مـركـز بروكنجز الدوحـة
BROOKINGS DOHA CENTER

Brookings Doha Center Analysis Paper
Number 20, April 2018

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Acknowledgements

We are most grateful to the friends and colleagues that engaged and reflected on the ideas presented in this paper as it steadily took shape. We would like to acknowledge the assistance of our colleagues at the Brookings Doha Center, particularly the research and communications teams, for all their work on the development and publication of this paper. We also appreciate the comments of Dina Guirguis and two anonymous reviewers.

Robin Mills and Fatema Alhashemi
Doha, April, 2018

Executive Summary

Over the last couple of decades, much of the Middle East and North Africa (MENA) has witnessed protests, labor unrest, localized demands for development, and movements for autonomy or even secession. While those incidents have communicated a wide variety of grievances, a closer look at the nature of the demands highlights some recurring themes in specific localities across the region. This is particularly true in regions that are rich in natural resources. People in the Kurdish Region of Iraq and Basra, Barca in Libya, Khuzestan in Iran, Gafsa in Tunisia, the Eastern Province of Saudi Arabia, Hasakah and Deir el-Zour in Syria, and Hadramawt and Sheba in Yemen have all voiced grievances about their lagging development, despite the fact that resource revenues are generated within their regions.

Much of the regional demands are reminiscent of the demands expressed by MENA states in the previous century, when they nationalized resources from foreign firms during their push to gain independence. States protested that firms were directing revenues away from the lands that generate them and depriving countries of much needed capital and wealth. Resource nationalization emerged to retain more revenues locally. While "resource nationalism" justified efforts by states to gain control over natural resources from foreign firms, "resource regionalism" is now echoed by local communities in resource-rich regions to justify demands to retain further benefits from locally-generated resource revenues.

The emergence of resource regionalism reflects a reality where spatial inequality is coupled with high levels of social fragmentation and conflict. When colonial powers retreated, new highly centralized governments emerged that continued a spatially-biased development policy that had featured under colonial rule, favoring urban and coastal centers over the remote rural areas where most resources happen to be located. Once again, the revenues were being directed away from the lands that were generating them. When national identity and cohesion proved weak, communities living within those lands became interested in retaining more of the resource revenues, attempting to remedy their political and economic grievances by applying the logic of resource nationalism but in a narrower regional context.

Governments in the MENA region face the challenge of understanding, accommodating, and adapting to the underlying pressures that drive resource regionalism. Resource regionalism can exacerbate social fragmentation and instability. If left unaddressed, tensions can transform these countries into fertile ground for extended conflict, especially in the event of political shocks such as civil war, regime change, popular uprisings, partition, or foreign invasion. While resource regionalism does not have to lead to separatism, it can be particularly salient when inhabitants of a sub-state region see themselves potentially as members of a distinct "nation."

In dealing with resource regionalism, governments should avoid policies that reinforce regionalism and the reliance on resources. Mechanisms that pay attention to the grievances of resource-rich regions, while neglecting regions that suffer from similar marginalization and disadvantage but happen to be poor in resources, can reinforce the perception that regions that are rich in resources have a higher right over them. This in turn can exacerbate regional divisions. Policies that target spatial inequalities on the national level can alleviate tensions without encouraging regionalism. Similarly, mechanisms that maintain resource dependency make these resources an easy target for sustained tensions and conflict. Diversification can thus help break the cycle of conflict over resources and promote stability.

Resource regionalism increases the urgency of addressing spatial inequalities in development. While resource regionalism is complex, arising from a confluence of fault lines that lie at the heart of the institutional dynamics that have governed the modern Middle Eastern nation-state, spatial inequalities stand out as a particularly strong grievance that features across those regions. A thorough survey of possible mechanisms to address those disparities would include all facets of governance. To avoid presenting a discussion that is too broad, this analysis paper focuses specifically on ways to enhance resource revenue allocation by governments and weighs a few mechanisms, including resource revenue sharing tools, regional development funds, regional state-owned enterprises, and resource dividends, briefly highlighting the advantages and disadvantages of each.

The paper concludes by shedding further light on the complexity of the issue through discussing the experience of post-invasion Iraq. Between its tensions with the Kurdish Regional Government (KRG), Basra, and other oil-rich governorates, the central government of Iraq has had to develop a multi-layered resource allocation system that distributes revenues across all regions, while also allocating special funds to oil-producing governorates. This has led to zero-sum bargaining over revenues to the disadvantage of resource-poor regions, as oil-wealthy governorates sought to further their advantage through independent agreements with foreign companies. The KRG, as a special semi-autonomous region that hosts strong separatist aspirations, has until recently been particularly successful at this, presenting an extreme example of how resource regionalism can unfold.

Introduction

Burning oil tanks in Ras Lanuf, tense standoffs in Kirkuk, popular protests in Khuzestan, demonstrations in the phosphate town of Gafsa, and rudimentary oil refineries run by the Islamic State around Deir el-Zour have become iconic images. Over the past two decades, natural resources have been a target for sub-national groups in MENA–fueling desires for greater control over these resources, and also making those desires more attainable.

This century, MENA states have faced significant challenges from political shocks: civil war, regime change, popular uprisings, partition, or, in the case of Iraq in 2003, foreign invasion.[1] Some countries have descended into conflict and seen the rise of subnational political actors, some of which have sought to increase their control over local resources. This paper explores the role of natural resources in these conflicts, illustrating that while tensions over resources are apparent in countries experiencing open conflict, they are also present in more stable ones. In those latter cases, tensions manifest in protests, labor unrest, localized demands for development, and movements for autonomy or even secession. If left unaddressed, tensions can transform these countries into fertile ground for conflict, especially in the event of future political shocks.

Natural resources tend to be geographically concentrated in areas that are far from, or not as populous as, urban centers.[2] However, wealth and development projects in MENA tend to focus on urban centers, capital cities, and coastal areas. Such disparity has inspired feelings of disenfranchisement among people living in lagging regions, including resource-rich ones. In these regions, local communities have expressed discontent over the extraction of resources from their lands, often at an environmental and social cost, to the primary benefit of more-favored areas. In some situations, such feelings of disenfranchisement, whether actual or perceived, have coincided with social solidarities among sectarian, ethnic, and/or tribal groups. Those groups have sought to retain a greater share of revenues from the resources extracted within their lands, in an effort to alleviate spatial biases in development. This has contributed to local community protests, labor unrest, and, in some cases, rising separatism.

This paper refers to this phenomenon as "resource regionalism."[3] While the term “resource nationalism” is used to refer to a state’s efforts to gain control over natural resources from foreign firms, resource regionalism refers to local demands in resource-abundant regions for further benefits from locally-generated resource revenues.[4] In other words, roughly speaking, resource regionalism can be seen as a localized manifestation of resource nationalism. When spatial inequalities and social fragmentation increase, new groups start seeing the resources as an avenue to remedy their political and economic grievances by applying the logic of resource nationalism, but in a narrower regional context.[5] Resource regionalism does not have to lead to separatism, but it can be particularly salient when inhabitants of a sub-state region see themselves potentially as members of a distinct “nation.”

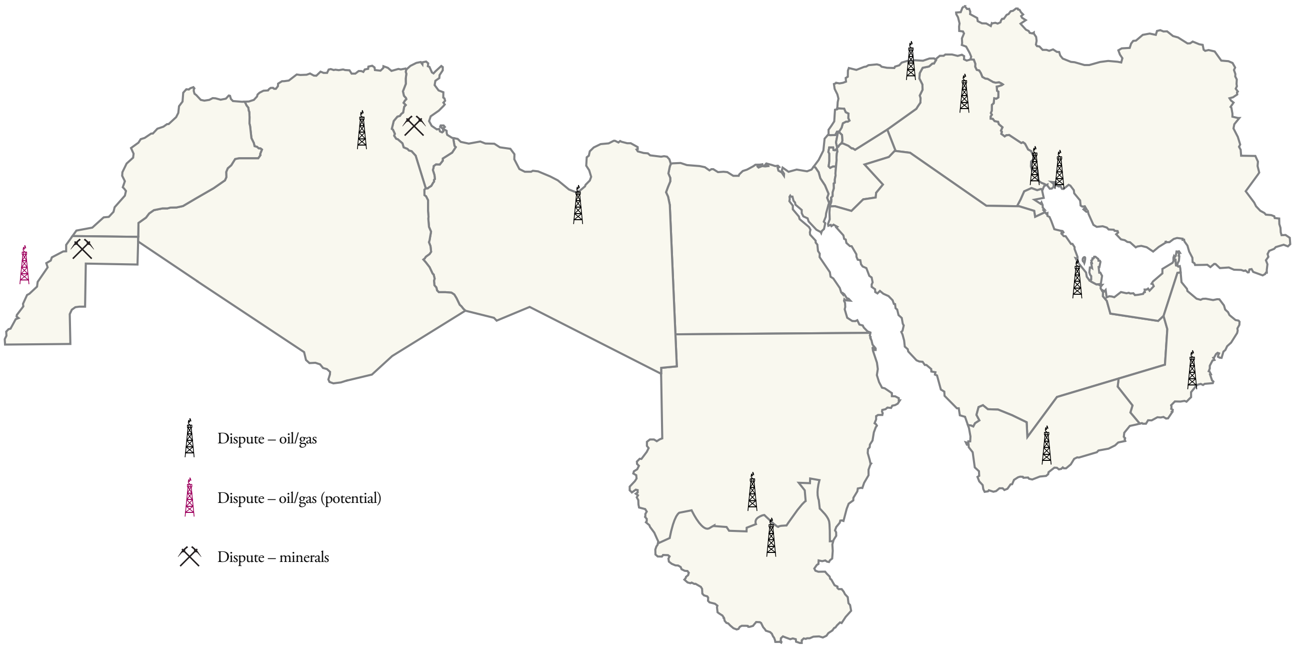
Significantly, protests, labor unrest, and demands for development have been taking place in resource-poor regions as well. While the uneven geographic distribution of resources complicates the dynamics of conflict between the state and resource-rich regions specifically, the grievances of those regions are not unique and should not be addressed in isolation. MENA governments face the challenge of understanding, accommodating, and adapting to the underlying pressures that drive resource regionalism. In doing so, they have to examine the role of the state in reinforcing and reproducing regional divisions and perceptions of spatial inequality on the national level in lagging areas that are rich or poor in resources.

Policies that address spatial inequalities and social fragmentation on the national level are necessary, not only to meet the demands of all lagging regions, but also to avoid enshrining the idea that people living closest to the resources have a greater right over them. Policies that aim to diversify the economy away from resources are equally important, as they can break the cycle of tension over rent division.[6] Policy options that reinforce subnational rights over resources and resource dependency are fiscally unsustainable. They also risk reproducing resource regionalism and strengthening regional solidarities as a mode of political organization, which only exacerbates the potential for conflict and state collapse.

This analysis paper begins by mapping out instances and degrees of resource regionalism in MENA, broadly defining the issue. It then places the issue within the political economy of the MENA state and demonstrates how resource regionalism belongs within a wider picture of spatial inequality and social fragmentation that has been fueled by colonial legacies, centralized states, resource reliance, and the lack of political rights. The paper then demonstrates how the uneven distribution of resources can feed into the aforementioned dynamics and increase the potential for conflict. Finally, given the complexity of the issue, the paper focuses on mechanisms that can address spatial inequalities, in an effort to reduce regionalist tensions. It specifically looks at options that can allocate revenues more evenly across regions. The paper concludes by presenting a case study on post-invasion Iraq to demonstrate the complexities that come along with those policy solutions. Ultimately, it argues that resource regionalism increases the urgency of finding appropriate methods to address spatial inequalities and unbalanced development in MENA.

Cases of Resource Regionalism in MENA

The table and map below briefly summarize the main examples of resource regionalist tensions in MENA. These tensions have occurred in regions that are rich in resources, feel marginalized by the central government, and have expressed demands for jobs and development through the region's resource wealth. Particular attention should be paid to regions that make up a significant portion of the population and where tensions also happen to be ethnic, religious, or tribal, as they have sometimes (but not always) escalated to separatism. In some cases, the central government has been willing, or was compelled, to accede to the campaigners' demands. Sometimes, the state has largely frustrated their aims through political mechanisms, and, in some, it has responded with violent repression. Of course, these demands originate from a wider spread of grievances and aspirations than simply each region's natural resources.



Country	Region	Share of National Population	Resource	Identity Groups	Resource Regionalist Symptoms[7]
Algeria	Southern Algeria		Oil & gas		Protests, demands for jobs and development
Iran	Khuzestan	~6%	Oil & gas	Arabs	Protests, sabotage
Iraq	Kurdistan Region	~17%	Oil & gas	Kurds	Autonomy; separatist movements
	Basra	~8%		Shi'ites	Protests; demands for autonomy & increased revenue shares
Libya	Cyrennica	~26%	Oil & gas	Arab tribes	Demands for autonomy/protests
	Fezzan	~8%		Tebou, Tuareg	Armed clashes over oil smuggling, oil field guards
Morocco (administering power)	Western Sahara	~2%	Phosphates; oil & gas (potential)	Sahrawis	Autonomy; separatist movements
Oman	Haima	~1%	Oil & gas		Protests, demands for jobs and development
Saudi Arabia	Eastern Province	~11%	Oil & gas	Shiites	Protests, demands for jobs and development
Sudan	South Sudan	~24%[8]	Oil	Christians; various non-Arab ethnic groups[9]	Independence (2011)
Syria	Hasakah	~7%	Oil	Kurds	De facto autonomy (since 2011)
	Deir el-Zour	~6%		Arab tribes	
Tunisia	Gafsa	~3%	Phosphates, Oil & Gas		Protests, demands for jobs and development
	Tataouine	~1%			
	Kebili	~1%			
	Kerkennah islands	~0.1%			
Yemen	Hadramawt region, Sheba region	~8% ~6%	Oil & gas	Hadramis	Protests/Sabotage/ Demands for autonomy

These cases can be broadly divided into three groups:

1. Protests, strikes, and sit-ins largely focused on improving regional economic conditions, providing employment, gaining more local consent for development, and mitigating negative environmental impacts: Tunisia, Algeria, Iran, Oman, Saudi Arabia.

2. Protests and political movements for greater regional control of revenues and political autonomy: Iraq (Basra) and Yemen.

3. Political movements and, in some cases, armed struggle for greater autonomous control over natural resources or even outright separatism: Iraq (KRG), Kurdish-controlled territory in Syria, Libya, Western Sahara, and South Sudan.

Some MENA countries do not face issues of resource regionalism either because they are poor in natural resources, their natural resources are located offshore, or they are small enough not to be divided into distinct regions (e.g. Bahrain, Kuwait, Qatar). The UAE is an interesting case: a federal entity where each of the seven constituent emirates has sovereignty over its natural resources (dating back to before the 1971 union of the emirates). Abu Dhabi is by far the most resource-abundant but bears the cost of most of the federal spending. This system has generally worked well, as no resource-related divisions have surfaced to date.

No identified studies have examined the relationship between spatial inequality and regional resource wealth in the Middle East.[10] However, a body of evidence broadly corroborates the perceptions of spatial and ethnic inequality as expressed in the regional grievances mentioned above.[11] A study on expenditure inequalities in the Arab region found that regional and rural-urban disparities were significant contributors to overall inequality in the region. While regional differences were highest in Iraq, rural-urban disparities were the main driver of expenditure inequality in Tunisia. Additionally, spatial inequalities increased during the period 1997-2010 in most MENA countries, including Syria, Tunisia, Yemen, and Jordan.[12]

Similarly, in a study that examined ethnic inequality by comparing satellite images of nighttime luminosity with the historic locations of ethnic groups, ethnic inequality was found to be high in nearly all Arab Spring and civil war-affected MENA countries. It was high in comparison to ethnic inequality in other regions and relatively high compared to each country's own spatial inequality, although spatial and ethnic inequality tended to be highly correlated.[13] This is not surprising, as many identity based-divisions tend to be geographically concentrated around specific regions. Finally, Arab countries tend to have a higher ratio of rural to urban human poverty compared to other developing regions, except Latin America and the Caribbean.[14] In many MENA countries—the whole of North Africa, Syria, Saudi Arabia, Yemen, Oman, Iraq and Iran—the capital city is not in a resource-rich region.

Those studies add some legitimacy to the concerns of peripheral communities in MENA, which should not be construed as rent-seekers primarily interested in seizing resource wealth. Demands for a fair return on resources tend to promote a broader set of demands for rights and inclusion, which emerged as an effect of policies that were too centralized, divisive, and opaque. Such policies have contributed to a reality where both spatial inequalities and social fragmentation are high, fueling the emergence of those regional concerns.

Spatial Inequalities in MENA: Resource Nationalism and the Centralized State

MENA countries are, of course, different in various ways, including their colonial history (French, British, Italian, others or none), their size and population, their ethno-religious make-up, and their resource endowment. But certain trends and patterns are discernable across the region, and the following discussion focuses on such commonalities.

When MENA emerged out of overt or indirect colonialism in the second half of the 20th century, nations gradually moved to gain further control over their natural resources from international firms that had wrested control of these resources by signing long-term concessions with MENA governments circa World War II.[15] This movement marked the beginning of "resource nationalism." States started to pressure companies to increase production and to renegotiate the fiscal terms of their agreements. By the 1970s, national extractive companies emerged, and producer governments gained full control over their oil operations.[16] Along with steep rises in oil prices from 1970 onwards, this resulted in substantial increases in resource revenues collected by the state, which took on the role of distributing revenues to support human and economic development.[17] However, the state's distribution mechanisms were usually spatially biased, which can explain much of the spatial inequalities highlighted in the regional grievances above.

The spatial bias in development can be traced back to MENA's colonial past, which left it with centralized bureaucracies, where the capital city was the center of a political arena dominated by elites.[18] Those bureaucracies maintained colonial interests and underrepresented local interests. MENA was divided into "useful versus useless" regions with economies geared primarily to the provision of goods to the colonial metropolis.[19] Coastal areas received a disproportionate share of investment and infrastructure—mainly to service settler communities. Less "useful" areas were further neglected by colonial tax systems that diverted fiscal resources away from local investments toward capital regions.[20] Resource discoveries in remote areas were accompanied with the emergence of enclaves of economic development within a very tightly defined geographical space surrounding a project, along with an influx of foreign staff, goods, and services that had limited impacts on the surrounding economy.[21]

As such, upon independence, MENA inherited systems with strong spatial bias. In resource-rich countries, post-colonial administrations had large revenues at their disposal. However, instead of addressing this spatial bias, the policies that managed the revenues further centralized power at the core. In the case of Libya, for instance, a federal system was abandoned in 1963 as oil revenues grew and replaced foreign aid. The regime of Colonel Moammar Gadhafi, who took power in 1969, carried out further centralization, as well as the nationalization of some oil assets and increasing taxes on others.[22] The new states continued to govern society centrally with the backing of highly centralized administrative and fiscal systems.

The new states also perpetuated the lack of effective representative institutions.[23] In many cases, resource revenues were arguably the main factor that allowed those policies to continue, as states did not need to develop economically or represent their people to raise revenues. High-technology, capital-intensive point sources of wealth—typically oil and gas, but also phosphates—proved more amenable to government control than decentralized, lower-tech resources such as agricultural produce. In addition, it may be that the prominence of oil and gas, instead of coal, held back the emergence of effective organized labor movements, which could have sustained some decentralized representation.[24]

These states continued to be export-oriented and reliant on extractive industries, undermining the development of non-rentier productive forces. They became rentier or semi-rentier states: states that are economically dependent on rents derived from a gift of nature.[25] Through massive public investments in infrastructure, health care, education, housing, and food subsidies, they achieved unprecedented levels of economic growth and social development from the 1950s through the 1970s.[26] Those growth rates were unsustainable, but solidified the highly opaque and centralized states of modern MENA, along with their accompanying spatial inequalities. Furthermore, this development tended to benefit the urban middle classes, government employees, and the capital city, while the periphery lagged.

Resource-rich communities tend to be located in areas that are neglected by the state. Today, urban and coastal areas, where most state-led development has been concentrated, are better off than rural and inland areas when it comes to both economic and human development. Similarly, areas closer to urban centers are better off than isolated areas. These spatial characteristics hold true both on the national level and within subnational regions.[27] Many onshore resource extraction activities in the region take place in rural, isolated areas, such as southern Algeria, southern and interior Tunisia, eastern and north-eastern Syria, interior Oman, and Iran's Khuzestan plains and Zagros foothills. This is largely an accident of geography, as only in a few cases, such as Kuwait City, were leading urban areas in existence near large resources prior to their discovery. Algiers, Tripoli, Damascus, Sanaa, Muscat, and Tehran are not near large onshore resource concentrations.[28] Some of the benefits may accrue to a relatively wealthy "company town" such as Hassi Messaoud in Algeria or Ahvaz in Iran while the rural hinterland remains poor. But even urban centers in resource-rich zones can be prone to under-development, neglect, pollution, or poor labor conditions, as illustrated by Basra and Kirkuk in Iraq, Assaluyeh in Iran, Gafsa in Tunisia, and Khourigba in Morocco.

Importantly, these disparities did not necessarily emerge as a result of resource nationalization.[29] As illustrated in this section, spatial disparities were largely a legacy of MENA's colonial past, magnified by the choice of policies enacted after independence. In a World Bank study of 182 countries worldwide, governance indicators were found to explain 75 percent of variation in the agglomeration index in MENA.[30] Other factors, such as disparities in subnational investment climate[31] and cultural beliefs, were not found to be sufficient to explain the phenomenon in MENA, although further studies are required. As such, this paper approaches spatial disparities as primarily a question of governance.

Social Fragmentation in MENA: The Emergence of Resource Regionalism

However, spatial inequalities alone cannot explain social fragmentation and conflict within MENA. While demands for even development are the limit in some cases, in others, tensions in resource-rich regions have escalated to demands for privileged rights over resource revenues (beyond compensation for the costs of hosting the extractive industries) or even secession, for example in South Sudan and the KRG. This has been the case in regions where populations perceive themselves to be part of a separate "nation." The phenomenon, therefore, cannot be fully understood without examining the factors that contribute to social fragmentation in MENA, which undermine the sense of national rights over resources that featured in the previous century.

Post-independence constitutions, laws, and policies established the state as an "instrument of social transformation, economic distribution, and political mobilization."[32] The social and economic gains mentioned previously cemented an "authoritarian bargain," where political participation was exchanged for economic security and social welfare. Additionally, following long liberation struggles in many countries, strong states were deemed necessary to protect anti-colonial gains and resist covert or overt foreign intervention, Israel's occupation of Palestinian lands, and nationalist coups.

As such, the bargain created obligations on the state in addition to allowing it authoritarian privileges. With the oil bust and economic crisis in the 1980s, large gaps emerged between those expectations and practices, while government capacity to sustain its distributive-interventionist model of development diminished.[33] The states also proved ineffective in facing the looming challenges to regional security, particularly with regard to Israel. This weakened the underlying bargain between society and state, thus creating grievances and demands for change.

Political mobilization by the state meant, among other things, that the governments imposed control over organized labor, political parties, interest groups, and intellectual movements, which limited the ability of these groups to represent and express public grievances. In many instances, social organizations were incorporated by the state and became an extension of the state apparatus. In others, they were attacked and repressed in the name of security. Such limits on the freedom of organization were actively supported by Western countries, which were bent on controlling communist influence at the time.

In the meantime, many Middle Eastern states enabled identity-based solidarities such as sectarianism, tribalism, and regionalism to flourish, often by extending the "divide and rule" tactics practiced by previous colonial governments. This occurred under an informal and parallel system of patronage, which established an intervening layer of religious, tribal, and regional elites through which the state exercised power over those constituencies. Under this informal system, individuals gained social capital by belonging to those groups (which opened-up job opportunities, privileges, and access to rent). In turn, groups that adhered to the patronage system gained from expressions of loyalty to the ruling regime, and the regime ensured that they stayed under their control through balancing interests.[34]

This type of group formation came at the expense of the maturation of non-identity based political associations (such as the aforementioned organized labor, political parties, and intellectual movements) that would have facilitated the development of stronger national identities. They therefore strengthened the regime, but weakened the state.[35] Identity-based solidarities, including sectarianism and tribalism, also happen to be more geographically concentrated, sometimes in resource-rich regions. This raises the problem for the central government of maintaining control over a restive region vital to its economy; repression of political movements in such regions often fuels further discontent.

In fact, the typical MENA state lacks the transparency and the system of checks and balances that would ensure more trust between the state and citizens. The 2010 Open Budget Survey found that MENA is the lowest scoring region when it comes to budget transparency, accountability, and the performance of its oversight institutions.[36] Not surprisingly, perceptions on corruption are high; 90 percent of the countries in the region have scored below 50 in Transparency International's Corruption Perceptions Index—a failing grade.[37] Citizens know little about the resources being extracted, how much money the government takes in, and how it distributes that funding. This exacerbates beliefs of mishandling, exclusion, and discrimination, whether advantages are perceived to be in favor of the elites or certain regions, religious sects, powerful tribes, or urban areas. Those beliefs often gain prominence in resource-abundant regions, which wonder about the costs of association to the central state.

The perceived right over resources in the wider nationalist sense was initially one of the drivers behind the emergence of resource nationalism.[38] When national identity proved weak, new groups started seeing the resources as an avenue to remedy their political and economic grievances by applying similar logic, but in a narrower regional sense. Local elites in those regions became interested in breaking down the dynamics of patronage to retain more of the revenues. This dynamic was reinforced during the 2003-14 period of high oil and gas prices, which greatly increased resource rents; the greater discourse on "resource nationalism" in this period could also raise awareness of the issue of control over resources. However, generally speaking, such groups have only been successful in boosting their hold over resources when the state has been dramatically weakened by invasion, civil war, mass rebellion, or regime change. This confirms wider findings that resource wealth tends to be associated with political stability only in situations where a state is strong; when state power is sufficiently weak, resource rents tend to fuel instability.[39] High world energy prices in the recent past may thus have increased the hold of the central power in strong states but weakened it in weaker states.

It is important not to overemphasize a state's coercive power as an indicator of strength. As Nazih Ayubi notes, a state's capacity to repress is often reflective of state weakness, not strength. To Ayubi, the weakness of the Arab state is defined by a lack in "infrastructural power that enables states to penetrate society effectively through mechanisms such as taxation" and "ideological hegemony that would enable it to forge a 'historic' social block that accepts the legitimacy of the ruling stratum." Ayubi notes that the expansion of a state's bureaucracy and economy, as seen in MENA, does not mean an increase in strength, instead it simply means that the state has "annexed" a larger part of society and the economy "from the outside" without penetrating the society at large.[40] In other words, spatial inequality and social fragmentation in MENA are both signs of state weakness. Spatial inequality attests to an inability to penetrate society equally across regions, and social fragmentation has emerged as an effect of the state's inability to reproduce a unified national identity.

Escaping Regionalism and Resource-dependence

As demonstrated above, the drivers of resource regionalism are not unique to resource-rich regions but are tied to more general patterns in MENA that have reinforced spatial inequalities and social fragmentation. As such, these regions are not exceptional and should not be assessed in isolation. Yet, the uneven geographic distribution of resources does complicate the dynamics of conflict between the state and those resource-rich regions specifically. In fact, the main purpose of this paper is to inject resource geography into the ongoing debate on state stability in MENA.

Resource regionalism results in tensions that can escalate to conflict. As illustrated in the listed cases of resource regionalism, people in resource-wealthy regions have expressed grievances and demand more development and rights through avenues ranging from protests and strikes; sabotage, smuggling, and theft; to rebellion or attempted secession. More often than not, those grievances stem from legitimate causes and are not geared toward undermining national interests or the national right over resources. However, when the state is sufficiently weak, and regional grievances and political organization are sufficiently strong, conflict can escalate. As such, the state, which relies on those resources for its own longevity, mistrusts these resource-abundant regions, perceiving them as a threat to its livelihood and economic power.

The state is left with two choices. It may choose to restrict the region's rights and access to resources to avoid empowering it, thus approaching it in an exclusionary manner. Alternatively, it may choose to alleviate regional grievances through preferential treatment in an attempt to strengthen the region's loyalty and allegiance to the central state, thus approaching it in an inclusive manner.[41] However, both approaches run the risk of solidifying regional ties and networks: the first by escalating regional grievances and the second by turning regionalism into a means of collecting rent.

The situation is complicated further by the existence of resource-poor regions, which also look at tensions in resource-wealthy regions with concern. They look to the state as a unifying force that ensures that they are also recipients of rent. This dynamic can empower the state and present it as the glue that optimizes interests across subnational groups. Nevertheless, it also reinforces identity-based allegiances as a mode of collecting rent, while reproducing reliance on depleting, limited resources. The interplay between those various interests sheds some light on why resource-dependent countries tend to be more prone to civil conflict.[42]

Ultimately, any policy solutions to this problem should avoid reinforcing and reproducing two things: regionalism and the reliance on resources. To ease regionalist tensions, it is important to move beyond policies that would reproduce and reinforce the sense of regional identity. Instead, mechanisms should take a national approach to addressing resource regionalism, through addressing spatial inequalities and social fragmentation at large, instead of focusing on the grievances of resource rich regions alone. Similarly, it is important to move away from resource dependence, which only reproduces the underlying conflict over these resources. Governments should therefore look to diversify the economy and search for more sustainable sources of revenue.

Mechanisms to Address Resource Regionalism

As described above, the issue of resource regionalism is complex, arising from a confluence of fault lines that lie at the heart of the institutional dynamics that have governed the modern Middle Eastern nation-state, which have contributed to high levels of spatial inequalities and social fragmentation. A thorough survey of possible mechanisms to address resource regionalism would involve addressing these two issues. This could include many facets of governance, such as economic diversification; increased accountability and checks and balances; increased political rights; and transparency and disclosure. To avoid presenting recommendations that are too broad to be useful, this section of the analysis paper will focus specifically on how spatial inequalities can be reduced. The mechanisms presented here look at sustainable, equitable, and practical ways to allocate resource rents to address the spatial bias in development and income without reinforcing regional allegiances.

The methods below are not mutually exclusive nor exhaustive. They aim to address the issue of spatial inequality across a nation instead of focusing only on resource-abundant areas. In fact, as mentioned above, we caution against policies that would target these regions alone, as they run the risk of exacerbating the local sense of rights over resources, and thus reinforcing both spatial inequality in the country and social fragmentation. This is with the exception of necessary compensations for the specific environmental, social, and economic costs of hosting these resources. But again, if such policies were enacted, they should not apply only on resource-related operations and should include other industrial operations taking place in other regions as well.

Resource revenue sharing with local governments

Revenue sharing is closely connected with the decentralization, devolution, and de-concentration of power. In other words, it is only as effective as the political and administrative power-sharing arrangements between the central and subnational governments in a given country. Decentralization is widespread worldwide as a political phenomenon and is regarded to increase government efficiency, foster citizen participation, help devise more effective and locally relevant policies, reduce conflict, and, most importantly for our purposes, reduce spatial inequalities.[43]

Fiscal decentralization deals specifically with the transfer of revenue-raising powers (such as expenditure responsibilities and taxation) to subnational governments. In a study on 56 countries, most forms of decentralization, including fiscal decentralization, were found to decrease spatial inequalities. However, while decentralization was found to decrease spatial inequalities in developed nations, it increased or had no effect on inequalities in developing nations.[44] A similar result was found in another study of 26 countries, which emphasized the negative effect of fiscal decentralization on reducing disparities in developing countries, demonstrating that it offsets the positive effects of political decentralization.[45]

The positive effects of decentralization are conditional on a country's level of development. Developing nations should not merely rely on decentralization to reduce spatial inequalities. Decentralization needs to be coupled with improving the quality of the political and governance system, controlling corruption, and boosting human capital. This is particularly true in the case of resource-rich regions, which can be vulnerable to higher levels of corruption; degradation of institutions and rent capture by elites; and where past marginalization may have inhibited the development of human capital.

Once decentralization is decided on in principle, revenue-sharing arrangements determine the amount of fiscal independence granted to a subnational government. On one end, they can allow subnational authorities to collect revenues directly, making them self-sufficient. On the other, revenue can be collected by the central government, which then transfers funds to local authorities, making them transfer-dependent.[46] The two policies are not mutually exclusive and most countries combine the two. However, on a range from self-sufficient to transfer-dependent, subnational governments in Middle Eastern states skew heavily toward the latter end, with the exception of the emirates of the UAE and, for its recent history, the KRG in Iraq.[47] This is the direct result of the fact that MENA countries tend to be heavily centralized.

When it comes to revenue sharing of resource wealth, states can permit authorities to collect revenues from local resource operations. This might involve allocation of a specific impost (for example a royalty or severance tax) while larger revenues, such as corporate income taxes and value-added taxes, are collected federally. This is the situation in U.S. states and Canadian provinces. More fiscally decentralized countries, such as the UAE and India, allow more significant revenues to be collected locally. In some cases, as in western Australia, a share of gas produced is mandated to be sold locally, or, as in Indonesia, local governments are sanctioned to purchase equity shares in their local extractive companies. Nonetheless, such high levels of fiscal decentralization tend to be more successful in developed nations; in low- and medium-income countries, fiscal decentralization has been found to significantly increase regional disparities.[48]

States can also choose to rely on subnational transfers from resource revenues, such that local authorities receive funds from the central authority. Funds can be allocated with regard to preset percentages for different regions, or in correspondence with various indicators, such as population size, poverty rates, access to education and health, regional GDP, availability of infrastructure, and mineral/oil production. Transfer formulas are subject to the central government's objectives. Formulas that look to compensate resource-producing regions would consider that region's resource production, but such policies should be wary of giving too much legitimacy to local claims over resources at the expense of other regions. Policies that prioritize local development and the reduction of spatial inequalities would rely on indicators such as poverty rates and the availability of infrastructure.

Such arrangements, however, run the risk of exacerbating resource reliance within a country, worsening rent-seeking and further expanding an inflated public sector. Without effective systems of transparency and accountability, they can also lead to corruption, mismanagement, and more elaborate systems of patronage and elite-capture. Independent revenue-raising powers—such as Brazil—can result in conflict between subnational authorities and the central government as the state government tunes its taxes to capture a larger share of rents; either depriving the federal government of revenues or raising the overall tax burden to the point of deterring investment. Efficiency can also suffer as subnational governments cannot take advantage of economies of scale.

It is also important to consider how decentralization policies, and the accompanying resource revenue sharing arrangements, can affect ethnic conflict and thus, exacerbate resource regionalism. In a study of 30 democracies between 1985 and 2000, decentralization was found to have opposing effects: indirectly increasing conflict and secessionism through reinforcing ethnic and regional identities, but decreasing conflict through bringing government services closer to people.[49] Overall, decentralization proved beneficial in reducing conflict, except in countries where regional parties are strong. This result is particularly relevant in MENA where social fragmentation is rampant, and regional cohesions remain powerful. As will be examined in the case study of Iraq below, dramatic decentralization policies can in fact establish the foundation for secession. Poorly designed resource revenue sharing arrangements that give too much legitimacy to local claims at the expense of other regions are also likely to exacerbate spatial inequalities. Although, conditions in each country differ, and decentralization policies should be carefully crafted for each case.

Regional Development Funds (RDFs)

Regional development funds are funds that are commonly established, not only in resource-abundant countries, to redress geographic economic imbalances. RDFs offer grants and low-interest loans to projects in lagging regions, specifically with the aim of supporting more equitable and inclusive economic growth.[50] This is achieved through targeted programs that fund local business ventures and community initiatives, which can contribute to job creation, infrastructure development, and environmental sustainability while supporting regional industries and communities.

Local authorities or the central government can manage RDFs. These funds have been established most notably in Brazil and Australia. For instance, in Brazil, an RDF invested more than $38 billion in lagging regions between 2004 and 2010 through low-interest loans, primarily to small-scale farmers and small industrial firms. Studies showed a positive and statistically significant impact on job creation and GDP per capita growth in the regions, at least at the micro-regional levels.[51] Similarly, an RDF aimed at developing regional industries in the less populous regions of south Australia supported projects that created up to 2,665 jobs and generated $933 million in gross output between 2015 and 2016.[52]

RDF-supported industrial development must carefully examine means for diversification away from extractive industries. Energy-intensive industries do not generate many jobs, and local demands for employment can lead to overstaffing. Expansion should not be justified by pure sociopolitical factors rather than sustainable economic reasons. For instance, the Jazan refinery is being established in Saudi Arabia's southwest, adjacent to Yemen, to encourage local economic development and cement state control. Yet, the site is far from oil fields or pipelines; not ideal for a commercially-oriented refinery.

Notably, the effects of different modalities of RDFs are not uniform. In northeast Brazil, for instance, allocations to the manufacturing sector were found to have had the most positive correlation with growth on the municipal level, while the agriculture, commerce, and services modalities were found to be negatively related to growth.[53] Policymakers should carefully assess which sectors in a given region will show the greatest benefit from RDF spending. In many instances, more unallocated general funds for specific projects or industries might prove more effective in fostering local entrepreneurship, job creation, and a sustainable economy on the regional level.

Regional State-Owned Enterprises (SOEs)

SOEs are companies where the government holds majority ownership or a controlling interest. Such companies tend to be sector-specific and are particularly common in extractive industries. Many resource-abundant countries, particularly in the developing world, find establishing SOEs in extractive industries to be attractive as they can generate revenues to the state, create jobs, and improve sector control. SOEs however have the risk of becoming financial liabilities, supporting inefficiencies, and draining public finances. The proliferation of SOEs into other sectors (i.e. beyond national oil or mining companies) also runs the risk of crowding out private investments and undermining competition.[54]

A number of countries have established "regional national" oil companies that are either independent or subsidiaries of the main national oil company. This might occur for operational efficiency, or perhaps with the aim of creating more local employment, or gaining more control over operations or revenues for regional authorities. For instance, the Kurdistan region of Iraq has established its own national oil company, KNOC, though this continues to exist only on paper. "Federal" Iraq has established a growing number of regionally based units of the Ministry of Oil, including the North, Midland, Maysan, Basra, and Dhi Qar Oil Companies.[55] These regional companies, however, do not report to the provincial authorities. In Libya, there have been demands to move the headquarters of NOC to Benghazi in the east, giving the regional authorities there, more direct control over the industry.

Such policies may create more sense of ownership and "buy-in" in the resource-producing region. They can provide jobs, training, and local revenues in regions where some revenue collection is permitted locally. Still, there are dangers that the regional NOC has to be staffed by "outsiders" (who have the requisite expertise), or that it further dilutes an already limited institutional capacity. Yemeni laws require oil firms to hire 50 percent of their employees from communities within oil concession areas, but these laws have largely been ignored both by the firms and by the Yemeni government.[56] In any case, the oil industry is not a large employer, so such policies do not make much contribution to solving the problem of unemployment. Additionally, alleged favoritism in hiring can create further tensions.

Resource Dividends

An idea that has gained popularity relatively recently is that of a "natural resource dividend." This program is inspired by the Alaska Permanent Fund, which was established in 1976 from the state's oil revenues, which has paid an annual dividend to state residents since 1982.[57] The concept is that (some share of) natural resource revenues would be paid directly to the country's citizens. Rather than relying directly on resource revenues, the government would fund itself by normal taxation of incomes and consumption, including the resource dividend as well as other income. This would have the benefit of reducing income inequality, as a study on Iran has found.[58]

The merits of such a scheme, for its proponents, are that governments that are funded through taxation are compelled to be more accountable, democratic, and uncorrupt. Citizens are brought within the tax system, aiding financial inclusion. Such a dividend would ensure that citizens see the benefit of their natural resource, and hence potentially ease concerns of discrimination by residents of peripheral resource-abundant regions. It is also related to the idea of a "universal basic income."[59]

Unless different areas receive different dividend levels, this policy does not address the special social and environmental burdens that may be suffered by resource-producing areas, nor does it address disparities in development between different regions within a country. Although, it provides better starting points for a nation's poor. A country that is highly dependent on its resource revenues—like most MENA oil producers—could not follow the example of Alaska by paying a dividend only to residents of the sub-national region where the resource is extracted. Additionally, payment of a higher resource dividend to residents of such regions would encourage internal migration to the region and possibly cause social tensions.

While resource dividends and universal basic income distribute funds indiscriminately to all citizens, other forms of direct cash transfers can target specific eligible segments of the population, generally the poor. Such cash transfers are becoming increasingly popular, both in theory and in practice, as an effective and administratively simple way to alleviate poverty, as used in Brazil, Mexico, and India. A key part of Iran's 2010 reform of energy subsidies was to replace subsidies with direct cash payments to poor families, and targeted aid in Iran was suggested to be more effective than a resource dividend in raising families above the poverty line.[60] Still, a practical issue often arises when countries try to identify the poor, making universal schemes more suitable in some cases.[61] On the other hand, cash transfers to specific segments are more fiscally affordable in countries with lesser resources.

Those transfers can both be unconditional or conditional. Conditional cash transfers are social protection programs that provide cash to poor households, usually for mothers, if their households meet certain conditions, such as sending their children to schools or getting them a health check-up. Over 30 nations worldwide have adopted some form of conditional cash transfers in the last couple of decades, including parts of Yemen and Morocco. These programs have been found to have a positive impact on education and health outcomes across many countries and are particularly successful in rural areas.[62] Saudi Arabia began cash transfers to lower-income citizens in December 2017, as compensation for cuts in energy subsidies and the introduction of value-added tax, though it is too early to judge the scheme's effectiveness. 3.7 million households (about 13 million citizens) applied, of which, 10.6 million citizens were initially judged eligible (out of a citizen population of 21.1 million), with a maximum monthly payment per household of SAR 938 (US$250), and an average payment in December of $50 per person.[63]

Notably, both conditional and unconditional cash transfers have been found to generate similar impact.[64] Such schemes can be adapted to target under-developed resource-abundant regions, although not exclusively. Programs that target resource-abundant regions alone will risk reinforcing perceptions that the resources belong to the region, not to the nation.

Case Study: Lessons from Iraq

The Iraqi revenue-sharing model is closely linked to its contentious experiment with federalism, which was introduced under the 2005 Iraqi Constitution following the U.S. invasion. Federalism is technically a form of decentralization that grants significant power and self-governing rights to subnational authorities.[65] Iraq's system is one of asymmetric federalism with a single self-governing region (the constitution gives rights to other provinces to form similar regions, but as of yet, none have utilized this privilege).

Today, Iraq is made up of 19 governorates, four of which lie within the semi-autonomous Kurdish Region of Iraq (KRI) (administered by the Kurdistan Regional Government (KRG), with KRG often used as shorthand for the territory). Revenue sharing in the country takes place through three main mechanisms: the Regional Development Program (RDP) transfers (started in 2010), petrodollar allocations (legislated in 2010 and implemented from 2011), and special KRG transfers.[66] In 2015, \$3 billion from the national budget was allocated through RDP transfers, \$3 billion through petrodollar allocations, and 17 percent of the budget (after federal costs) was allocated to the KRG.[67]

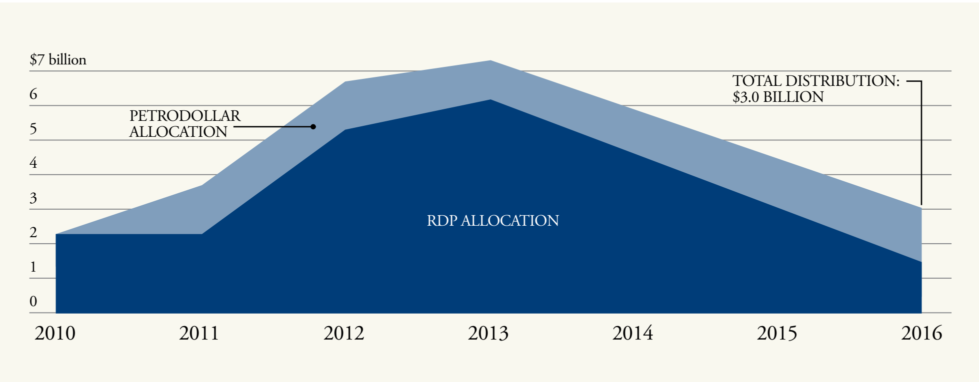


Figure RDP and petrodollar allocation in Iraq by time[68]

The RDP allocates oil and gas revenues among the governorates based on population. The aim is to finance reconstruction and development projects throughout the country. The petrodollar allocations are distributed to oil-producing governorates only, based on the amount of oil and gas they produce or refine. The purpose is to finance environmental management and economic and electricity import needs within those governorates. Both the KRG and the non-oil-producing governorates of Diyala and Karbala are excluded from this scheme—the KRG because of its own budget share, and the non-producing governorates, because they do not produce or refine oil, (though they do receive some of the RDP). Finally, the KRG negotiated an entitlement to 17 percent of the national budget (after federal costs), corresponding with its estimated population as a portion of the national total. The KRG is also unique in that it collects revenues from the export of oil from the region and has a contractual share of revenues of oil and gas sales within the region.[69]

Under a 2010 policy, the petrodollar allocation stipulated that governorates (other than the KRG) would receive $1 per barrel produced or refined locally, and $1 per 150 cubic meters of gas produced. A 2013 amendment increased this to $5, but the government brought a case against the amendment and did not honor it, in a situation of low oil prices and fiscal crisis.[70] This illustrates the danger that a fixed local allocation becomes a target for zero-sum bargaining. In 2015, "petrodollar" allocations plus the RDP ranged from $445 per capita in Basra and $239 in Kirkuk to around $80-90 per capita in the non-producing governorates such as Najaf.[71] The total money allocated was much lower in 2016 due to the collapse in oil prices, 1 trillion Iraqi dinars (about $859 million), or about $26 per person on average across the whole of Iraq ex-KRG.[72]

Such a program can drive distortions. Payment for refining oil leads the Iraqi governorates to lobby for the construction of small, uneconomic refineries in every district rather than a few large-scale facilities nationally. Meanwhile, non-producing, but economically deprived governorates suffer, versus relatively wealthy Baghdad, which gains from refining-linked payments. The proposed increased payment of $5 per barrel, at a time that the federal government was taking in $40 or less per barrel in gross revenues (approximately half of which has to go to repay the industry's costs), would dedicate a large part of net federal revenues to a small group of governorates.

Similarly, the KRG has benefited the most from the federal government's annual expenditures. Its arrangement demonstrates how federalism, intended to pre-empt separatism and zero-sum bargaining over oil revenues, can actually enable it. Kirkuk was the initial center of Iraqi oil development from 1927 onwards, but there was very little exploration in what is now the KRI proper, and the majority-Kurdish region remained poor. The Kurdistan region had long been marginalized by a series of governments in Baghdad. It suffered particularly from the genocidal campaigns of the Saddam Hussein regime, and the attempts to "Arabize" the Kirkuk area to solidify Baghdad's hold on it.

Nevertheless, with the ratification of the new national constitution in 2005 onwards, the KRG was able to use its share of the federal budget to build up much of the trappings of an independent country. The allocation of oil contracts to companies from various influential countries, a wide-ranging energy accord signed with Turkey in 2013, and oil financing agreements with Russia's state firm Rosneft in 2017 were all intended to buttress the KRG's claims for statehood. Those agreements were executed as if the region were already an independent country. Awards of oil exploration blocks in disputed areas were used to support the gradual advance of the KRG's zone of control.

However, the KRG also quickly began to demonstrate many of the features of a petroleum-funded rentier state: the weakening of democratic institutions; patronage-based rule, corruption, over-employment by the state, unaffordable subsidies; over-investment into non-tradable sectors such as construction and real estate; a neglect of agriculture and non-oil industry, and a ballooning budget. It thus recreated, on a smaller scale, many of the problems that had initially caused discontent over its role within Iraq.

In 2013, the KRG began to export oil through its own pipeline to Turkey, independently of the central government and, in consequence, its share of the federal budget was suspended.[73] Its own oil export earnings were far short of what it had been receiving federally and led to a severe fiscal crisis. Subsequent attempts at revenue-sharing deals have broken down, and the latest draft 2018 federal budget allocates 12.6 percent of spending after sovereign expenses to the KRI, in return for the KRG's transfer of control over oil exports back to the federal government (and other concessions).

The KRG's conflict with "federal" Iraq over oil-rich Kirkuk also demonstrates how uneven regional distribution schemes can result in conflicts over border delineation, particularly where demographic or historic lines may cut across resource boundaries. The KRG gradually advanced from the 2003 lines into the "disputed territories," usually with mixed Kurdish, Arab, Turkmen, and other populations. In mid-2014, following the spread of ISIS and the fall of Mosul, Kurdish forces took control of the mixed city of Kirkuk and its surrounding oil-fields, and exported oil from them on its own account (as well as facilitating the exports of some "federal" oil).[74] But following the KRG's referendum on independence in September 2017, and the strong international opposition to it, Baghdad's forces moved against the KRG and retook control of the Kirkuk area in October 2017. Nevertheless, the status of Kirkuk, which has not held local elections since 2005, remains unresolved.[75]

Leaving undefined borders to be settled later has proved problematic in other areas of unusual resource concentration in the Middle East such as Abyei (between Sudan and South Sudan). A similar situation could arise in Libya, where most (but not all) of the Sirte Basin, the main producing area, falls within the historic region of Cyrenaica.

Notably, even within federally organized regions, the issue of uneven resource distribution can recur at smaller scales. The Halabja region of the KRI, a symbolic region for Kurdish independence that witnessed the deadliest chemical attack in Iraqi history by the Saddam Hussein regime during the Iran-Iraq war, has seen widespread protests against oil and gas exploration (with no commercial discoveries to date), and was eventually declared a separate governorate in 2014. Protesters have demanded the government provide better basic services such as electricity, fight corruption, and pay the full salaries of state employees. However, the federal government has yet to acknowledge it as a separate province; it now receives a portion of KRG revenues based on its population.[76]

Similarly, the region's two dominant parties, the Kurdistan Democratic Party (KDP) and the Patriotic Union of Kurdistan (PUK), have also been in conflict, partly over the KDP's dominance of the oil sector, its rents, and the KRG's political apparatus.

In southern Iraq, Basra, around which most of Iraq's oil is produced, has long complained of underdevelopment and poor infrastructure. This shows that marginalization does not have to align with ethno-sectarian grievances, since Basra's problems have continued even under a series of post-2003 Shiite Arab-led governments in Baghdad. There have been episodic pushes for Basra to form a federal region like the KRI, for instance in 2006, 2008-10 and 2014.[77] Political commentator Nebras Al Kadhimi wrote in 2011, in words which speak appositely to the challenge of over-centralization in Iraq as well as the region in general:

> The central state in its current form, after ninety years of experience in accumulating oil money and power in one place, is a chronic recipe for the control of some over others, coups, rampant bureaucracy and corruption, sectarian, national and partisan conflicts, strangling the private sector and launching adventures across borders. Decentralization may be a barrier to all these pests, and others as well.[78]

He suggests a form of local resource allocation and dividend, with 40 percent of Basra's exports retained by the governorate, a fifth of that being distributed to residents. Additionally, he observes that decentralization could apply to other locations, such as Kirkuk.

However, the drive for federalism in Basra was strongly opposed by the central government, with then former Iraqi Prime Minister Nouri Al Maliki saying, "We will not allow the establishment of federalism in the Iraqi provinces because it will be a cause for tearing the country."[79] The Baghdad government could not countenance losing full control of Basra, which as well as providing most of its oil (and hence revenues), also contains Iraq's only seaports and oil export routes. But in practice, Al Maliki dealt with the request by the Basra provincial council for a referendum on forming a federal region by simply ignoring it, arguably in contravention of the constitution.[80]

In 2010-11, two other governorates, Wasit and Salahaddin, signed petroleum agreements with international oil companies, but these are of dubious legality, opposed by the central government, and have not been able to go into operation.[81]

The reluctance to allow more regional autonomy is not surprising. Federalism and more so, separatism, raise difficult practical issues regarding matters such as the exact definition of the borders of the region and the share of resource revenues to be transferred to the central government (if any). Tensions tend to emerge with the central government, which may resist giving up the right to award resource exploitation and export contracts, ownership over the assets that were built up from its investments, and responsibility over regional energy policy, strategy, and planning, which are difficult to divorce from their national counterparts. Other regions can also contest the right to use infrastructure, particularly pipelines, crossing their territories.[82]

In the case of South Sudan, the landlocked new country has suffered from very high pipeline tariffs for its only export route crossing Sudan to the Red Sea. Such issues have been persistently problematic even in well-developed federal democracies such as Canada. The environmental challenges are particularly salient when environmental damage may cross provincial/state boundaries (air and water pollution) or even affect national environmental targets (notably greenhouse gas reductions).

Indeed, federalism in MENA has generally had a negative image mainly because it invokes memories of past colonial efforts to divide the region along artificial lines, but also due to conflicts over resources. For instance, the draft of the 2015 Yemeni constitution provided for a federal structure where the division of natural resources among the federal regions was a major source of contention. Various factions considered resource distribution in the proposed six-region federal system to be unfair. Those feelings were particularly strong in the Houthi movement from the northern Saada governorate (which does not contain discovered oil and gas resources, and is landlocked). The Houthis rejected the constitution, launched a military campaign that occupied Sanaa, and propelled the country into a war that continues today, halting the implementation of the federal plan.

In the case of post-revolutionary Libya, "federalists" supported autonomy for eastern Libya (Cyrenaica) and for a while in 2013, their militias blockaded oil ports and shut down much production.[83] Their attempt to market oil independently was blocked by a U.N. resolution and U.S. naval action, but raised suspicions in western Libya that they in fact intended to break away and keep most Libyan oil for the east. So far, marketing oil and distributing revenues has remained centralized, one of the few functioning national institutions in the country.

On the other hand, the UAE presents a stable example of a highly decentralized federal system where each of the seven emirates has sovereignty over its natural resources, although spatial inequality remains significant in the country, and there are significant transfers from Abu Dhabi to the poorer emirates.[84] Outside of MENA, a number of resource-abundant countries also have successful federal structures, notably the United States, Canada, Brazil, and Australia. The constitution and legislation define issues such as the right to issue resource exploitation licenses, the share of revenues between the provincial and federal level, approvals and regulation of interstate infrastructure such as pipelines, minimum environmental standards, and control over exports.

Recommendations and Conclusion

The issue of resource regionalism increases the immediacy of addressing spatial inequality in MENA. While governments can choose to target resource-abundant regions specifically with development programs, these run the risk of exacerbating regional inequalities while also reinforcing perceptions within those regions that the resources are actually "theirs," undermining the national right over these revenues. It is therefore important to address grievances under nationwide plans that target multiple underdeveloped or impoverished regions or sub-regions within a country, including the resource-abundant ones, thus emphasizing issues such as underdevelopment, inequality, poverty, or lack of infrastructure, as opposed to rights over resource-revenues. Development should also prioritize regional programs that encourage diversification, to avoid exacerbating the issue of resource reliance overall, and put an end to the cycle of conflict.

Creating theoretically perfect natural resource governance systems is not possible, particularly in fraught, post-conflict negotiations. Path dependence is a strong force where ad hoc mechanisms for resource distribution have already taken hold. It is therefore preferable to address disparities before conflicts escalate, though this is not always possible. Neutral mediation and expertise from similar situations can be very helpful. The systems devised have to take into account that legal mechanisms may be inoperative where institutions are weak or incapable, or powerful actors impose their will outside the law.

In addition, a combination of some of the approaches outlined here can help to resolve resource regionalist questions. Suitable blends will depend on factors including the geographic and economic nature of the resource; its stage of development and role within the national economy; other historic, environmental and economic grievances that the resource-abundant region may have; and the institutional capacity, human capital, rule of law, control of corruption and political system of region and nation. Key considerations that emerge are:

- While decentralization and greater local political accountability is essential in resolving issues of uneven resource distribution and providing an avenue for local demands, it does not help if it simply replicates the issues of inequity, rent capture, and patronage at a smaller scale. Effective use of resources, however distributed, depends on capable institutions with sufficient human capital.

- Decentralization plans should pay special attention to identity-based divisions in the region and should be devised in ways that avoid reinforcing social fragmentation. Rather than taking identity groups as a given, policies should look at the structural and material realities that reinforce group formation along those lines. Decentralized or federal regions should not be attempts at drawing (anyway impossible) neat ethno-sectarian enclaves, but instead have an economic logic, which may include both resources, as well as other essential factors such as population centers, industry, and export routes.
- Federalism or separatism, often presented as a solution (particularly by outsiders), is very sensitive in the MENA context. Other approaches may achieve most of the same intended solution while triggering less opposition and political conflict.
- Specific allocations to resource-abundant regions should be minimized and should only be applied when necessary (to make-up for local environmental externalities for instance) to avoid the risk of zero-sum bargaining by these regions, as in Iraq.
- Killing the goose that lays the golden egg does not help. While securing a fair share for the population, solutions to resource regionalist issues have to avoid paralyzing investment or imposing burdens on the natural resource industry in question that make it uneconomic.
- Resource regionalist disputes may often focus on the narrow issue of revenue distribution, or somewhat wider issues such as the power to sign contracts with investors. But in a resource-abundant country, these issues have to be considered within a wider paradigm of the country's economic and energy strategy, including topics such as spatial inequalities, industrial development, subsidies, poverty alleviation, and environmental protection.
- Similarly, the factors that have contributed to a resource-abundant region's grievances are rarely only because of an inadequate share of revenues. They can include historic marginalization and discrimination. Poor governance or over-centralization may also be a pervasive problem, affecting resource-poor, as well as resource-abundant, peripheral regions. Approaches such as local revenue shares should not improve the position of resource-abundant regions at the cost of similarly disadvantaged resource-poor regions.

Understanding and resolving resource regionalist disputes can make a significant contribution to conflict resolution or prevention in the MENA region, given the importance of natural resources, especially oil and gas; the presence of centralized governments; and the proliferation of weak states. Conversely, badly planned or implemented approaches can foster or perpetuate conflict rather than alleviating it.

Endnotes

[1] In this paper, the "Middle East and North Africa" refers to Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, the occupied Palestinian territories, Qatar, Saudi Arabia, South Sudan, Sudan, Syria, Tunisia, Turkey, the United Arab Emirates, and Yemen.

[2] References to "natural resources" in this paper mainly include oil, gas, and phosphates, as the main resources in the MENA countries considered, but the idea could be expanded to include other mineral resources, water and agricultural produce, and even other sources of spatially-distinct rentier income such as the Suez Canal.

[3] This term has been used in Geoff D. Porter, "The New Resource Regionalism in North Africa and the Sahara," Science Po Centre De Recherches Internationales, July 2013, http://www.sciencespo.fr/ceri/en/content/new-resource-regionalism-north-africa-and-sahara. It should be noted that resource regionalism is not unique to MENA, but it takes specific forms in correspondence with different societal conditions, and resource rents in several MENA countries are remarkably high because of their large, low-cost hydrocarbon endowment, which makes its examination in the MENA context worthwhile.

[4] Porter, "The New Resource Regionalism in North Africa and the Sahara."

[5] Spatial inequality is broadly used here in reference to the gap in living standards between rich and poor regions within the same country.

[6] *Rent* is the value earned from a resource in excess of the costs (including a normal risk-adjusted return on capital) required to bring it into production; in other words, value earned by the fortunate possession of a resource rather than by skill or effort.

[7] For sources, see Appendix I.

[8] South Sudan's share of the population of pre-2011 unitary Sudan.

[9] Sources give divergent figures but the December 2012 Pew Forum estimated that South Sudan's 9.94 million people comprised 60.46% Christian, 32.9% traditional religions, and 6.2% Muslim; Sudan's 35.99 million people comprised 97% Muslim, 1.5% traditional religions, and 1.5% Christian. Sudan was approximately 70% Arab while South Sudan was approximately 4% Arab, most people speaking various Nilo-Saharan languages.

[10] Different studies cited in this report use different methods to measure this gap, including expenditure inequality, nighttime luminosity, and the agglomeration index. Inequalities can exist in infrastructure development, social welfare provision, or job opportunities. They can take on different forms, both within a country or across the region. The question of spatial inequalities in MENA is controversial and often intentionally omitted. We cite these studies to broadly highlight some empirical evidence that supports the perceptions of disenfranchisement and underdevelopment of peripheral communities, which is what we refer to here as spatial inequalities.

[11] One study has found that the uneven geographic distribution of natural resources within countries is associated with higher levels of spatial inequality. However, the study does not

look into whether resource-rich regions are more or less equal. See: Christian Lessman and Arne Steikraus, "The Geography of Natural Resources, Ethnic Inequality, and Development," CESifo Working Paper Series no. 6299, January 24, 2017, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2917209.

[12] World Bank Group, "Inequality, Uprisings, and Conflict in the Arab World," World Bank MENA Economic Monitor, October 2015, 31, https://openknowledge.worldbank.org/bitstream/handle/10986/22711/9781464807350.pdf?sequence=4.

[13] Spatial inequality refers to where people live; ethnic inequality to where an ethnic group lives. The two are highly correlated but ethnic inequality was found to be a better predictor of conflict. World Bank Group, "Inequality, Uprisings, and Conflict in the Arab World," 32.

[14] Nathalie Milbach-Bouche, "Perspectives on Inequality Challenges in the Arab Region," Issue Brief for the Arab Sustainable Development Report, United Nations Development Program, 2015, 16, http://css.escwa.org.lb/SDPD/3572/Goal10.pdf.

[15] Earlier in Egypt, Iran, and Iraq.

[16] For a more detailed description of the historical evolution of resource nationalism, see: Stevens, "National oil companies and international oil companies: Under the Shadow of Government and the Resource Nationalism Cycle," *The Journal of World Energy Law & Business* 1, no. 1(May 2008): 5-30, https://doi.org/10.1093/jwelb/jwn004.

[17] A second phase of resource nationalism occurred with the high oil prices of the 2000s; this was mostly manifest outside MENA (particularly in Latin America and the Former Soviet Union), but led to a tightening of terms on foreign petroleum companies in Algeria and Libya.

[18] This dated back in several cases to the structure of Ottoman rule. See: Ira M. Lapidus, *A History of Islamic Societies* (Cambridge University Press, 2002).

[19] Those divisions also played into ethno-sectarian divisions that are expanded upon later.

[20] *Poor Places, Thriving People: How the Middle East and North Africa Can Rise Above Spatial Disparities* (Washington, D.C.: World Bank, 2010), 131-41.

[21] For a fictional treatment of this phenomenon, see Abdulrahman Munif, *Cities of Salt* (New York: Vintage, 1989).

[22] The Case for a New Federalism in Libya," Issue Brief, Atlantic Council, December 2014, 2, https://www.files.ethz.ch/isn/186843/IssueBriefFederalismInLibya_Hariri_5.pdf.

[23] Ibid.

[24] Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil*, (New York: Verso, 2013). Labor movements in the oil industry were prominent in places, as in Iran, but less so than the coal miners and railway workers in Western Europe.

[25] Hazem Beblawi, "The Rentier State in the Arab World", in *The Rentier State*, eds. Luciani, Giacomo and Hazem Beblawi (London: Croom Helm, 1987), 49-62. Rents can be from other unearned sources, such as the Suez Canal (in Egypt) or foreign aid, as argued in Samer

Soliman, *The Autumn of Dictatorship: Fiscal Crisis and Political Change in Egypt under Mubarak*, (Stanford University Press, 2011).

[26] Tarik M. Yousef, "Development, Growth, and Policy Reform in the Middle East and North Africa Since 1950," *Journal of Economic Perspectives* 18, no. 3 (Summer 2004): 92, 96.

[27] *Poor Places, Thriving People*, 131-41.

[28] Baghdad is a partial example, where the large but technically challenging East Baghdad oil field, partly under the Sadr City suburb, has only seen minimal development to date. Ahvaz and Kirkuk have developed into major cities due to the influx of workers to the nearby fields.

[29] Jørgen Juel Andersen and Michael L. Ross, "The Big Oil Change: A closer look at the Haber-Menaldo analysis," *Comparative Political Studies* 47, no. 7 (June 13, 2013), do argue that oil wealth has retarded democratic transitions since about 1970 (but not before), because of nationalization of resources.

[30] *Poor Places*, 133-35. The agglomeration index is a measure of the proportion of people living in places that are no more than an hour's drive away from a city and with a population density of 150 people per square kilometer.

[31] I.e. the conditions for investment in different parts of the country, such as the availability of a skilled workforce, the level of taxation, the friendliness (or otherwise) to outside business, and the quality of local bureaucracy.

[32] Yousef, "Development, Growth, and Policy Reform," 92.

[33] Ibid., 91-116.

[34] Othman, 49.

[35] Khaldoun al-Naqeeb, *Aldawla al-tasalutiyyah fi al mashreq al-arabi* [The modern authoritarian state in the Arab Middle East], 183-86. The distinction between regime and state is stressed by Samer Soliman, *The Autumn of Dictatorship: Fiscal Crisis and Political Change in Egypt under Mubarak* (Stanford University Press, 2011).

[36] Note that only eight MENA countries were surveyed (namely Algeria, Egypt, Iraq, Jordan, Lebanon, Morocco, Saudi Arabia, and Yemen). Nancy Dubosse and Harika Masud, "Open Budgets, Sustainable Democracies: A Spotlight on the Middle East and North Africa", International Budget Partnership, June 2011, http://www.internationalbudget.org/wp-content/uploads/Open-Budgets-Sustainable-Democracies-A-Spotlight-on-the-Middle-East-and-North-Africa.pdf.

[37] Kinda Hattar, "Middle East and North Africa: A Very Drastic Decline," *Transparency International*, January 25, 2017, http://www.transparency.org/news/feature/mena_a_very_drastic_decline.

[38] Stevens, "National oil companies and international oil companies in the Middle East," 6.

[39] Kjetil Bjorvatn and Mohammad Reza Farzanegan, "Resource Rents, Power, and Political Stability," *Journal of Peace Research* 52, no. 6 (September 2015): 758-773; Kjetil Bjorvatn and Mohammad Reza Farzanegan, "Natural-Resource Rents and Political Stability in the

Middle East and North Africa," CESifo DICE Report 3, September 2015. In this study, state strength is defined by the "degree of government fractionalization: the higher this index, the larger the number of small parties and thus the lack of a dominant strong party." In other words, stronger states are states where power is more concentrated in one dominant party or actor.

[40] Nazih Ayubi, *Over-Stating the Arab State: Politics and Society in the Middle East* (New York: I.B. Tauris Publishers, 1995), 447-53.

[41] Ashraf Othman, "Al-dawla al-neopatrimonialiyyah fi al-mashreq al-arabi [The Neopatromonial State in the Arab East: The Logic of Solidarity and the Reproduction of Sectarianism]" *Omran Journal of Social Science and Humanities* 3, no. 11 (2015), 48.

[42] Civil conflict is more common in resource-dependent countries. See: Paivi Lujala, "The Spoils of Nature: Armed Civil Conflict and Rebel Access to Natural Resources", *Journal of Peace Research* 47, no. 1 (January 2010): 15-28.

[43] Mousse Sow and Ivohasina F. Razafimahefa, "Fiscal Decentralization and the Efficiency of Public Service Delivery," IMF Working Paper 15/59, March 2015, https://www.imf.org/external/pubs/ft/wp/2015/wp1559.pdf; Christian Lessman, "Regional Inequality and Decentralization: An Empirical Analysis," March 2011, http://www.ieb.ub.edu/aplicacio/fitxers/WS11Lessmann.pdf.

[44] Lessman, "Regional Inequality and Decentralization."

[45] Andrés Rodríguez-Pose and Roberto Ezcurra, "Does Decentralization Matter for Regional Disparities? A Cross-Country Analysis," *Journal of Economic Geography* 10, no. 5 (September 2010): 619-644.

[46] Natural Resource Governance Institute (NGRI) and United Nations Development Program (UNDP), "Natural Resource Revenue Sharing," September 2016, 30, https://resourcegovernance.org/sites/default/files/documents/nrgi_undp_resource-sharing_web_0.pdf.

[47] As noted, each emirate has sovereignty over its own natural resources, though the less-wealthy emirates receive transfers from the federal budget, which is largely derived from Abu Dhabi's oil and gas earnings.

[48] Andrés Rodríguez-Pose and Roberto Ezcurra, "Does Decentralization Matter for Regional Disparities? A Cross-Country Analysis," *Journal of Economic Geography* 10, no. 5 (September 2010): 619- 644, https://doi.org/10.1093/jeg/lbp049.

[49] Dawn Brancati, "Decentralization: Fueling the Fire or Dampening the Flames of Ethnic Conflict and Secessionism?" *International Organization* 60 (Summer 2006): 651-685, http://www.dawnbrancati.com/Brancati_IO_Decentralization.pdf.

[50] "Primary Industries and Regions SA: About Us," Government of South Australia, October 8, 2014, http://www.pir.sa.gov.au/top_menu/about_us.

[51] Guilherme Mendes Resende, "Measuring Micro- and Macro-Impacts of Regional Development Policies: The Case of the Northeast Regional Fund (FNE) Industrial

Loans in Brazil, 2000-2006," *Regional Studies* 48, no. 4, 2014, 646-664, http://eprints.lse.ac.uk/56672/; Tulio A. Cravo, Elias Soukiazis, and Guillherme Mendes Resende, "Regional Policy in the European Union and Brazil: An Evaluation of Regional Development Funds in Brazil," Sector Dialogues, http://sectordialogues.org/sites/default/files/acoes/documentos/regional_policy_in_the_europe_union_and_brazil.pdf.

[52] Ernest & Young, "Regional Development Fund: Economic Contribution Study of Grant Funding Awarded from Rounds 1 and 2," Primary Industries and Regions South Australia, April 15, 2016, 4, http://www.pir.sa.gov.au/__data/assets/pdf_file/0008/274058/RDF_Economic_Contribution_Study_Report.pdf.

[53] "Regional Policy in the European Union and Brazil: An Evaluation of Regional Development Funds in Brazil," Sector Dialogues, 84, http://sectordialogues.org/sites/default/files/acoes/documentos/regional_policy_in_the_europe_union_and_brazil.pdf.

[54] NGRI, "Revenue Management and Distribution," NRGI Reader, March 2015, http://www.resourcegovernance.org/sites/default/files/nrgi_Revenue-Management.pdf.

[55] "SOC Splits into Basra, Dhi Qar Oil Companies," Iraq Oil Report, January 6, 2016, http://www.iraqoilreport.com/news/soc-splits-basra-dhi-qar-oil-companies-17602/.

[56] Brian Whitaker, "Yemen and the Future of Hadhramaut," *al-Bab*, June 18, 2014, http://al-bab.com/blog/2014/06/yemen-and-future-hadhramaut.

[57] "Alaska Permanent Fund Corporation," accessed February 7, 2018, http://www.apfc.org/home/Content/dividend/dividendamounts.cfm.

[58] Mohammad Reza Farzanegan and Mohammad Mahdi Habibpour, "Resource Rents Distribution, Income Inequality and Poverty in Iran," *Energy Economics* 66 (August 2017), https://doi.org/10.1016/j.eneco.2017.05.029.

[59] Shanta Devarajan, "Three Reasons for Universal Basic Income," The Brookings Institution (blog), February 2017, https://www.brookings.edu/blog/future-development/2017/02/15/three-reasons-for-universal-basic-income/.

[60] Farzanegan and Habibpour, "Resource Rents Distribution, Income Inequality and Poverty in Iran."

[61] Caitlin Brown, Martin Ravallion, and Dominique van de Walle, "A Poor Means Test? Econometric Targeting in Africa," NBER Working Paper no. 22919, December 2016, http://www.nber.org/papers/w22919.

[62] "Give the Poor the Money," *The Economist*, July 29, 2010, http://www.economist.com/node/16693323.

[63] "Saudi Arabia Makes 2 Billion Riyal Payment in Citizens Account program," Reuters, December 21, 2017, https://www.reuters.com/article/us-saudi-allowances/saudi-arabia-makes-2-billion-riyal-payment-in-citizens-account-program-idUSKBN1EF0S2; Rodolfo C. Estimo Jr., "KSA Population: 21.1m Saudis, 10.4m Expats," *Arab News*, February 4, 2016, http://www.arabnews.com/saudi-arabia/news/875131.

[64] Debbie Budlender, "Conditional Cash Transfers: Learning from the Literature," UN Women Multi-Country Office- Caribbean, October 2014, http://socialprotection-humanrights.org/wp-content/uploads/2016/06/16020912CCTLearning-from-the-LiteratureLR.pdf.

[65] Under federalism, all powers not specifically reserved by the center are held by the regions; under devolution, the center specifies which powers are assigned to the regions.

[66] Maria Lasa Aresti, "Oil and Gas Revenue Sharing in Iraq," NGRI Revenue Sharing Case Study, July 2016, http://www.resourcegovernance.org/sites/default/files/documents/oil-gas-revenue-sharing-iraq.pdf.

[67] Primarily defense and security, and diplomatic costs; ibid., 9. Most of the KRG's share was not paid due to various disagreements, including over the amount of oil it was supposed to deliver.

[68] "Iraq: Oil and Gas Revenue Sharing," accessed February 7, 2018, https://resourcegovernance.org/sites/default/files/documents/iraq-oil-and-gas-revenue-sharing.pdf.

[69] Ibid., 14-17. Part of these revenues are then allocated to the oil companies to cover their costs.

[70] Patrick Osgood and Ben Van Heuvel, "Analysis: 5 Key Takeaways from Iraq's 2015 Draft Budget," Iraqi Economists Network, January 4, 2015, http://iraqieconomists.net/en/2015/01/04/analysis-5-key-takeaways-from-iraqs-2015-draft-budget-by-patrick-osgood-ben-van-heuvel/.

[71] "Iraq: Oil and Gas Revenue Sharing."

[72] "Iraq 2017 Budget and Petrodollars Allocations," Iraq Energy Institute, March 9, 2017, https://www.iraqenergy.org/~iraqener/sites/default/files/iei_files/Iraq%202017%20Budget%20&%20Petrodollars%20Allocations.pdf, based on Iraq Ministry of Finance figures.

[73] Robin Mills, "Under the Mountains: Kurdish Oil and Regional Politics," Oxford Institute for Energy Studies, February 2016, https://www.oxfordenergy.org/wpcms/wp-content/uploads/2016/02/Kurdish-Oil-and-Regional-Politics-WPM-63.pdf.

[74] The Islamic State of Iraq and Al Sham (Syria), also known as the Islamic State (ISIS), or by its derogatory Arabic acronym Daesh.

[75] Michael Knights and Bilal Wahab, "Setting the Stage for Provincial Elections in Kirkuk," Washington Institute for Near-East Policy, January 10, 2018, http://www.washingtoninstitute.org/policy-analysis/view/setting-the-stage-for-provincial-elections-in-kirkuk.

[76] KRG Cabinet, "KRG Council of Ministers' Follow up Statement on 2018 Draft Federal Budget Bill," November 5, 2017, http://cabinet.gov.krd/a/d.aspx?s=040000&l=12&a=55989.

[77] Ali Mamoura, "Basra Moving Toward Independence," *Al-Monitor*, December 30, 2014, https://www.al-monitor.com/pulse/ru/contents/articles/originals/2014/12/iraq-division-federal-regions-basra-independence.html.

[78] Nebras al-Kazemi, "wa-lam la tut-a-lib al-basrah b 40 bil-mia min wa-rid-tiha [Why Doesn't Basra Demand 40 Percent of its Imports]," *i-mara waa t-jara [Emirate and Trade]*, January 2,

2011, http://www.imarawatijara.com/basra_decentralization_jan_2011/ (author's translation).

79 Khalil Osman, *Sectarianism in Iraq: The Making of Nation and State Since 1920* (London: Routledge, 2014), 252.

80 Reidar Visser, "The Silent Drivers: The Census, Football and the Basra Region," Iraq and Gulf Analysis, September 23, 2010, https://gulfanalysis.wordpress.com/2010/09/23/the-silent-drivers-the-census-football-and-the-basra-region/.

81 "Iraq Oil & Gas Outlook," Hannam and Partners, October 2015, http://www.hannamandpartners.com/uploads/2015/10/Iraq.pdf.

82 Some research, e.g. Mohammad Reza Farzanegan and Tim Mennel, "Fiscal Decentralization and Pollution: Institutions Matter," 2012, https://ideas.repec.org/p/mar/magkse/201222.html, suggests a "race to the bottom" on environmental protection in a fiscally decentralized country, though this can be limited by good institutions.

83 Karim Mezran and Mohamed El-Jarh, "The Case for a New Federalism in Libya," Atlantic Council Issue Brief, December 2014, https://www.files.ethz.ch/isn/186843/IssueBriefFederalismInLibya_Hariri_5.pdf.

84 Nadia Belhaj Hassine, "Economic Inequality in the Arab Region," Policy Research Working Paper 6911, June 2014, 17, http://documents.worldbank.org/curated/en/341911468275939996/pdf/WPS6911.pdf.

APPENDIX

Cases of Resource Regionalism across MENA[1]

Algeria

Southern Algeria, where most of the country's oil and gas reserves are located, has seen a wave of protests since 2011 over perceived discrimination and inequality with regard to the north. Some ethnic differences exist between the two regions, as the majority of the north is Arab and Berber while the south is Tuareg and black.[2]

- Ouargla province, which is located in southeastern Algeria, makes up around 1.6 percent of Algeria's population. According to Sonatrach, Hessi Messoud, the provincial capital, contains around 71 percent of the country's "proven, probable, and possible oil reserves."[3] Ouargla saw a series of protests about unemployment, economic marginalization, lack of development, and environmental concerns.[4]
- Algeria has the third-largest amount of technically recoverable shale-gas in the world, all of which is located in the south.[5] A series of protests have been taking place primarily in the south to prevent the government from exploiting those reserves, citing environmental and developmental concerns.[6]

[1] This list is not exhaustive and aims to shed light on a general picture.
[2] Anouar Boukhars, "Political Tensions Mount in Southern Algeria," March 25, 2015, http://carnegieendowment.org/2015/03/25/political-tensions-mount-in-southern-algeria-pub-59786; "Anger Brewing in Algeria's Sullen South," *Al-Jazeera*, January 13, 2017, http://www.aljazeera.com/indepth/features/2017/01/anger-brewing-algeria-sullen-south-170109080851584.html.
[3] U.S. Energy Information Administration (EIA), "Country Analysis Brief: Algeria," March 11, 2016, https://www.eia.gov/beta/international/analysis.cfm?iso=DZA; "Population Algerienne: Menages et populations hors PAP (2008-source ONS)," Agence Nationale de Developpement de L'investissement, http://www.andi.dz/index.php/fr/statistique/population-algerienne.
[4] Mahmoud Ourabah, "Protests in Ouargla: Focusing on Job Creation in Algeria," *Jadaliyya*, April 2, 2013, http://www.jadaliyya.com/pages/index/10987/protests-in-ouargla_focusing-on-job-creation-in-al; "Thousands Protest Unemployment in Algeria," *Al-Jazeera*, March 14, 2013, http://www.aljazeera.com/news/africa/2013/03/201331415371252748.html.
[5] EIA, "Technically Recoverable Shale Oil and Shale Gas Resources: An Assessment of 137 Shale Formations in 41 Countries Outside the United States," Independent Statistics & Analysis, June 2013, https://www.eia.gov/analysis/studies/worldshalegas/pdf/overview.pdf.
[6] Andrea Carboni, "Protest and Shale Exploitation in Algeria," Real Time Analysis of Political Violence in Africa, February 11, 2015, http://www.crisis.acleddata.com/protest-and-shale-exploitation-in-algeria/.

"Following independence, the regime followed the same approach of the colonisers who did not care for our environment, our water, or our development. While oil fields were located in the desert, nobody cared for the development of those remote areas—a colonial way of thinking," Mohad Gasmi, resident of Adrar province.[7]

Iran

Iran's Khuzestan province is rich in oil and gas. Local Khuzestanis (Ahwazis) have accused the central government of failing to invest in employment generation, environmental protection, post-war reconstruction, and welfare projects, which resulted in protests and sabotage. Khuzestan's population makes up around 6 percent of Iran's population.[8] The Ahwazi Arab population of the province was estimated at 74 percent of the province's population.[9]

"We feel as if we live in a special zone, where the government only makes money from. It seems they would prefer people to leave so they can turn this whole area into an oil-business-only region," a local student from Ahwaz.[10]

Iraq

The Kurdish Regional Government governs Iraqi Kurdistan. Following indigenous demands by its Kurdish majority for increased autonomy from federal Iraq, the region has become a quasi-independent state slowly building its own independent oil industry and looking to achieve formal independence. It contains around 17 percent of Iraq's population and 3 percent of its oil reserves (excluding the disputed field of Kirkuk).[11]

The Governorate of Basra, which makes up around 7.6 percent of Iraq's population, is predominantly Shiite, and contains around 60 percent of its proven

[7] Sarah Rifaat, "Mohad Recounts: The Story of the Algerian Anti-Fracking Movement," *Medium*, December 13, 2016, https://medium.com/our-climate-stories/mahad-recounts-the-story-of-the-algerian-anti-fracking-movement-89a579c5fa3.

[8] Nayreh Tohidi, "Iran: Regionalism, Ethnicity, and Democracy," Open Democracy, June 28, 2006, https://www.opendemocracy.net/democracy-irandemocracy/regionalism_3695.jsp; "Iran, Islamic Rep.," World Bank, accessed February 8, 2018, http://data.worldbank.org/country/iran-islamic-rep.

[9] James Minahan, *Encyclopedia of the Stateless Nations: A-C* (Westport, CT: Greenwood Publishing Group, 2002), 158–9; "Iran: Sweeping Arrests of Ahwazi Arab Activists," Amnesty International, accessed April 28, 2015, https://www.amnesty.org/en/latest/news/2015/04/iran-sweeping-arrests-of-ahwazi-arab-activists/.

[10] Thomas Erdbrink, "Protests in Iranian City Where Everything Is Covered in Brown Dust," *The New York Times*, February 19, 2017, https://www.nytimes.com/2017/02/19/world/middleeast/iran-ahvaz-pollution-protests.html.

[11] "Iraqi Kurdistan profile," *BBC News*, February 5, 2016, http://www.bbc.com/news/world-middle-east-28147263; U.S. Energy Information Administration (EIA), "Country Analysis Brief: Iraq," April 28, 2016, https://www.eia.gov/beta/international/analysis_includes/countries_long/Iraq/iraq.pdf; Eliyah Kamisher, "How the KRG Quasi-State Built an Independent Oil Industry," Iqtisadi, January 2016, http://dayan.org/content/iqtisadi-how-krg-quasi-state-built-independent-oil-industry.

oil reserves. The governorate has witnessed strikes and protests demanding jobs, financial autonomy, and increased revenue shares.[12]

"Work on the field is negatively affecting their land and homes as well as the environment. The company has to either satisfy the residents by offering them jobs in, specially, guarding the facility and things like that, or expect that they won't be able to work safely," chairman of the oil and gas committee of the Iraqi parliament, regarding the work of Chinese National Petroleum Corp. in Wasit province.[13]

Libya

The Sirte Basin contains 80 percent of Libya's recoverable reserves and accounts for most the country's oil production capacity. The basin is located in the northeast, where several separatist/federalist movements from Cyrennica emerged. Cyrennica contains three of Libya's four main oil refineries, three main ports, and around 26 percent of the country's inhabitants.[14] The movements have complained of neglect from Tripoli under the rule of Moammar Gadhafi, who centralized power in Tripoli.[15] However, although predominantly in Cyrennica, the basin exists underneath the three main provinces (Cyrennica, Fezzan, and Tripolitania) and does not fall cleanly within provincial lines.[16] Fezzan, which holds around 8% of Libya's population and has the capacity to pump around 400,000 barrels per day, also harbors resentments about how its "wealth [is] feeding northerners."[17]

Morocco

Western Sahara, which is a disputed region administered by Morocco, has a population that totals 1.7 percent of Morocco's population with Sahrawis making up its most prominent ethnic group.[18] Around 10 percent of Morocco's phosphate

[12] NGO Coordination Committee for Iraq, "Basrah Governorate Profile," December 2015, http://www.ncciraq.org/images/infobygov/NCCI_Basra_Governorate_Profile.pdf; EIA, "Country Analysis Brief", 3; AFP, "Protesters Clash with Police Near Iraq Oil Site," *Al-Monitor*, August 7, 2016, http://www.al-monitor.com/pulse/afp/2016/08/iraq-oil-protest.html; Ali Abu Iraq et al., "Basra pushes toward financial autonomy," Iraq Oil Report, March 23, 2016, http://www.iraqoilreport.com/news/basra-pushes-toward-financial-autonomy-18400/; Anthony McAuley, "Iraq reviews oil revenue sharing," *The National*, December 18, 2014, http://www.thenational.ae/business/energy/iraq-reviews-oil-revenue-sharing.

[13] Ben Lando, "A Chinese lesson in Iraqi exploration," *Time*, June 26, 2009, http://content.time.com/time/world/article/0,8599,1907098,00.html

[14] https://www.lancaster.ac.uk/fass/centres/richinst/docs/Formatted%20reports/RIIP%20report%20Libya.pdf

[15] http://carnegieendowment.org/2012/09/19/struggle-for-security-in-eastern-libya/dvct

[16] https://www.thenational.ae/business/libya-s-oil-could-leave-the-country-on-a-slippery-slope-1.356159

[17] International Crisis Group, "How Libya's Fezzan Became Europe's New Border," 31 July 2017, https://www.crisisgroup.org/middle-east-north-africa/north-africa/libya/179-how-libyas-fezzan-became-europes-new-border.

[18] "Western Sahara Profile," *BBC News*, March 21, 2017, http://www.bbc.com/news/world-africa-14115273.

production comes from the region, while oil and gas exploration is underway offshore, though not successful to date. Sahrawis have expressed concerns over neglect, discrimination, underdevelopment, and unemployment.[19] The region is home to a pro-independence movement that has sought, among other things, sovereignty over the region's resources, and has signed oil exploration contracts of doubtful status with a number of companies.[20]

Oman

Workers in oil-rich Haima staged a sit-in demanding jobs and more state investment in the area following the 2011 protests that swept the country during the wave of regional Arab uprisings.[21] Haima is a town in the sparsely populated al-Wusta governorate, which makes up around one percent of the population.[22]

Saudi Arabia

The Eastern Province, which makes up around 10.6 percent of Saudi's population, is predominantly Shia, and contains more than half of its oil reserves onshore with the remaining offshore fields adjoining the province. The province witnessed protests demanding more political and economic inclusion, an end to discrimination, and more development.[23]

"You are now standing on top of oilfields that feed the whole world. But we see nothing of it. Poverty, hunger, no honour, no political freedom, we have nothing. What is left? And after all this, they attack us and try to kill us"—an activist from Awamiyah.

Sudan

Before the South Sudanese independence referendum in 2011, the south made up around 24 percent of Sudan's population, the majority of which were Christians

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[19] Kristen Chick, "In Remote Western Sahara, Prized Phosphate Drives Controversial Investments," *Christian Science Monitor*, January 24, 2013, http://www.csmonitor.com/World/Africa/2013/0124/In-remote-Western-Sahara-prized-phosphate-drives-controversial-investments.

[20] Joanna Allan, "Natural Resources and Intifada: Oil, Phosphates, and Resistance to Colonialism in Western Sahara," April 22, 2016, http://www.tandfonline.com/doi/abs/10.1080/13629387.2016.1174586?journalCode=fnas20.

[21] Saleed el-Nahdy, "Oman Protests Expand to Country's Oil Region," *The San Diego Union-Tribune*, March 5, 2011, http://www.sandiegouniontribune.com/sdut-oman-protests-expand-to-countrys-oil-region-2011mar05-story.html.

[22] National Center for Statistics & Information Database, "Data Analysis: Population," Sultanate of Oman, accessed March 28, 2017, http://www.data.gov.om/en/DataAnalysis/.

[23] U.S. Energy Information Administration (EIA), "Country Analysis Brief: Saudi Arabia," September 20, 2014, http://www.eia.gov/beta/international/analysis.cfm?iso=SAU; "Reporting Saudi Arabia's hidden uprising," *BBC News*, May 30, 2014, http://www.bbc.com/news/world-middle-east-27619309; Toby Matthiesen, "Saudi Arabia's Shiite Problem," *Foreign Policy*, March 7, 2012, http://foreignpolicy.com/2014/12/03/saudi-arabia-has-a-shiite-problem-royal-family-saud/.

and non-Arab ethnic groups. It contained the majority of the country's oil and gas reserves. Development in the north far exceeded that of the south, which experienced "decades of neglect and heavy-handed control from the central government" in the north.[24] Today, landlocked South Sudan contains three-quarters of former Sudan's oil reserves, yet is still reliant on a pipeline through (northern) Sudan to export. Disputes persist over the oil-containing Abyei region between the two countries.

Syria

Deir el-Zour contains Syria's largest oil fields and accounts for around 50 percent of oil production in the country and around six percent of the population. The region, long marginalized by the central state, witnessed heavy clashes with the government starting in 2011 and was captured by ISIS in 2014. The oil fields were pivotal for ISIS's economy.

Like Iraq, Syria has a large Kurdish population mainly residing in the northeastern area of Hassakeh. The region is also rich in oil and accounted for the other half of Syrian oil production prior to the civil war.[25] The Kurds in Syria make up around 7.2 percent of the population. Hassakeh has had de facto autonomy since 2011 under the PYD Kurdish party. Bashar Assad and the PYD currently split oil production from the region (65 percent and 20 percent respectively) with the remaining amount allotted to Arab forces responsible for protecting the fields.[26]

"During the rule of the two Assads, the city has witnessed a very poor economic situation, and the people did not benefit from the governorate's natural resources because of the unequal distribution of wealth. […Hafez al-Assad's] strategy of ruling Syria was based on creating large human gatherings in Damascus and Aleppo by making the universities, hospitals, military sectors, and job opportunities only available in these cities in order to facilitate security control of the country"—Soqrat al-Alou, an economic researcher from Deir-ez-Zour.[27]

[24] Paul J. Sullivan and Natalie Nasrallah, "Improving Natural Resource Management in Sudan," United States Institute of Peace, Special Report 242, June 2010, https://www.usip.org/sites/default/files/SR242SullivanNasrallah.pdf.

[25] Mohammad Harfoush, "Syria's Oil Crisis," *Al-Monitor*, February 19, 2013, https://www.al-monitor.com/pulse/en/originals/2013/02/syria-oil-crisis.html#.

[26] "Syria, PKK/PYD Share Oil Revenues in Al-Hasakah," *Middle East Monitor*, July 27, 2017, https://www.middleeastmonitor.com/20170727-syria-pkkpyd-share-oil-revenues-in-al-hasakah/.

[27] "Why Do Countries Fight over Deir Ez-Zor?" *Enab Baladi English*, September 10, 2017, http://english.enabbaladi.net/archives/2017/09/countries-fight-deir-ez-zor/.

Tunisia

Tunisia is the fifth-largest producer of phosphates, with five percent of global reserves. The Gafsa governorate makes up around three percent of the population and contains one of the country's largest phosphate mines.[28] Protesters demanding jobs, development, and end to marginalization have repeatedly disrupted output in the area.[29]

Towns in the southern province of Tataouine, which contain a few oil and gas production sites, have witnessed small protests demanding jobs and development in the region.[30] Tatouine is a sparsely populated governorate that has around 1.3 percent of the country's population and one of its main oil-producing fields.[31] Similarly, the governorate of Kebili (one percent of population) witnessed protests in front of its oil and gas company asking for development projects in the region.[32] The island city of Kerkennah (0.1 percent of population), where Petrofac operates a gas facility, saw a series of protests demanding jobs and development in the region.[33] Protests have led to halts in production throughout the country. Tunisia imports a majority of the oil it consumes.

"We are well aware that Tunisia doesn't have enormous oil and gas wealth. But that makes it even more important to exercise good governance over the limited quantities that we do have,"—lawyer Samir Ben Amor during protests in Tunis that asked "Where's the oil?"[34]

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Yemen

The Hadramawt region, which combines the provinces of Hadramawt, Shabwa, and al-Mahra, is located on the southern end of the Arabian Peninsula and makes up around 8 percent of Yemenis.[35] It contains 80 percent of Yemen's oil reserves.[36] Hadramawt saw a series of protests and attacks on pipelines demanding employment opportunities in oil firms, end to economic marginalization, increased economic development, and localization of security.[37] The region is tied to the Southern secessionist Harak movement, which also includes the governorates of Abyan and Lahej. However, tensions exist between competing Hadramawt and Aden factions of the movement.

The Sheba region, which combines the provinces of Marib, Jawf, and al-Bayda, is another oil-rich region that contains the rest of the country's proven oil reserves and one of its larger natural gas deposits.[38] It contains around 6 percent of the country's population.[39] The region witnessed protests, sabotage, and a number of youth-led initiatives demanding development.

"Marib has been ignored by the government for more than five decades. They look at us as inferior to them. The political elite in Sana'a care only about oil and less about the people of Marib. There are well-educated and experienced Maribis but the government and oil companies hire people from outside the provinces"—Ahmed Azzayedi, a Maribi youth activist.[40]

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