

Effective Democracy, Oil, and

EITI





Goal of American Foreign Policy: A World of Effective Democracies

- Peace: Democracies do not fight with each other
- Prosperity: Over the long term democracies have been more successful than any other form of government
- Individual freedom: Human beings free to pursue their own goals and aspirations
- Counter-terrorism: Freedom is an alternative to terrorism



Effective Democracies

- **Accountability: Make the government accountable to the people**
 - Elections
 - Media
 - Civil Society
- **Liberal Institutions: Protect individual liberty**
 - Rule of law
 - Independent judiciary, honest police
 - Basic human rights and minority rights
 - Constitutional constraints on the state
 - Military subordinate to elected officials



The Challenge: Getting from Here to There

- New democracies are fragile
- New democracies can be aggressive
- Effective democracy is harder in poorer countries
 - Lower levels of education
 - Less developed civil society
 - Weaker private economic sector



The Oil Curse

- Poor Economic Growth:
 - Negative correlations between oil and per capita economic growth
 - Dutch disease
 - Negative incentives for individual entrepreneurs
 - Best performers in the post war period eg Korea have been the ones with the fewest raw materials
 - The most valuable resource is the human mind
- Challenge to Democracy: Oil hurts democracy
 - Concentrates power in the hands of the state
 - Provides the state with resources to suppress opposition
 - Opens opportunities for corruption



- Transparency
- Knowledge about inflows to the state budget



EITI Success Requires:

- **Accountability: Can the Figures be Used**
 - Parliament
 - Media
 - Civil Society
- **Productive Use of Oil Revenue**
 - Outflows not just inflows
 - Provision of key services: education, health
 - Infrastructure
 - Investment for future sustained economic growth



Benefits

- For the Exporting Countries
 - Better chance for democracy
 - More transfers to the population
 - Greater investment
 - Higher production levels
- For Consuming Countries
 - More stable international environment
 - Greater energy security