

## Syllabus

<b>Title of the Course:</b>	The Political Economy of Natural Resources and Rentier States	<b>Course Breakdown:</b>	15 online teaching hours in 10 weeks 100 hours independent study
<b>Name of the Instructor:</b>	Dr. Gubad İbadoghlu and Dr. Leila Alieva	<b>Weekly class time:</b>	Tuesdays 9 am (EST) / 3 pm (CET)
<b>Language:</b>	English		
<b>Hosted by:</b>	New University in Exile Consortium	<b>Certificate issued by:</b>	NSSR
<b>min. number of participants:</b>	15	<b>max. number of participants</b>	30

## Description of the course

Natural resources can generate vast sums, in many cases larger than official development assistance or other forms of national income. If managed prudently, natural resource wealth can have a substantial impact on a country's sustainable development efforts, and in addition to the capital flows, natural resources can have many other direct and indirect influences and benefits for an economy. But those benefits are far from automatic and in fact, in many cases natural resource wealth is not spontaneously transformed into long term sustainable development. This course aims to build knowledge in order to make the most of oil, gas, and minerals, while mitigating the risks that these industries bring. It outlines the various complex and interrelated aspects of natural resource governance, including: (1) understanding the governance and industry fundamentals; (2) developing and implementing robust and transparent legal frameworks; (3) designing fiscal regimes to capture a fair share of the revenues; (4) managing environmental risks; (5) engaging with communities; (6) leveraging investments for infrastructure and business linkages; and (7) managing revenues for economic diversification and development, among others. It explores the major effects of the 'rentier economy' and natural resources on democracy and state building, as well as the role of reforms in prevention of the 'resource curse'. The course analyses the role of the natural resources in conflicts, including domestic and interstate wars. It explores the implications of the rentier economies for development of democratic institutions, such as the opposition, putting it in comparative perspective. It will illuminate the concept of 'resource nationalism' as disincentive of integration. It also contributes to the debate on 'resource curse', bringing in a historical perspective to the analysis of the effects of 'oil booms'.

## **Learning Aims**

### **To provide a general understanding about:**

- The political economy of rentier states and natural resources;
- Revenue management and fiscal rules in a natural-resource-rich country
- Their implications for democratic institutions,
- The role of natural resources in conflicts and external relations.

### **Upon the successful completion of the course students will be able to:**

- Classify resource rich countries and rentier states and explain the political effects of natural re- sources (theory and practice)
- Conduct the comparative analysis of the current trends in the resource-based economies (globally)
- Apply the lessons learned from the experience of the rich resources countries to develop the other case studies (regionally)

## **Course requirements**

Course components include:

- Lectures
- Readings
- Discussion Activities (required)
- Q&A sessions with course instructors

The final grade for the course will be based on the following:

- Participation seminars.
- Review of readings
- Short essay
- Long essay (two options: academic paper or policy paper/case study)

## **Organization of the course**

*This is a first occasion to exchange about the learning design of the course. Please understand this section as preliminary and subject to further discussion. This template serves as an example only. Possible formats are prerecorded video lectures, class discussion, one-to-one tutorials, films, pictures, videos, wikis, books, blog-articles, forums, journal or newspaper articles, podcasts and many more...*

## Outline of the Course Schedule

<b>Week 1</b>	Should start submitting the Reading Review and focus on the Short Essay	<b>Introduction</b>
<b>Week 2</b>		<b>Submission of Reading Review Start</b>
<b>Week 3</b>		<b>Short Essay Topic to be determined</b>
<b>Week 4</b>	Should Focus on Long Essay (Analytical paper/case study/policy brief)	<b>Short Essay Due</b>
<b>Week 5</b>		<b>Long Essay Topic to be determined</b>
<b>Week 6</b>		
<b>Week 7</b>		
<b>Week 8</b>		
<b>Week 9</b>		<b>Long Essay Due</b>
<b>Week 10</b>		<b>Wrap-up and Conclusion</b>

## Syllabus / Reading List

### Week 1: Fundamentals of oil, gas, and mining: industry considerations and policy implications

- a) Introduction to the oil and gas industry: where and how it is produced.
- b) The historical evolution of the oil industry: actors and markets.
- c) From oil well to car - market, players, and extraction process in oil
- d) From mine to mobile phone - market, players, and extraction process in mining

#### *Reading material:*

- Michael L. Ross, “The Politics of the Resource Curse: A Review,” SSRN (January 2013). [18 pages]

### Week 2: Rentier States and Sources of Rents.

- a) Definition of Rentier States
- b) Sources of rents and the categories of rentier states
- c) Implications for democracy building

*Reading material:*

- H. Beblawi and G. Luciani, *The Rentier State*. London: Croom Helm, 1987 pp.49-61 (12 pages)

**Week 3: Political effects of natural resources**

- a) How does resource wealth affect political systems?
- b) What factors determine whether and to what extent these effects occur in a given country?
- c) What kind of measures can help safeguard the public interest in such a political environment?

*Reading material:*

- Paul Collier, *The political economy of Natural resources*, [12 pages]

**Week 4: Reforms and the “Resource Curse”**

- a) Debate on the possibility of preventing the “resource curse”
- b) Reforms and institutions influencing a “resource curse” (a historical perspective)

*Reading material:*

- Karl, Terry Lynn, (1997) “Paradox of Plenty: Oil Booms and Petro-States” University of California Press. pp. 6-12
- Collier, Paul, Caroline Laroche (2015) *Natural Resources Do Not Need to Be a Curse* (parts 1,2) IGC, open access. (8 pages)
- Alieva, Leila (ed) (2008) “The Baku Oil and local communities: A history”, CNIS, Baku. (available on internet) pp.16-31

**Week 5: The politics of resource curse and Dutch disease**

- a) Natural resources and the broader governance framework: challenges and opportunities
- b) How do negative political tendencies, such as resource curse and Dutch disease, corruption trends in the extractive sector
- c) How will the drop in oil prices affect the political situation in various oil-dependent countries?

*Reading material:*

- Macartan Humphreys, Jeffrey D. Sachs, and Joseph E. Stiglitz, “Introduction: What is the Problem with Natural Resource Wealth?” Escaping the Resource Curse, Columbia University Press (2007). [18 pages]

**Week 6: Rentier states, a resource curse and the conflicts.**

- a) The influence of the “resource curse”: enhancing stability or promoting conflicts?
- b) Political economy of humanitarian emergencies and conflicts.
- c) Role of natural resources in domestic and external conflicts

*Reading material:*

- Michael L. Ross, “The Politics of the Resource Curse: A Review,” SSRN (January 2013). [18 pages]
- Paul Collier, The political economy of Natural resources, [12 pages]
- Macartan Humphreys, Jeffrey D. Sachs, and Joseph E. Stiglitz, “Introduction: What is the Problem with Natural Resource Wealth?” Escaping the Resource Curse, Columbia University Press (2007). [18 pages]

**Week 7: Fiscal regime and revenue management**

- a) Resource economics and fiscal regime principles
- b) Challenges of revenue management
- c) Policy responses: savings, spending, public debt, and earmarking

*Reading material:*

- Sachs, Jeffrey. "How to Handle the Macroeconomics of Oil Wealth," Initiative for Policy Dialogue Working Paper Series, September 2006. [21 pages]

**Week 8: Rentier state and implications for opposition.**

- a) Role of structure and agency in the mode of rent distribution
- b) Role of types of rentier states in the implications for the opposition
- c) Policy conclusions for the opposition in the rentier states.

*Reading material:*

- Okruhlik, Gwenn (1999) Rentier Wealth, Unruly Law and the Rise of Opposition: The political Economy of Oil States in Comparative Politics, Volume 31, No.3, pp.295-315

- Alieva, Leila, Pikulik, Alexei (2020) Hijacking Agenda, Hijacking an Ally: Mode of Rent Distribution and Implications for Opposition in Azerbaijan and Belarus. Europe Asia Studies, (22 pages)

### **Week 9: Natural Resource Economics and Environmental challenges in extractive industries**

- a) The Concept of Sustainable Development: Definition and Defining Principles
- b) Indicators of sustainable development

#### *Reading material:*

- David Zilberman, The economics of sustainable development, University of California, Berkeley on January 28, 2015 [12 pages]
- The Concept of Sustainable Development: Definition and Defining Principles, Rachel Emas, Florida International University [3 pages]

### **Week 10. Resource Nationalism, EU Interests and Integration of a Rentier State.**

- a) EU programs and instruments in Eastern neighborhood (ENP, EaP)
- b) EU integration and a rentier state (Case study of Azerbaijan)

#### *Reading material:*

- Koch, Natalie, Perreault, Tom (2019) Resource Nationalism in Progress in Human Geography 43(4):611-631.
- “Supporting Democracy in the EU Neighborhood: The Eastern Partnership” International IDEA Policy Brief, January (2016)  
<https://www.idea.int/sites/default/files/publications/supporting-democracy-in-the-eu-neighbourhood-the-eastern-partnership.pdf> 4 pages.
- Alieva, Leila (2014) EU- Azerbaijan: Driven by Strategic Importance, Lacking Value-Based Impact Heinrich Boell Stiftung (<http://www.ge.boell.org/en/2014/01/16/eu-azerbaijan-driven-strategic-importance-lacking-value-based-impact>) (6 Pages).

### **Recommended reading List**

- Arezki, R., T. Gylfason, and A. Sy (2011) Beyond the Curse: Policies to Harness the Power of Natural Resources. IMF. AVAILABLE for FREE in the Web.
- Barma, N; K. Kaiser; T. Minh Le; and L. Vinuela (2012) Rents to riches? The Political Economy of Natural Resource-Led Development. World Bank. AVAILABLE for FREE in the Web.

- H.Mahdavi, "The Patterns and Problems of Economic Development in Rentier States: The Case of Iran". In *Studies in Economic History of the Middle East*, ed. M. A. Cook. London: Oxford University Press.1970
- Leila Alieva "The Power in the Oil Rich State" in *Democracy's Plight in the European Neighborhood. Struggling Transitions and Proliferating Dynasties* (eds.Michael Emerson and Richard Youngs), CEPS/FRIDE.2009
- Anar Ahmadov, Farid Guliyev *Tackling the Resource Curse. The role of Democracy in achieving sustainable development in resource-rich countries*, IDEA, Sweden, Stockholm, 2016.
- Roger Perman, Yue Ma, James McGilvray, Michael Common, *Natural Resource and Environmental Economics*, Third edition 2003 Pearson Education Limited, AVAILABLE for FREE in the Web.
- Barry C Field, *Natural resource economics: an introduction* 3rd edition, 2016
- Ross, M. (2013) *The Oil Curse*. Princeton University Press.
- Hendrix, C. and M. Noland (2014) *Confronting the Curse*. Peterson Institute for International Economics.
- Davis, J.M., R. Ossowski, and A. Fedelino (2003) *Fiscal Policy Formulation and Implementation in Oil Producing Countries*. International Monetary Fund.
- Hogan, W. and F. Sturzenegger (2010) *The Natural Resources Trap*. MIT Press.
- Humphereys, M., J. Sachs and J. Stiglitz (2007) *Escaping the Resource Curse*. Columbia University Press.
- Victor, D., D. Hults, and M. Thurber (2012) *Oil and Governance*. Cambridge University Press.