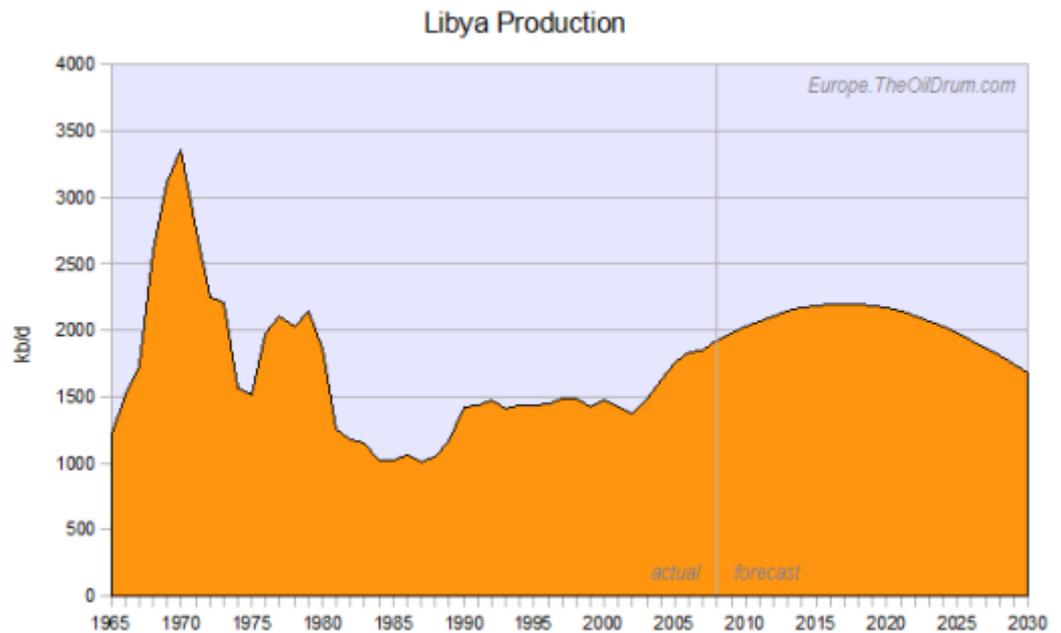


Figure 8: Libya Oil Production forecast- www.theoil Drum.com

Being dependent on oil revenues can cause serious economic problem for the country. The reason is that national economy basically depends on oil revenues and the state has not any alternative to operate economy (Karl, 2005; Collier and Hoeffler, 2005; DiJohn, 2011; Humphrey, 2005).

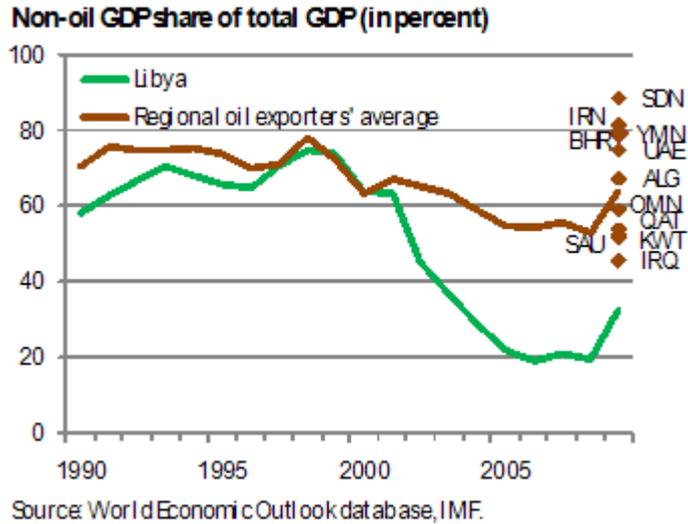


Figure 9: It shows the non-oil GDP share of total GDP in Libya

From the figure above, it can be easily understood that non- oil GDP share of Libya was less than counterparts in the same region. Especially after 2000, this rate began to decrease dramatically despite of economic attempt for liberalization that will be analyzed later.

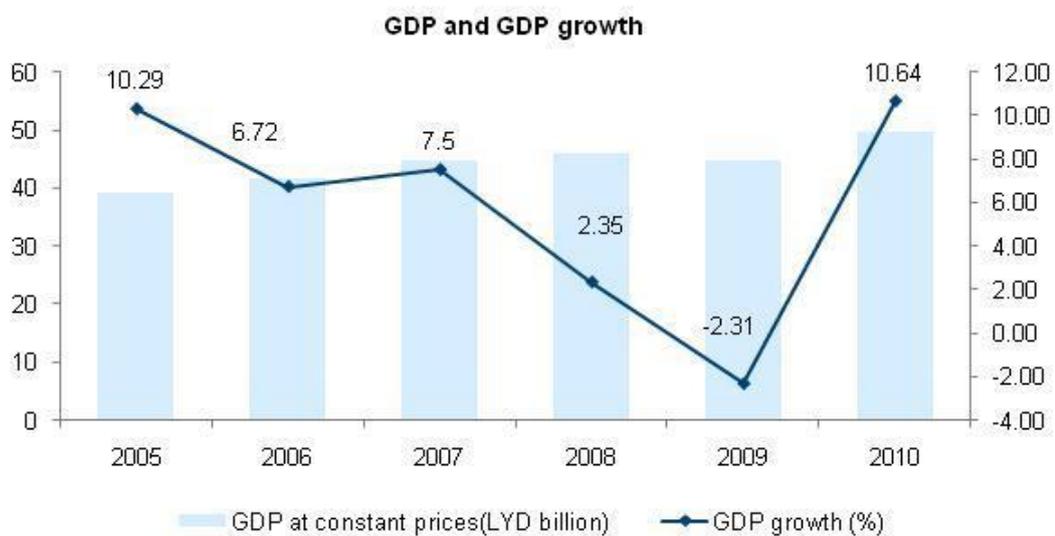


Figure 10: GDP and GDP growth of Libya 2005-2010

Source: <http://www.euromoneycountryrisk.com/>

Export Products	Value	Percentage
Petroleum oils, crude	\$35,861,028,676	82,52%
Petroleum gases	\$3,267,757,107	7,52%
Petroleum oils, refined	\$3,061,901,972	7,05%
Acyclic hydrocarbons	\$278,937,658	0,64%
Mineral or chemical fertilizers, nitrogenous	\$196,801,644	0,45%
Ferrous products obtained by direct reduction of iron ore	\$192,469,576	0,44%
Acyclic alcohols	\$178,447,285	0,41%
Hot rolled iron or non-alloy steel, coil,w >600mm, t >10mm, myp 355 mpa	\$114,560,937	0,26%
Polymers of ethylene, in primary forms	\$100,207,640	0,23%
Oils and other products of the distillation of high temperature coal tar	\$33,004,235	0,08%
Ammonia	\$24,377,997	0,06%
Ornamental fish, live	\$18,157,842	0,04%
Semifinished products of iron or no alloy steel	\$8,593,497	0,02%
Ferrous waste and scrap	\$8,220,875	0,02%
Gold	\$6,882,211	0,02%
Iron ores and concentrates	\$6,584,777	0,02%
Sulphur	\$6,559,660	0,02%
Steam turbines and other vapor turbines	\$6,066,577	0,01%
Turbojets, turbo propellers and other gas turbines	\$5,195,471	0,01%
Sodium hydroxide; potassium hydroxide; peroxides of sodium or potassium	\$5,186,819	0,01%
Electrical energy	\$5,006,845	0,01%
Polymers of vinyl chloride or of other halogenated olefins, in primary forms	\$3,555,144	0,01%
Refrigerators, freezers	\$3,307,558	0,01%
Wire of iron or no alloy steel	\$3,050,585	0,01%
Raw skins of sheep or lambs	\$2,972,076	0,01%
Packing of goods	\$2,875,123	0,01%
New pneumatic tires, of rubber	\$2,555,944	0,01%
Wool	\$2,347,683	0,01%
Parts of goods of other aircraft	\$2,255,615	0,01%
Cars	\$2,232,827	0,01%

Figure 11: Exports statistic of Libya until 2011

Source: atlas.media.mit.edu/country/lby

From the previous data giving by MIT, it can be easily seen that Libyan economy based on oil export by 83%. This can be regarded as evidence of dependency of Libyan economy on oil revenues. On the other hand, it can give sign that Libyan had been faced with Dutch Disease. Dependency on oil revenues and huge place of oil sectors in Libyan economy made other sectors noncompetitive such as agriculture, manufacturing. In sum, dependency on oil sectors make Libyan economic diversification more

difficult (Karl, 2005). By keeping these information in mind, it is mentioned in chapter two that until 1980, developing Libyan economy began to be affected negatively in 1980s by the effects of decreasing oil prices.¹⁴ According to US country studies, by 1985, Libyan oil revenues had been at lowest level. Real GDP fell by over 14 per cent during the period between 1980 and 1981. Also, it was continuing to decline in the late 1986 (US Library of Congress). On the other hand, when the basic characteristic of oil rentier economy is remembered one more time, as a distributor, rentier state may not provide social expenditure during the bust period so that people began to show dissatisfaction. For example, during the 1980s, by the huge decline on the oil revenue and decreasing GDP of the Libyan state, state had to decrease public expenditure and life standard began to decrease dramatically

The second factor that caused resource curse for Libyan state can be regarded as Qadhafi's own ideology about being independent and impact of current international economic structure. By the effects of being under colonial rule for long years, Qadhafi adopted isolationist policies. He believed that in this way, Libyan state could overcome difficulties and the state could manage its economy itself. In other words, it is possible to say that, in addition to fragile characteristic of Libya to the fluctuation in oil prices in international market, Qadhafi adopted isolationist policies that made Libyan state more vulnerable against to external shock (Wandawella, 2005). It is possible to argue that this isolationist policies played crucial role for Libyan state to experience civil war in 2011. In this regard, Karl argues that resource

¹⁴ As Altunışık argues that in 1980s, the price of oil decreased dramatically that almost fell from \$27 per barrel to the less than \$10.

wealth state can escape from resource curse by adoption some policies like more economic openness (Karl, 2005:18). It is possible to argue that due to isolationist policies and undiversified economy, Libyan could not overcome for being cursed by oil. According to Altunışık (1996), international political factors are so crucial to formulate domestic economic policies. As it is mentioned before, Libya had been under colonial rule for long years and the state gained its independence by helping of foreign power. Britain, France and the United States negotiate on the United Nations resolution that was influenced by oil wealth of the country. Decisions over French and British spheres of influence during ten years protectorate following the United Nations resolution on Libya's independence was based on location of oil fields in the state and the Western power's interest in gaining control over these oil fields (Paoletti, 2011). Paoletti (2011) claims that the as an oil dependent economy, Libyan economy has minimal diversification. That's mean oil- shaped Libya's political and economic functioning before Qadhafi period and the interests of Western power revealed long times before civil war.

When Qadhafi came to power, he adopted isolationist policies and make Libya fully independent from Western colonial power and he tried to make country economically powerful. However, being isolated began to be cause serious economic problem. In broad term, as an oil dependent economy, especially in liberal economy, interaction with external actor is so crucial. Changing international structure distressed Libyan State. In this sense, Beblawi (1990) and Lucian (1990) pointed out that autocratic and

isolationist policies are generally terrible and it cannot survive no much longer. According to them, political and economic independency for nation states is far from reality. No state cannot be independent. On the contrary, all countries are necessarily interdependent. Although countries can participate in the interdependent world by putting forward bargaining power, countries have no chance for being independent by making themselves isolated from the rest of the world. However, countries should stand on their feet by adopting interdependence ideology and by being interaction with the rest of the world. That is the reality of liberal governance. (Beblawi and Luciani, 1987). In addition to this, Mark Duffield (2001) also mentioned about liberal governance and its features. He argues that the politics of liberal governance are associated by the transformation of nation states (Duffield, 2001). According to Duffield (2001), nation states should be transformed by the necessity of global economy. This transformation can be achieved through the emergence of new cross- cutting governance networks involving state and non- state actors. He also focused on the changing meaning of development in today's world. Development does not any longer mean economic growth that leads to long- term development for the states. Development began to describe through cooperative partnership arrangements to change behavior and attitudes of people within society (Duffield, 2001). In this sense, it is possible to say that, for structure of liberal governance determined by Western power, Libyan state and Qadhafi's policies were a kind of obstacle that should be changed. In other words, Qadhafi's negative attitudes against Western power and adopted principles

by Western powers clashed and Libyan state were subjected to the US embargo and UN enforcement (Altunışık, 1996). Libyan state were affected by these international enforcements, one-sided economy of Libyan as an rentier state make the state more vulnerable by the fluctuation of oil prices.

It is possible to claim that due to oil shocks and crash Qadhafi's isolationist policies with international economic structure, Libyan state faced with the serious economic problem after 1980s. Absence of any alternative production process and manufacturing system in the Libyan state, oil shocks had catastrophic effects on Libyan economy (Altunışık, 1996; Wandawella, 1998). As a result of all of these effects, to provide balance in the economy specifically and whole Libyan state generally, for the first reaction, Libyan state has adopted austerity policies rather than structural reforms. It is possible to say that Qadhafi believed that Libyan state could overcome this economic problem with the austerity policies. In this point, it is possible to say that Qadhafi's own ideology and central authority had still shaped the economic structures of the Libyan state during these reforms process. However, austerity policies provided short term stability of Libyan economy and Qadhafi regime adopted economic program reforms that aimed at liberalizing and privatizing economy (Altunışık, 1996). By Wandawella (1998) words, as a result of features of distributive states and confrontation of Libya against Western power and growing threat of economic boycott against Libyan holdings in the early 1990s, Qadhafi government was forced to

implement some economic reforms.¹⁵ In addition to this, Dogan and Pugh (1997) also pointed out that the logic of the new policies of Libyan actually destroys the state's physical capability to act alone. They argue that 'the emperor is not naked anymore, now he is wearing hired clothes. Duffield (2001) explained this phenomena by saying that in recent international structure, states are no longer able to assure national living standards through only the pursuit of domestic policies. Increasing public indebtedness creates pressures and state has to cut public expenditure and social welfare programs. The reason is that national economic strategy cannot be no longer determined through domestic budgetary. It is limited by global trade liberalization. These reform movements through liberalization of the Libyan economy was surprising because Qadhafi's attitude had been negative to private enterprise and free market economy that was the main principle of economic liberalization. Wandawella (1998) summarized the reason of Qadhafi's negative reaction against liberal market economy by Qadhafi's own phrase. The first reason is that mobility and opportunity for individual provided by liberal market economy can be harmful for the community. In other words, liberal market economy is beneficial for individual not for community. In this point, it is possible to argue that these new economic reforms clashed with the existed ideology of the Libyan state. The reason is that Qadhafi tried to enforce stateless society and he tried to constitute egalitarianism. The idea of stateless society and insistence of egalitarianism in Libyan state favored community rather than individual. It based on

¹⁵ These reforms process was mentioned in the chapter two. These reform proces basicly consisted the privatization attempt to integrate liberal international economy.

collective interests rather than individual interests (Altunışık, 1996). However, despite of these ideology, before reform process, the hierarchy had been still valid. People who had close ties with the government placed in production process and they were getting more benefit from oil revenues and Libyan state structure (Wandawella, 1998). By this regard, it is possible to claim that reality and ideology was not compatible in Libyan state. However, when the visible state structure is analyzed, inherent mechanism of liberal market economy can threaten the egalitarian policies which is adopted by Libyan regime. Secondly, liberal market economy lead to economic differentiation and inequalities and culture of the market can negatively affect the daily life of Libyan citizens. In short, Qadhafi saw infitah negatively by regarding not only economic challenge but also cultural issue. In this point, it should be added that not only Qadhafi's ideology but also centralized effect of oil revenues in rentier states were not so compatible to private enterprises. Since, these private enterprises can change power balance and weaken the state authority as a distributor of oil revenue (Wandawella, 1998). Therefore, Qadhafi was so skeptical against the reform process and liberalization attempt in the country. During these reform process, the relation between Western power and Libya has improved, as well. Previously, as being obstacle of Qadhafi's Libya for liberalization movement and controlling over oil revenue for Western power, by privatization and Qadhafi's friendly attitudes changed actions against Libyan state and his government. However, Qadhafi still tried to sustain central authority over state that sometimes clashed with the reformist policies (Altunışık, 1996; Wandawella,

1998). It can be said that this is direct result of Qadhafi's own skepticism about liberal movements. In addition to this, centralization and government control over state's economy as effects of being rentier state became crucial obstacle to the implementation of these economic reforms. As it is mentioned before, state control clashes with the one of the main principle of the liberal economy that need no state intervention to the economy to operate free market economy. By this regard, it is possible to summarize that Libyan state faced the dilemma between rentier state features and liberalist principles.

The state economic role in distributive states encourages the wealth for power trade. With the state in charge of licensing and regulating all economic activity, the normal division of labor that creates interdependence in productive economies ceases to exist. As long as external rents can be generated, there is no need for individuals to influence public agencies and shape public policy to material advantage. The more the state intervenes in the market, the more internal rent-seeking occurs: as the state creates restrictions and grants privileged groups special access to goods through legal monopolies and licenses, it creates artificial scarcities that individuals attempt to offset at the expense of efficiency. (Levi, 1988: Buchanan 1980; Tullock, 1980; Tallison 1982; Bates, 1981, Levi, 1988). Individuals increasingly become rent takers- a process rulers often encourage for reasons of political manipulation, despite the enormous social and economic waste it endangers. (Wandawella, 1998:163)

In addition to these, it is possible to argue that Libya's autocratic structure and hierarchical conditions among people affected the process of economic reforms. At the first sight, Libya's two phases of infitah policies closely reflected the interests of a broad range of groups within the country in the first phase (Wandawella, 1998). However, process leads to more traumatic conditions for Libyan citizens. Before privatization movements, lots of people were working on public sectors. With the privatization, most of them

became jobless and unemployment level of the state increased. (Altunışık, 1996). Despite of scarcity of the data about Libya, the following figure shows the unemployment rate of Libya during the period between 1998- 2000s. It can be easily seen that despite of economic reforms policies and privation movement in Libya, there had been no changes in the rate of unemployment rate. According to CIA data, by the 30% unemployment rate, Libya was 180th country out of 220.¹⁶

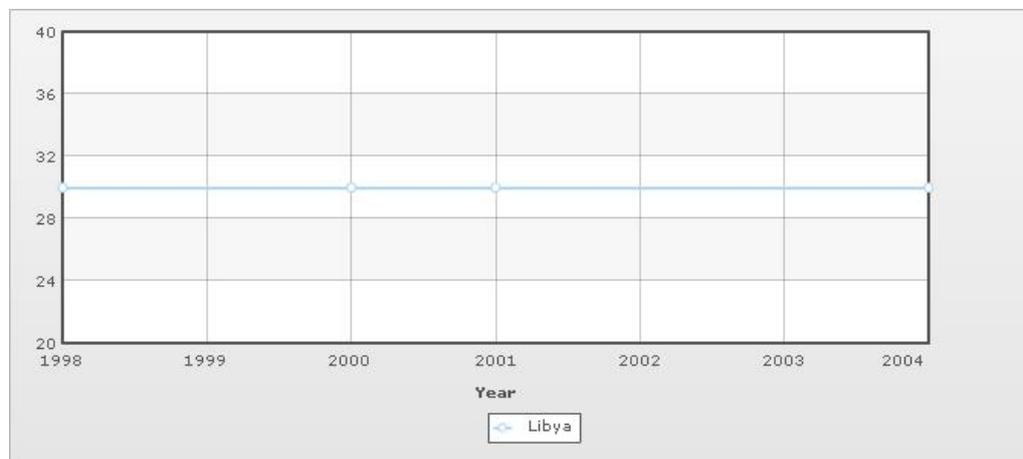


Figure 12: Unemployment rate of Libya

Moreover, according to Altunışık (1996), by the effects of economic problem, restructuring of economy in Libya and adopting liberal reforms, public and social expenditure had to be decreased. Increasing private entrepreneur in the Libyan state create new power balance and liberals began to be more powerful within the country. Their increasing power within the society made them unhappy with the central authority of Qadhafi and his allies that leads to one of the reason of Libyan civil war. In broad terms, in the

¹⁶ To get more information about Libyan unemployment rate of Libya and rank of other countries, you can visit the site: <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2129rank.html>

beginning, these liberalization reforms had been good for Libyan citizens in all strata (Wandawella, 1998). In other words, the liberalization of trade and the end of the import regulations had been beneficial for both consumers whose scarcity would be ended, and the bazaar is who would be free to import food and consumer goods from abroad. However, it did not fundamentally alter the privileges of some people who had profited most from the state's restrictive practices in the past (Wandawella, 1998) As mentioned before, these people were managers of state enterprises, the high service military, the country's top technocrats and entrepreneur who has close link with the military. On the contrary, they were more powerful by gaining chance to access free imports and exports (Wandawella, 1998). In short term, the gap between people began to grow bigger and more visible than before. While average Libyan citizens who had no access to political power were suffering from inequality in Libyan state, the people who were at the top of the private activities and economic distribution began to be more power from the state in which still Qadhafi' rule controlled all activities (Wandawella,1998). These power diversification and unhappiness of people in different strata will lead to Libyan civil war which will be analyzed.

It is possible to argue that despite of economic reforms, in the long term, Libyan state could not achieve to sustain stability. Authoritarian features of the state and hierarchy caused inequality between people and liberal movement made the gap between ordinary citizens and government supporter groups- top bureaucrats, high rank military- Qadhafi's relative and people who placed in production process. According to Wandawella (1998)

and Altunışık (1996), the main reason of unsuccessful results of economic reforms is weak institutional structure of the Libyan state (Altunışık, 1996; Wandawella, 1998). By this regard, it is necessary to claim that, according to resource curse theorists, the most important characteristic of rentier state is weak institutional structure. Although resource curse is not destiny, state cannot overcome the negative effects of having rich resource because of not having strong political and economic institutions (Karl, 2005; Collier and Hoeffler, 2005; DiJohn, 2011; Humphrey, 2005). In this point, to mention about role if institutions on development of state can be beneficial to understand Libyan unsuccessful attempt of economic reforms. According to Wandawella (1998), if Libyan state have strong supervisory, information-gathering and regulatory political and economic institutions they could be successful on economic reforms and they could provide balance Libyan state. Markets can fail if there is no any competitive behavior. Regulatory institutions are needed for the market to function, properly. With liberalization of the market, a regulatory institution is important. The reason is that by these regulatory institutions, consequences of risky behavior such as financial crisis can be avoided (Shirley, 2005). In addition, effective regulatory and information gathering political institutions are needed to establish effective market system and to implement structural economic reforms. By these political institutions, information can be gathered locally and creation market forces within border can be established more successfully. In this way, institutions help the state to have consent and legitimacy. Also, distribution of wealth to the citizens can be done equally (Shirley, 2005). To prove the

important role of institutions, Mehlum, Maune and Torvik (2006) gave Norway as an example. The country can be regarded as one of the richest country in Europe. However, in 1900, she was one of the poorest country in the Europe. According to them, growth of Norway was led by natural resources such as timber, fish and hydroelectric power and more recently oil and natural gas. The state provide huge economic growth and life quality not by these natural resources but also strong institutional capacity. For instance, Norway is considered one of the least corrupt countries in the world. (Mehlum, Maune, Torvik, 2006:3).

To move towards a market oriented economy and the functioning of those markets depends on governments to provide economic information and incentives and to create the necessary legal environment for the incentives to be efficiently used... The state must simultaneously reduce its distributive role, create new institutions where they do not exist, and pursue institutional improvements that go substantially beyond abolishing the earlier dirigisme (Wandawella, 1998:682)

In addition to this, Wandawella (1998) argues that distributive states may be seen as strong and autonomous in first sight. However, this apparent stability can mask the profound transformations which is brought by international economy for a period of time. The success of this liberal movements would be depended on composition and organization strength of social coalitions that is directly tied to the historical process of state building. In Libya, the combination of the structures left by colonialism and the lack of institutional development caused by colonialism and rentierism and the luxury of oil development allowed rulers of the states not to extend state. Institutions of Libyan state was consolidate regulation in the state. Instead, they tried to keep power of the state. To provide long term economic development, strong

institutional capacity and independent economic bureaucracy are crucial (Wandawella, 1998). In this regards, despite the social, political and economic adjustment policies by the economic liberalization, like all regional oil exporters adopted infitah by having kept their political regimes in power (Wandawella, 1998).

In Libya, apply this kind of economic reforms is difficult because of etatisme. Etatisme has been focused on pursue the far more difficult task of regulating the economy, in both cases that state simply assumed power over all economic activity. Ever since independence, the king and the Qadhafi government deliberately pursued policies that limited and reduced an active, interventionist role for institutions and bureaucracies in the country's economy. Qadhafi's more radical populist economic policies had brought all aspects of the economy- from banking to retail trade- under the direct purview of the state. (Wandawella, 1998:110)

In this regard, it is possible to argue that economic reform should be implemented through economic and political institutions and these institutions are used for rent- seeking and for political purposes in distributive states (Wandawella, 1998). By this regards, it is possible to claim that to implement successful economic reforms, the structure of institutions should be changed (Wandawella, 1998). However, this can weaken the power of the government so that the states generally try to implement economic reforms by keeping existed institutional structure valid. As a result, unsuccessful attempt to liberalization can be seen. The reason is mentioned before that liberal economic reforms needs minimum or no state intervention to the market that market can operate freely. Therefore, it can be summarized that, infitah (economic liberalization) could not sustained balance in the Libyan state in the long term. Although privatization movement helped Libyan economy, this prosperity could not reach whole strata of the society because of central

authority and incapable institutions led by distributive oil rentier state (Altunışık, 1996; Wandawella, 1998).

The failure of Libya's infitah dramatically illustrates the challenges distributive states face when implementing broad economic reforms- or more narrow liberalization and privatization strategies- that are meant to reduce the unique and highly peculiar position the state occupies. Even if rulers prove willing to implement reforms when facing severe fiscal crises, they face more profound obstacles that are related to the nature of economic institutions in distributive states and that are linked to the intertwined economic and political objectives those institutions pursue during boom periods. These obstacles are the outcome of structural and institutional weaknesses that emerge from the state building process within distributive states. (Wandawella, 1998:172)

According to Altunışık (1996), the lack of institutional capacity is one of the most important factor that affects the implementation process of economic reforms in Libyan state. As it is mentioned above, Libyan state actively participated in production and market exchange. However, strong economic and political institutions are needed to mobilize resource domestically. Also, through these institutions, distribution of these revenues can be sustained equally among citizens. Libyan state are avoid of strong political institutions. Therefore, they could not collect information about society. As a result, economic policy became very problematic because of absence of adequate and effective data on the economy and population. Altunışık (1996) claims that 'creation of markets is a highly political process' .On the other hand, because of absence of strong and effective economic institutions, Libyan state could not be successful to create an effective market economy. It is possible to claim that to be successful on implementing economic reforms, the first and crucial step is to constitute and organize

efficient economic condition within border. In this way, successful integration in the international market and privatization can be achieved.

To summarize the general conditions of the Libyan state before and after economic reforms, Secretariat of GPC, analyzed the more structural origin of the problem of Libya. These were mismanagement and dislocations (especially increased by the effects of US boycott), high inflation rate and inefficient distribution. Unlike bureaucrats and loyalists of Libya, average Libyan was standing in bread lines. The state supermarkets had been responsible to subsidize goods for the population and they had been a key element to get rid of private traders. However, they started to be damaged under the weight of corruption and disorganization. (Wandawella, 1998). It is possible to argue that because of absence of strong and regulatory economic and political institutions, income equality between Libyan citizens and durability against internal conflict could not be sustained. Liberal economic reforms strengthened the position of Libyan elites and Qadhafi's allies. On the contrary, regular citizens began to suffer from this liberalization process. It is possible to argue that these economic reforms began to be implemented from the top without getting information from the citizens and economic life of ordinary citizens. Altunışık (1996), Wandawella (1998) and Roumani (1998) agreed that Libya's historical problem is with its central authority and hierarchical structure of the state. As it is mentioned before, during the reforms, Qadhafi tried to keep their central power over the state and control were still on the hand of central bureaucracy. Libyan state could intervene to the market (Altunışık, 1996). It is possible to claim that central authority and

rentier characteristic of Libyan state cause two important thing. First one is that free market economy could not operate, easily. Second one is that control of state over market forces did not change the power structure of the society in which elites were participating in production process and gaining more profit form state's revenues rather than ordinary citizens. Wandawella (1998) emphasizes on the negative effects of state intervention in market for the state. The more state intervenes in the market, the more rent seeking occurs. While state is restricting the activities of other people, it led privileged groups who access to goods through legal monopolies and as Karl (2005) pointed out that state turns to the honey pot in which people try to capture the place near the central authority to get access to the oil revenues more than before. State institutions capacity was not enough to penetrate society because of the distributive nature. Despite of Qadhafi's ideology like stateless, egalitarianism that were controlled by members of Revolutionary Command Council, the top military elite and a cluster of Qadhafi loyalists. However, these acted like consultative mechanism which regarded Green Book as guide (Wandawella, 1998). The reason is that the implementation of popular rule and popular management and main spending activities were highly controlled by Qadhafi and country's ministers (Wandawella, 1998). By this regard, Wandawella (1998) sees Green Book and Popular Council like RCC as a hiding mechanism of Libya. These hid the states' inability to regulate economic, social and political life of the State and provide protection from rebellion of people. It is possible to say that Green Book and Qadhafi's own policies like egalitarianism were used like social distribution system of

the state which help state to get consent of people by using a kind of soft power. In other words, this was a kind of silencing mechanism. The Green book gave Libyans neither the political nor civil rights under international law (Wandawella, 1998). The distributive states are like a leviathan who systematically uses the resources at its disposal to keep itself in power, who with great skill, manipulates a complex system of symbols and national myths. (Wandawella, 1998). Wandawella(1998) pointed out that the Libyan leader, Qadhafi, not only failed to create the administrative, regulatory and legal institutions to consolidate balanced market internally, but also he tried to abolish them outright after the 1977 Sabha declaration with its revolutionary initiatives. However, for true economic liberalization, these features of institutions are absolutely important (Wandawella, 1998). He connected the reason of this issue with the features of oil wealth countries, rentier state. If the strong institutions were consolidated, the daily management of economic activity and success of the economic reforms could be stronger (Wandawella, 1998).

In the light of these information which is mentioned above, it is possible to say that economic structure of the Libyan state and being dependent on oil revenues is one of the most important factor that effects Libyan state and that cause the crucial step for Libyan civil war in 2011. In addition to this, to provide balance and to overcome the economic problem, Libyan state began to implement economic reforms that was based on privatization and liberal economy. However, authoritarian features of Libya, rent- seeking activities and lack of strong political and economic institutions

made these reform process difficult for Libyan state. Consequently, in 2011, people began to rebel against the state. As it is mentioned before, their main claim was economic. When ordinary people were claiming for income equality and human rights, Libyan elites were claiming for more power. In general, rebellion agreed on one common point which is that existed regime should be gone (Prashad, 2012).

According to Resource Curse Theorists like Karl (2005), Collier and Hoeffler (2005), DiJohn (2011), and Humphrey (2005), characteristics of Libyan state which is mentioned above is the direct result of being rentier state. On the other hand, when the literature about Resource Curse theory is analyzed, the other important factor which may trigger civil conflict in rentier state is external actors. Humphrey (2005) named this factor as 'greedy rebel outsider'. Third parties, which can be states and organizations, may cause the conflict in rentier state directly or indirectly. They can intervene to the countries directly to gain control over lucrative resources or they can support rebellion activities throughout the region (Humphrey, 2005). When the Libyan civil war is analyzed, there are lots of claim about role of external actor. Some of them can be proved like NATO and UN supports to rebellion. Some of them cannot be proved because of lack of evidence. As a result of analyzing news of international media and account of social networks, it is possible to seen that rebellion groups was directed and supported. For example, by the claim of human rights and democracy, and invented games that is about destroying autocratic leader, people began to be directed to rebel against their own undemocratic regime and autocratic leader

(Nzemroaya, 2011). In the following quotation of the study of Draitser (2014), despite of false representation by media and foreign actors, to see the reality and how greedy rebel forces used the internal events of state to gain control over state can be analyzed:

In its 2011 reports, Amnesty International documented a number of flagrant war crimes carried out by the so-called 'freedom fighters' of Libya who despite being hailed in the Western media as 'liberators', used the opportunity of the war to carry out mass executions of black Libyans as well as rival clans and ethnic groups (Draitser, 2014).

After almost ten days, draft resolution which was prepared by French, Germany, United Kingdom and United States of America accepted by UN. By this resolution, no-fly zone and frozen wealth of relatives of Qadhafi and embargo on selling arms to Libyan military force were decided. UN began to control Libyan air zone. However, NATO air forces was still bombing Libya. In this point, the study of Bölme, Ulutaş, Özhan and Küçükkeleş (2011) shows comprehensive results about UN resolution and NATO actions. Although the main claim of UN and NATO intervention was human rights, rules of law and democracy and stopping violence in the Libyan territory, their action was not compatible to the rules of international law. According to international law, if democratic ways is finished for conflict resolution and even if this crisis reaches to international level, the last alternative is military intervention (Bölme, Ulutaş, Özhan and Küçükkeleş, 2011). However, UN did not wait for the period of time to see that Libyan civil war would reach to international level or not. The first action of UN became military intervention (Prashad, 2012). On the other hand, by the claim of genocide, Qadhafi was shown as enemy and murderer by international media like Al-Jazeera, BBC and USA,

after the Libyan civil war, the reality revealed. According to reports of Amnesty International, it is claimed that people were killed not only by Libyan military forces but also by rebellions and NATO forces (Prashad, 2012). Consequently, the actions of external actor can be seen but their main aim to gain control over lucrative resources cannot be proved. However, the speech of old general of NATO and important bureaucrats of USA that is mentioned previous chapter and actions of UN and NATO during the civil war direct this study to analyze the role of external actor that is regarded as one of the factors that why oil wealth states is cursed by oil rather than blessing.

NATO's aggression was never about protecting civilians or human rights, but rather regime change for economic and geopolitical interests. That the majority of the population, including black ethnic minorities, is worse off today than they ever were under Qadhafi as a fact that is actively suppresses (Draitser, 2014).

In short, it is possible to say that reforms could not be enough and beneficial for Libyan state to provide stability and development. Oil became curse for Libya unlike what appeared. The reasons of unsuccessful results of adjustment policies of Libya were examined by mainly focusing on Altunışık (1996) and Wandawella (1998)'s ideas. They explained these reasons by using the main claims of resource curse theory. In this point, let's summarize the general circumstances of Libya before 2011 by dealing with resource curse theory. Libyan state was depend on oil revenue and has one- sided integration to the international economy. Fluctuation of oil prices and economic boycott from Western power affected Libyan economy negatively. As a distributor, state began to be not enough to sustain stability and to provide social welfare to their citizens. Because of absence of taxation

system and productive activities, economy of Libyan state could not be fed by other alternative way different from oil revenue. In addition to this, because of weak institutional mechanism, monitoring state activities and flow of oil could not be provided which gave path to the rent- seeking, corruption and inequality. According to Acemoğlu and Robinson (2012), the reason of fail of nations is because of their extractive economic institutions. These extractive economic institutions do not create the incentives needed for people to save, invest and innovate. Extractive political institutions support these economic institutions by cementing the power of those who benefit from extraction. Greedy outsiders indirectly intervened to this process, by economic boycott, they aimed to extend their policies and open Libyan economy to abroad which was constrained by autocratic leader, Qadhafi. Finally, Qadhafi was forced to apply liberal economic reforms in the Libyan state. However, rentier state features like autocracy and weak institutions caused failure of reforms in long term. Because of absence of strong institutional mechanism, unequal distribution of revenue and growing gap between rich and poor began to be seen. Contrary to expectation, Libya scud to the more negative circumstances. Beside not regulated economy, strengthened market class began to want more money and more power step by step. Qadhafi's government, which supported them and created path to develop before, became obstacle for them anymore. On the other hand, by increasing the importance of oil, external actors has been crucial at oil wealth countries. They do not prefer autocratic leader and isolationist policies in international economic system so that they can intervene these region that have rich oil

reserves. As Wesley Clark told that is Middle East and North Africa had no oil reserves, nobody would be interested with these regions. When Libyan case is analyzed, it is possible to argue that conditions which are prepared by internal dimension, was used by external actors and they tried to gain control over oil reserves of Libya by using internal dimensions of Libya as an instrument.

Wars today, rather than the state- based conflicts of the past more commonly assume an internal or regionalized form. Moreover, unlike those associated with traditional national liberation struggles, warring parties are often regarded as pursuing sectarian economic or ethnic interests rather than universalistic political motives. (Kaldor, 1999)

CONCLUSION

In this thesis, detailed literature research were done to reveal the reasons of Libyan civil war by regarding the theory of resource curse. The main aim is to answer the question that is Libya cursed by oil or not. At the end of this research striking results were obtained regarding the relations between oil wealth and civil war.

First of all, result were obtained for this thesis provide an insight into the oil wealth state and their main characteristics which make the tendency of civil war more likely in oil wealth states. Rich literature about rentierism and resource curse help this research to examine the internal dynamics of Libyan state that prepare ground for the civil war. By the increasing in the demand to oil put oil wealth state to the first place in the resource curse literature. Their economic structure is the most important features that makes them so vulnerable to the oil fluctuation in the international market. The reason is that their economy only depends oil revenue to operate. Not developed any beneficial tax mechanism and productive activities deprive these state from any alternative to feed their economy. As a result, changing oil prices directly affects their import and export balance and this can leads to budget deficit of the country. In this point, it is important to say that as being distributive state, in this kind of situation which is mentioned above decreases the capability of the state to afford citizens' need and in the long run, state can face the rebellion activities of people who suffer the structure of the state.

Authoritarianism and absence of taxation mechanism decrease the accountability and connection between state and citizens, placing of few people into the production and distributive process decrease the strength of institution in the oil rentier states. The weaker institutional mechanism caused to the weaker cover mechanism in oil rentier state. Although, in the short run the state seems more powerful and citizens seems weaker, in the long run it cause weak state, strong citizens by rebelling activities.

Based on the results of this thesis, it is possible to say that despite the unique ideology of Qadhafi, Libyan state fell into the catastrophic reality of resource curse. In the Green charter, Qadhafi emphasize on the egalitarianism and power of people. However, this ideology remained as only principle. He could not be successful to put these principles into the real life as Altunışık claimed. When the features of Libyan state were analyzed, especially after the beginning of economic reform movements regarding economic liberalization, the negative side of rentier state features revealed more clearly. The weak institutions of the Libyan state became obstacle for Libyan state to provide long term economic development and stability within border. On the other hand, the Qadhafi's insistence on the central authority and absolute power of the state is crucial for the failure of these economic reforms in the long run. Furthermore, in this thesis, the new international economic structure and its repression on the not liberalized and oil wealth state were obtained. In the interdependence international economic structure, long term development by adopting isolationist policies were seen as utopia. If the state does not obey the rule of new international economic structure, it

can be exposure to economic embargo and restrictions and international economic structure force the state to liberalize like Libya.

Based on the research, it is possible to argue that interests of external actor on the rich oil reserves on Libya gave path them to intervene to the Libyan civil war. Despite of their claim on 'humanitarian intervention' to the conflict area, newspaper arguments, reports of some international organization groups like Amnesty International, International Crisis Groups shows the exaggerated claim of Western power to the Qadhafi's regime. In addition to this, the speech of the Wesley Clark, who is the retired general of the United States Army and old chief commander of NATO, clarifies the reality behind Arab Spring in general, Libyan civil specifically.

In this point, based on this research, one significant point should be emphasized. Libyan internal dimensions due to being rentier state and Qadhafi's ideology combined with the pressure of international economy and external actor. These combination prepare the ground for the Libyan civil war. During the Libyan civil war, external actor directly involved. The reason is that Libyan internal conflict gave chance to them to gain control over lucrative resources. Collapsing Qadhafi's regime and getting the worst of Qadhafi and his allies destroy the obstacle to control over Libyan rich oil reserves and integrate Libyan state totally with the international economy.

To sum up, this thesis can contribute to existing literature on the resource curse and Libyan civil war thanks to comprehensive research on this topic. This shows that Libya is cursed by rich oil revenue. Although

having rich oil reserves can be seen as blessing in the first sight, in reality, these resource wealth can cause serious problem for resource wealth countries. These serious problem can be not only results of internal dimensions of the state but also strategic value of oil wealth state make them target for external actor for imperial aim.

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