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The Resource Curse

Has oil been a curse for nations who possess it? It's a fascinating question to explore. From history we can observe that some have turned their oil into wealth and economic stability while for others it caused their demise. The reason may seem obvious, but why do some succeed, and others fail?

For a long time, oil has been weaponized. Through the Seven Sisters like Exxon, BP, etc. the West has dominated global oil markets for most of the 20th century (Mitchell, 2011). They dictated prices, production, political elections and revolutions frequently working with Western governments to ensure resource-rich nations stayed dependent on oil companies for their technology while making the least royalties (Myrdal, 1978). Countries that attempted to break free by nationalizing their oil (Iran in 1953 and 1979, Venezuela in the 2000s, Libya in 2011) faced severe consequences following the civil unrest (Chang, 2002). A clear pushback against rebelling the status quo.

OPEC was founded in 1960 with a mission to counteract Western monopolistic control and influence; however out of necessity it had to maintain a relationship with the Seven Sisters. Moreover, member countries differ in their domestic economic and political interests. Given Saudi's close ties with the US and the extreme stance of Iran and Venezuela weakened the unity and organizational power.

As a result, many member nations found themselves in political turmoil often sponsored by the West under the disguise of democracy. The most recent one being Libya's uprising in 2011. Since joining OPEC in 1962, Libya, under Gaddafi had no national debt, the highest GDP per capita and a stable economy. But when the leader appears unpredictable to the Western oil interest, the country is under a constant crosshair. As some would argue, under the aspirations of freedom, NATO help overthrow Gaddafi (Mitchell, 2011), and Libya fell into civil and tribal war. It became a divided and unstable nation, the right combination needed for uncontrolled access to the resources.

Interestingly, not every oil-rich country has suffered this fate. Some have managed to maintain control, avoid domestic collapse while building sustainable economies. The best examples include UAE, Qatar and Norway. Their survival was due to their distinctive yet effective long-term economic and diversification strategies. Norway ensured oil profit to be reinvested for future generations. In contrast UAE and Qatar devoted their profits heavily to education, technology, finance and infrastructure. These sectors took the dependency out of oil and helped create a regenerating ecosystem. Thus, limiting the oil overreliance and gradually shifting to other mega-industries. Something that, Gaddafi failed to do so.

Some visionary leaders who believe in the finiteness of their resources with legitimately and culturally rooted governance method often succeeded. On the other hand, Norway's success is due to strong institutional transparency and minimal corruption. Whether institutions or leaders matter more to ensure long-term success is debatable. However, if we compare the best answer may be a combination of leadership and desire. This should be paired with establishing a foundational institution for longevity.

Fear of destabilization instigates many resource-rich countries to walk on a fine line, balancing between resisting and allowing external influence. Both come with a package-deal that is not ideal. Hence, many stay cautious and neutral in global geopolitics to avoid similar fates of Iraq or Libya. In the meantime, they strengthen their economic alternatives and leverage (Cleveland, 2008). Naturally choosing stability over political ideology.

Finally, with the rise of UAE, Qatar, and Saudi Arabia as economic powerhouses, a change in narratives is emerging. They are actively building a strong science, technology and finance hubs to become global players (Chang, 2002). By exchanging their crude-oil for undeniable technological advances they are shifting influence. Meanwhile, others still remain trapped in a cycle of instability, corruption, foreign control and internal conflict (Mitchell, 2011).

So, does escaping the oil curse require a strong leader, strategic institutions, or simply a fear of being destabilized? The answer isn't simple, but the clear significance is a nation that controls its oil wealth controls its future.

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