

Oil and Politics in Southeast Asia¹

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Introduction

Most of the oil-exporting regions of the world have remained fairly stable over the last two decades in terms of their populations of producers. Southeast Asia is one of three regions, however, that stand out as having undergone substantial change, along with South America and Western Africa. The latter two regions have seen a proliferation of new exporters. Southeast Asia, however, has seen perhaps the most change of any region in the world, with “old” exporters departing that group and with “new” exporters bringing export revenues on line under very different political and economic circumstances.

One thing of note about Southeast Asia is the large number of states that sit well “off the line” in terms of broad trends in oil and politics. Malaysia’s relatively capable state, Indonesia’s thriving democracy, and Brunei’s closer resemblance to Gulf monarchies than to its neighbors all pose interesting questions for those of us concerned with how oil wealth and politics “normally” interact. As I discuss below, Southeast Asia nicely illustrates how conditional the effects of resource wealth can be. With that in mind, this essay looks at three oil-shaped dynamics: the trajectories of older exporters like Brunei, Indonesia and Malaysia, broad regional trends since 1990, and the emergence of three new exporters (Cambodia, Timor-Leste and Vietnam) since 2000. What these empirical explorations reveal is a strikingly broad set of oil-influenced political trajectories that suggests we rethink blunt assessments that assume uniform relationships. Taking a close look at the politics of oil wealth through these three

¹ I would like to thank Burcu Kanyilmaz for outstanding research assistance. I am also grateful to Thomas Smith for help in calculating the gas income per capita conversion equations used in this chapter.

lenses provides insight into a growing consensus in scholarly and policy circles that the effects of resource export dependence are strongly conditional and depend on a multitude of antecedent conditions.

The New Political Economy of Resource Wealth

The first generation of studies focused on oil and politics tended to take a mono-causal approach, assigning more or less the same (negative) effects to resource wealth across the board. From Mahdavy's (1970) original statement of the rentier state phenomenon of overspending and political overexuberance, Beblawi and Luciani (1987) elaborated a theory of the rentier state floating on oil revenues high above and apart from its citizens, able to sustain a no taxation, no representation political economy. This dynamic took further pride of place in Skocpol's (1982) refinement of her structural model of revolution. A later round of case-driven studies by Vandewalle (1998) and Karl (1997) focused on the economic development-stunting effects of oil-driven economies. Collier and Hoeffler's (1998) early work on resources and conflict and Ross's (2001) demonstration of the negative oil-democracy correlation cemented a conventional theoretical wisdom by the early 21st century holding that oil had systematic (and damaging) effects. Notably, Southeast Asian cases were missing from these early studies of oil and politics, except inasmuch as Karl (1997) referred to the "Indonesian exception."

Valuable as these studies were in getting scholars focused on the negative repercussions of commodity endowments—contradicting a generation of development economists focused on comparative advantage—they tended to focus the lens of inquiry away from contrast cases and toward those that confirmed the initial theoretical hunches. Oil politics, as a result, became the study of Algeria, Nigeria, Iran, and other large and politically troubled countries. What went missing were cases like Indonesia and Malaysia—in which oil went hand in hand not with trouble-free political economies but frequently with positive outcomes in at least some areas.

What has emerged over the last decade as a result is a consensus, strongly supported by increasingly sophisticated econometric and comparative historical analyses, that the effects of oil wealth are frequently conditional and therefore dependent on antecedent conditions. Moving away from his earlier, more mono-causal studies, Paul Collier and his co-authors have found increasingly clear conditional and timing-sensitive effects in the relationship between resource booms and downstream economic impact (Collier 2010; Collier and Goderis 2007a, 2007b; Chauvet and Collier 2006). Ross (2004) uncovered a more complex set of mechanisms, and a less certain linear relationship, between resource wealth and civil war. I have argued that oil's impact on long-term regime durability depended strongly on antecedent conditions surrounding the onset of state-driven economic development (Smith 2004, 2007). Dunning (2008) has demonstrated that variation in economic inequality strongly conditions the effect of oil wealth on the prospects for durable democracy, strengthening those prospects in unequal Latin America while undermining them elsewhere. Lowi (2009) has illustrated the centrality of leaders' choices at key moments in setting countries down particular trajectories of oil. In short, the new conventional wisdom is that oil's effects are embedded in and shaped by the political economies of which they become a part. This new, conditional approach to theorizing the "resource curse" is a much more appropriate analytic lens through which to look at Southeast Asia, which contains some curious outliers for any one-size-fits-all theory of oil politics. Take Malaysia: highly dependent on oil exports for much of the late 20th century, and for decades before that on other commodity exports, the country stands out both for its fairly capable state and for its successful technological export-driven manufacturing sector. It is now one of the world's leading manufacturers of computer chips. Or Indonesia: a large, relatively poor, oil-exporting Muslim country that in 2010 was judged by Freedom House (2010) to be the only fully free polity in all of Southeast Asia. How did Malaysia overcome its oil exports to develop its economy so successfully, and how did Indonesia overcome its own resource curse

to establish a durable democracy? In the next section I turn to these two cases and to a third, Brunei, which in many ways can be analytically grouped with the small oil monarchies of the Persian Gulf.

“Old” Oil Exporters: Brunei, Indonesia and Malaysia

The oil industries in Southeast Asia’s original exporters, Brunei, Indonesia and Malaysia, all had their origins under colonial rule. Following independence, oil has continued to play an important role in the export sectors of all three countries and to varying degrees in their politics.

Brunei

In many ways Brunei resembles the small Gulf monarchies Qatar, Bahrain, Oman and the United Arab Emirates more than the larger oil exporters that surround it. Brunei’s small population (392,000 in 2008; World Bank 2009) and its economy truly dominated by oil² mark it off in important ways from Indonesia and Malaysia. Its chronological trajectory from British protectorate status tracks closely with the Gulf monarchies as well. Whereas Brunei’s neighbors became independent in the 1940s and 1950s, it did so only in 1984, just 13 years after Bahrain and the Emirates emerged from the same status. Moreover, it did so hesitantly and not entirely voluntarily: an earlier rebellion supported by Indonesia raised concerns about the sultanate’s capacity to sustain its own internal security.

Since then, Brunei’s politics and economy have been mundane by regional standards. The regime’s ability to provide cradle-to-grave welfare using oil proceeds (pejoratively termed “Shellfare” by its citizens) and to make the civil service a 2/3 share of the labor market have guaranteed a generally smooth ride, even through the oil bust of the late 1980s and early 1990s. The events that have made other Southeast Asian countries so visible in the last two decades—the 1997-99 financial crisis, Indonesia’s democratic transition in 1999—left Brunei largely unchanged politically and economically.

² In 2006 oil exports comprised 96% of Brunei’s exports.

Brunei is the purest rentier state in the region—and along with the Persian Gulf monarchies one of the purest ideal type oil polities in the world.

Indonesia

The late 1960s and 1970s were the heyday boom years in Indonesia's oil industry, but they did not come without a cost. In 1974, for example, Ibnu Sutowo was fired from his position as head of Pertamina (Indonesia's national oil company) after the scope of the company's overstretching into shipbuilding and other sectors became apparent. The Indonesian treasury had to nearly bankrupt itself in order to make good on Pertamina's debts (Winters 1996). Nonetheless, the boom years were economically positive ones in Indonesia, albeit in the context of increasingly established authoritarian rule. Economic development that was in no small way catalyzed by oil revenues lifted millions of Indonesian citizens out of poverty and boosted the country's per capita wealth substantially while reducing social inequality.

As in nearly all exporting countries, the mid-1980s' oil price crash forced a series of tough policy choices on the New Order government. As Winters (1996) notes, this period corresponded with a longer-term pattern in Indonesian political economy: granting more autonomy to economic officials when oil revenues were scarce. As a result, Indonesia underwent what would generally be considered a surprisingly smooth transition to export-oriented manufacturing focus during the late 1980s and early 1990s. The simultaneous decline in Indonesia's oil production and in global oil prices meant that, by 1995, oil revenues as a share of the country's GDP had dropped from a high in 1974 of 21% to just 6%.³ This decline, coupled with the country's increasing domestic fuel consumption, moved Indonesia out of the population of serious exporters, a fact reflected in Indonesia's departure from OPEC in 2008.

³ This figure climbed after the 1999 increase in oil prices, but never above 9%.

What did not (and generally does not) vanish overnight were the long-term political and economic ramifications of Indonesia's decades of serious oil export dependence. Like Mexico, Indonesia's declining oil production probably made democratic transition more likely by shrinking the autonomous patronage resources available to rulers. And the increasingly integrated nature of Indonesia's relationship to the global economy left less room for Suharto to manipulate economics in order to stay in power. Finally, it is the case that the ossified political structures in place in 1998 took shape during the 1970s, and were therefore in part a product of oil-funded institutions. Still, what has happened since about 1985 is remarkable. In the context of prevalent scholarship on oil and politics, it is surprising both that Indonesia was able to make the transition from oil-led to export-led manufacturing growth in the late 1980s and that a decade later underwent a transition to democracy that by nearly all accounts looks durable and meaningful.

Malaysia

Malaysia has been one of the post-colonial world's relatively few development success stories among oil exporters (see Luong and Weinthal 2006, Carneiro 2007). Despite substantial reliance on oil revenues—and before that tin and rubber revenues—Malaysia has moved up the development ladder of Asian industrial states. What is perhaps most interesting about economic development in Malaysia is that its transition out of import-substitution industrialization (ISI) and into export-led growth took place precisely as it became a substantial oil exporter: during the oil boom years of the 1970s (Salleh and Meyanathan 1993, 5). The political fallout of the 1969 race riots, which catalyzed assertive government response to the violent expression of Malay hostility toward ethnic Chinese economic dominance, and then the oil boom, created both a powerful incentive and an opportunity to use oil income to restructure Malaysia's economy. Here, as with Indonesia, political crisis led to an uncommon use of oil

revenues, in the case of Malaysia to boost export competitiveness and to achieve greater economic equity between the country's ethnic groups.

Indonesia and to a greater degree Malaysia have sidestepped many of the common pitfalls associated with oil wealth. They have poverty rates well below those of most exporters (Carneiro 2007, 121) and Malaysia in particular has achieved a level of industrial transformation and technological prowess that is fairly remarkable for a country that in 1985 depended on oil exports for 25% of government revenues. Indonesia, on the other hand, has overcome its own legacy of oil export dependence to accomplish a transition to export-led growth economically and to stable democracy politically.⁴ These two long-time oil states in Southeast Asia pose interesting puzzles for scholars of oil wealth: how do oil exporters successfully transform their economies or democratize?

Current Trends: Oil and Politics in Southeast Asia

In this section I explore the general effects of oil export dependence in the region, using cross-national time series data from Southeast Asian countries for the last two decades. Since at least the publication of Ross's "Does Oil Hinder Democracy," we have had a general understanding that, *ceteris paribus*, countries that depend on oil exports are more often authoritarian. And since then evidence has mounted that oil-rich countries are generally more prone to civil conflict, lower rates of growth, and have less effective states than others. However, as I discussed above there are some variations in amongst this generally gloomy outlook: all else equal oil-rich countries suffer fewer regime breakdowns (Smith 2004) and under some conditions are more likely to become and to remain democratic (Dunning 2008). Moreover, as mentioned above two Southeast Asian oil exporting countries in particular—Indonesia and Malaysia—have in a number of studies been characterized as "success stories" in either

⁴ The puzzle is not that after its oil income decline Indonesia democratized: it is that the country was both able to make the transition to export-led development in an institutional setting heavily shaped by an oil economy and subsequently to become durably democratic.

successful democratization or development, respectively (on Indonesia see Smith 2007 and Lewis 2007; on Malaysia see Luong and Weinthal 2006 and Carneiro 2007). With these regularities and exceptions both in mind, in this section I present both data from the countries of the region and some cross-national trends for oil politics in Southeast Asia. The data I analyze here are drawn from the 12 countries of Southeast Asia, from 1990 to 2008, with the exception of Timor-Leste, for which data are available only from 1999 (the year in which United Nations supervision of the transition to full independence in 2002 began).⁵ The time period allows for maximally complete data coverage and also covers two important and distinct periods in terms of the global oil market: the pre-1999 years, during which oil was at a low dating to the 1986 price crash, and the post-1999 years during which oil prices reached their highest absolute price ever. Before presenting the results of some quantitative analyses of data from the region, I describe the measures I use and present some descriptive statistics.

Measuring Oil Export Dependence: Oil Income per capita

For more than ten years now scholars seeking to study the resource curse have employed different indicators for a common concept: the effective “rent” capacity that oil revenues make possible in different countries. A decade ago—when the econometric study of oil politics was fairly new—the standard measure was oil export revenues as numerator with GDP as denominator (see for example Ross 2001; Smith 2004). Despite its general utility (and fairly strong correlation with better ones) there are a number of analytical problems with this measure. First, it tells us little about the size of the country’s population. A hypothetical country with 10,000 people and a US\$10,000 economy 40% of which came from oil exports would look the same as a country of 1,000,000 people, also with a \$10,000

⁵ Data for Brunei, Indonesia, Malaysia, Thailand and Vietnam come from BP, *Statistical Review of Energy 2010*. <http://www.bp.com/productlanding.do?categoryId=6929&contentId=7044622>. Accessed December 6, 2010. Data for Timor-Leste come from US Energy Information Administration: http://tonto.eia.doe.gov/country/country_energy_data.cfm?fips=TT. Accessed December 10, 2010. Data for Cambodia, Laos, Myanmar, Papua New Guinea, the Philippines, and Singapore come from US Geological Survey, various years. <http://minerals.usgs.gov/minerals/pubs/country/index.html#pubs>. Accessed December 6, 2010.

economy 40% of which came from oil. The problem here is that the effective usability of oil revenues is masked by the lack of knowledge about population size, which is important if one is interested in how many oil dollars a regime can direct at each citizen, for public goods, patronage or coercion. Another problem is that the measure tells us nothing about oil that is consumed domestically.⁶ That may have been less important fifteen or twenty years ago, when oil wealth and industrialization were not so often coincidental. However, the transformation of large oil-rich economies in Russia, Brazil, Indonesia (three of the four large and emerging “BRIC” economies) and in Southeast Asia also Vietnam points to serious problems. These are all exporters whose own growing industrial and manufacturing sectors use increasingly large shares of their production.

Here I use a fairly new measure, one that is becoming standard: *oil and gas income per capita*. By calculating the value in US dollars of oil and natural gas production in each year, and dividing it by the population of each country that year, one derives a measure of oil/gas income per capita—the amount a resource industry-owning government can effectively allocate per citizen based on oil and gas income.⁷ This measure is about as close as we can come to capturing what is theoretically meaningful about oil and politics—what rulers can spend to keep themselves in office, either by co-opting, rewarding or coercing their citizens. The variation, even among the exporters, is dramatic. Even at its highest during this time period, no Indonesian government has ever enjoyed more than US\$300 per citizen: the Sultanate of Brunei, by contrast, has never enjoyed *less* than US\$6800. In the last five years, Vietnam’s oil discoveries and first exports have not amounted to more than US\$165 per citizen. This is simply to say that other than in Brunei oil revenues, while important, do not constitute the massive rent boon for Southeast Asian political leaders that absolute export revenues might suggest.

⁶ It is worth further consideration whether exported oil—which generates foreign currency income—might still create different political opportunities for political leaders than domestically sold oil.

⁷ Thanks to Michael Ross for his helpful advice on constructing this measure, and thanks to Thomas Smith for help in constructing the precise equation to convert natural gas BTUs into billion cubic feet and then into income.

Oil and Political Outcomes

Democracy

I employ here the index of democratic freedoms produced by Freedom House. I have inverted its measure to make it more intuitive: subsequently “7” is a fully free polity, “1” a fully closed one. In 2008 Southeast Asia had only one fully free regime as coded by Freedom House: Indonesia, one of the original exporting countries of the region and until 2008 a member of the Organization of Petroleum Exporting Countries (OPEC). Indonesia is also the world’s largest Muslim-majority country. Those two facts make Indonesia something of a statistical outlier. Brunei and Singapore are outliers of a different sort. As countries whose per head GDP numbers put them in the category of “developed” countries, but who polities rank as “not free” and “partly free” according to Freedom House, they too sit well off “the line” of well-tread findings on the determinants of regime type. Singapore in particular—resource poor—stands out from international trends as a rich and stably nondemocratic polity. As I discuss below, however, neither Singapore nor Brunei pull the regional trends in any disproportionate way. With one-quarter of its countries qualifying as outliers, one might expect data from the countries of Southeast Asia not to confirm results that are robust in global quantitative studies (see for example Ross 2001, 2009). The main hypothesis here, in line with the extant literature, is that the more oil income that accrues to each citizen, the less democratic the polity is likely to be. I discuss the results below.

Conflict

Another increasingly common finding in econometric studies of resource politics is that, all else equal, oil-rich countries are more prone to internal conflicts than oil-poor ones. Civil wars, coups d’etat, separatist conflicts and the like have all been found more likely the more oil income a country receives (Collier and Hoeffler 1998; Ross 2004). And Southeast Asia has seen its fair share of such internal conflicts: ongoing ethnoregional rebellions in Myanmar, the Moro Islamic Liberation Front’s rebellion in

the Philippines, a recently resolved 30-year war waged by the Aceh Independence Movement and still-going Papuan separatist movement in Indonesia, and others. Here I employ a measure of violent internal conflict from the Armed Conflict Data project at the Peace Research Institute of Oslo. The benchmark for coding a country year as having experienced a conflict is that at least 25 people must have been killed in battle between a non-state group and the central government. Any country-year with a conflict so measured is coded “1” and all others “0.”

How does the region stack up in terms of the prevalence of internal conflict? In fact, Southeast Asia has a particularly high average rate of violent domestic conflicts in the last two decades. On average, in any given year in Southeast Asia there has been a 35% chance of internal conflict. That aggregate probability figure, of course, is heavily skewed by Myanmar, the Philippines and Indonesia, which between them were the sites of more than half the conflict years between 1990 and 2008.⁸ Nonetheless, it is an open question whether oil influences the likelihood of conflict in the Southeast Asian context the way it appears to do globally. Taking a cue from broad cross-national studies, I expect that oil income in Southeast Asia will correlate positively with conflict.

Governance

Another common finding in the resource curse literature is that oil-rich countries tend to have weaker state institutions and more corruption. Among recent data collection projects is that undertaken by the World Bank’s Governance Indicators economists. I employ two of their measures here in order to chart broad governance trends in Southeast Asia: Control of Corruption and Government Effectiveness.⁹ Both range from -2.5 to 2.5, with higher scores indicating better control of corruption and more effective government, respectively. Because data are only available from 1996, and only in even years

⁸ Brunei and Singapore—neither of which have had an internal conflict in the last twenty years—do not disproportionately “pull” the data in the other direction, although without their years included the risk of internal conflict rises somewhat to 41%.

⁹ Because the results for government effectiveness and control of corruption were substantively very close, I report only those for government effectiveness.

until 2000, the results presented here are based on substantially fewer country-year observations than the democracy and conflict models. In line with the cross-national literature, my expectation is that Southeast Asia's oil exporting countries will score lower on both governance indicators.

Models and Methods

Because this is a fairly small sample, and because I am most interested here in teasing out the impact of oil income on politics rather than on specifying a maximally complete set of models, I include a small but important set of controls for income (GDP per capita, taken as natural logarithm), growth (annual GDP per capita growth), land area (taken as natural logarithm), population share living in urban areas, and telephone lines per 100 people. The telephone lines measure is commonly used as a proxy for both income and for state capacity (i.e. state infrastructure) and more data are available for this than for another common proxy—road kilometers per 100 people. I experimented with some common sociocultural controls—whether a country's population was predominantly Muslim and a measure of ethnic fragmentation—in early analyses but omit them here because under no model specifications were they significant.

The methods I use here are a function of the data structure, the form of the dependent variables in question, and current standards in quantitative political economy research. For the models estimating the oil-democracy and oil-governance relationships, I employ fixed-effects generalized least squares regression. In exploring the oil-conflict linkage, I employ logistic regression with robust standard errors clustered on country. In the conflict model I also include a set of time-sensitivity variables recommended by Beck, Katz and Tucker (1998): three cubic splines and a variable that counts the number of years since the last conflict.

Results: Oil and Politics in Southeast Asia

In Table 1 are 2008 scores for the 12 countries of Southeast Asia on government effectiveness and political freedom. They come, respectively, from the World Bank's Governance dataset and from Freedom House. The statistical analyses discussed below reflect a somewhat curious observation: that two of the three most capable states in the region (Malaysia and Brunei) are oil exporters and one of the least capable (East Timor, just above Myanmar) has not really begun yet to exploit its oil and gas reserves.

Table 2 presents the results of three models, each of which explores the relationship between oil wealth in Southeast Asia and a different outcome. As mentioned above, a different set of control variables are included alongside oil income: I have drawn deductively from current research in specifying the models—i.e. including at first variables that have consistently been important in other studies—and inductively by including here only those variables that were stably significant in this regional sample.

Table 2 about here

Column 1 in Table 2 presents the results of a regression model estimating the effect that oil income has on regime type across Southeast Asia. Included in this model is a control variable for per capita income, taken as the natural logarithm of GDP per capita in constant 2005 US dollars. This is the least surprising of the three models, as it confirms in a regional setting the long-standing finding (Ross 2001, 2009) that, *ceteris paribus*, the more oil income a country receives the less democratic it is likely to be. This result is not sensitive to outliers: excluding Brunei, for example, which is the country in the region most often characterized as highly shaped by oil wealth, does not change the relationship at all. But it clearly does not mean that autocracies today are what they are simply *because* of oil wealth. On the contrary, long-lived non-democracies such as Burma or semi-democracies, as Malaysia and Singapore are sometimes called, are durable for a host of reasons, of which oil wealth may be one. Malaysia's New Economic Program, initiated in the early 1970s to ameliorate the economic causes of the 1969 race riots, was made possible in part by the country's oil export income and has contributed

substantially to ethnic peace since. And oil revenues undoubtedly helped Suharto's New Order regime to placate some social groups and to control others. In short, oil income in Southeast Asia appears to have the same broad relationship to regime type that it does elsewhere.

Column 2 in Table 1 presents the results of a logistic regression estimating the likelihood of internal conflict as a function of oil income and an array of commonly employed control variables: wealth, land area and regime type. In Southeast Asia, interestingly, neither oil wealth nor per capita wealth are significantly related to the onset of violent internal conflicts. There are specific conflicts, of course, in which oil has been directly implicated such as Aceh (Ross 2005; Aspinall 2007). But so too are there examples of remarkably peaceful oil-rich cases such as Brunei, which in the context of a more conflict-prone region than average is surprising.

Column 3, finally, presents the results of a GLS model estimating the relationship between oil income and governance in Southeast Asia. Here the results are surprising: all else equal, during the last two decades the region's oil exporters have been ranked as having more capable states than oil-poor states. Based on recent research it is at least plausible that this trend (captured in Figure 1) is a result of another set of conditional effects in which oil income has been channeled into state building projects following acute political crises. I have argued that Indonesia's state actually grew in capacity during the 1970s as a result of political crisis, which spurred its leaders to use the oil windfalls to invest in the state apparatus (Smith 2007). But a look at Malaysia suggests something else: rulers built the Malaysian state on the foundation of British colonial administration in response to political challenges as well (Doner et al 2005). On the other hand, it may also be the case that some of the region's least capable states—in Laos, Cambodia and Myanmar—are "dragging" the effect simply because they are both weak and oil-poor. To my mind, this last finding suggests some support for the conditional influence of oil wealth, especially as a function of past political challenges. Southeast Asia, full as it was of both ideological conflicts (communist vs. anti-communist) and ethnic ones during the early post-colonial years, provided

a set of crucial tests to rulers that were arguably among the toughest to confront any developing country regimes.

Figure 1 about here

New Exporters: Cambodia, Timor-Leste and Vietnam

The region's broad trends—oil coinciding more often than not with authoritarianism but also with more capable state institutions—are clear. But what might we expect in the group of new regional oil producers? In Southeast Asia, there are some very poorly functioning states (and some now oil-wealthy) but in which weak states preceded oil discoveries. Oil is likely to become a defining influence in the political economies of both Cambodia and Timor-Leste. In contrast, Vietnam's relatively strong state and its diverse and large economy are fairly unlikely to be affected very much by its oil wealth. However, the region's two other new oil exporters—Cambodia and Timor-Leste—are both plagued by weak state institutions as a result of war and underdevelopment. And as particularly poor countries, they are additionally likely to suffer resource economy problems simply because oil and gas income will dwarf the rest of their economies. Cambodia, for instance, is estimated by some to be looking at a doubling of gross domestic product once oil and gas production is fully on line.

Cambodia

Oil exploration in Cambodia began first in 1969 when the monarchy granted a French company, Elf, a concession. That effort ended with the ascent to power of the Khmer Rouge and it was not until 2005 that it reemerged. Since the discovery of offshore reserves that year, production has yet to commence, but estimates are that the total value of Cambodia's reserves is approximately 3-5 trillion cubic meters of natural gas and 400 million barrels of oil (*New York Times 2007*). That would represent a total value of about US\$11 billion. The World Bank concluded in 2006 that "Depending on the world

price of oil, Cambodian reserves may be contributing annual revenues of \$2 billion, several times the current level of domestic revenues and ODA (overseas development aid) combined—within perhaps five to ten years” (World Bank 2006, 140).

The problems are clear across all three political outcome areas addressed here. First, increasing evidence that the Cambodian People’s Party has undermined electoral and political freedom to retain power suggests that oil and gas income will augment that increasingly autocratic project. Second, the incomplete nature of the post-conflict reconstruction process means that perceived inequities in the allocation of new oil income is likely to make renewed conflict more likely. Finally, Cambodia by most accounts has one of the region’s least capable states. It is rare that oil income exerts a positive influence on the quality of government, and the combination of an incomplete recovery from civil war, endemic underdevelopment, political corruption and authoritarian tendencies makes that trajectory less likely still.

Timor-Leste

Just after Timor-Leste gained independence following a 1999 referendum on leaving Indonesia and three years of UN trusteeship, expectations about the country’s future potential as an oil and gas exporter ran optimistic: “oil is the potential savior of the nation’s economy” (New York Times 2000). Ten years later only a fraction of potential oil production has yet to come on line. The delay is the result of ongoing disputes with Australia over the boundary between the two countries’ deposits, where to send the oil for refining, and other issues.

As the smallest and one of the poorest countries in Southeast Asia, with a population of just 600,000 and a per capita GDP of US\$2,400, the country has been heavily dependent on agriculture, especially coffee, and 90% of the population works in the agricultural sector. This is unlikely to change even as Timor-Leste fully harnesses its production, in substantial part because the country has insufficient technological resources to refine oil and gas is shipped to Australia.

There are two bright spots to Timorese oil production that mitigate some common concerns. One major potential problem for countries with non-oil export sectors such as Timor-Leste—the likelihood that growing oil and gas revenues would distort the country’s currency exchange rate and thereby make its other major export (in this case coffee) less competitive—is effectively sanitized by Timor’s use of the US dollar as official currency. Another—the misuse of oil revenues by politicians with short time horizons—has been allayed by the establishment in 2005 of an oil fund that constitutionally insulates the country’s oil revenues for investment.¹⁰

What it is not insulated from are the political effects that resource wealth can induce in settings plagued by weak institutions. Collier (2010) has noted the conditional effects of oil wealth and the propensity to magnify preexisting institutional trends in terms of governance. In 2006 disputes within the armed forces over wages due soldiers erupted into a violent conflict that then spread to a broader communally driven one. Since 2007 the situation has remained fairly stable, and economic growth has recovered, but as Timor-Leste’s economy grows more dependent on the oil/gas sector so will the prospect of price-driven fluctuations. In short, the same problems of poor governance and infrastructure and unresolved sociopolitical cleavages are likely to be amplified by an oil-driven economy in the future.

Vietnam

While oil exploration in Vietnam began as early as the 1960s with Soviet assistance, no production took place until 1986, and it was not until the late 1990s that substantial production came on line (CCOP-EPF 2010). In 1999 production rose above 275,000 barrels per day for the first time and peaked in 2004 at 400,000. This is substantial in terms of regional producers, but again the size of Vietnam’s economy and population is large enough that the political and institutional effect of oil

¹⁰ The fund is similar to those in Norway and Alaska. I participated in a 2004 workshop coordinated by USAID for parliamentarians, NGO workers, and journalists in Dili and one of the central issues was the feasibility of creating such a fund.

income is likely to be modest. This is more likely to be the case given the steadily high rates of growth in Vietnam over the last decade: the country is likely to consume increasing shares of the oil it produces, lessening somewhat the foreign earnings forecast and therefore the non-domestic implications of oil revenues.

It is also the case that Vietnam has been durably and fairly stably authoritarian since the consolidation of Communist party rule over the south in 1975. In this case, therefore, any modest effect of oil income simply will reinforce what has been in place for more than 30 years. Unlike the Cambodian People's Party, less institutionalized and more likely to evolve as a function of new oil income, the Communist Party of Vietnam emerged as a result of a decades-long fight for political primacy. Comparative perspective on such single-party projects suggests that the lessons and legacies of those battles for power are durable and can often survive for decades after the conflicts themselves.

Conclusion

Scholars of Southeast Asian politics have noted that about every decade a luminary member of their group writes a state-of-the-field essay making the case again for viewing the region as a coherent entity, much the same as the Ottoman and Islamic imperial legacies tie together the Middle East and as the Hispano-Iberian and Catholic legacies hold together Latin America. Southeast Asia, lacking a common religious, linguistic, colonial or ethnic denominator is a bit harder to hold together in this way, and oil politics is no exception. What the countries of the region do provide, however, is a number of theoretically coherent looks at the various trajectories that scholars have developed to help us understand the political economy of oil. From Brunei's archetypical oil monarchy to Indonesia's uneasy transition out of major exporter status, to Malaysia's surprising economic transformation, oil wealth in Southeast Asia has been put to nearly as many political uses as we have yet theorized. And the region's

new group of exporters illustrates both how potentially transformative and how modest a sizeable oil sector can be.

Table 1: Governance and Political Freedom Scores, 2008

	Government Effectiveness	Political Freedom	
Myanmar	-1.6757594	7	Not free
Timor-Leste	-0.9984696	3.5	Partly free
Lao PDR	-0.8447597	6.5	Not free
Cambodia	-0.8050606	5.5	Not free
Papua New Guinea	-0.7980104	3.5	Partly free
Vietnam	-0.3134849	6	Not free
Indonesia	-0.2908707	2.5	Free
Philippines	0.0005807	3.5	Partly Free
Thailand	0.1097701	4.5	Partly Free
Brunei Darussalam	0.8901698	5.5	Not Free
Malaysia	1.12793	4	Partly Free
Singapore	2.5312514	4.5	Partly Free

Table 2. Oil and Politics in Southeast Asia, 1990-2008.

Independent Variable	Outcome Variable:		
	Democracy	Conflict§	Governance
Oil income per capita	-.088 (.035)*	-.323 (.217)	.0366 (.014)*
GDP per capita _(ln)	.794 (.265)**	.116 (.497)	
Annual growth in GDP per capita	--	--	.012 (.005)*
Urban population share	--	--	-1.506 (.713)*
Land area _(ln)	--	.896 (.288)**	--
Democracy†	--	.452 (.203)*	--
Peace Years	--	1.863 (.366)***	--
Constant	3.983 (2.163)	11.656 (5.937)*	.414 (.300)
Observations	196	196	115

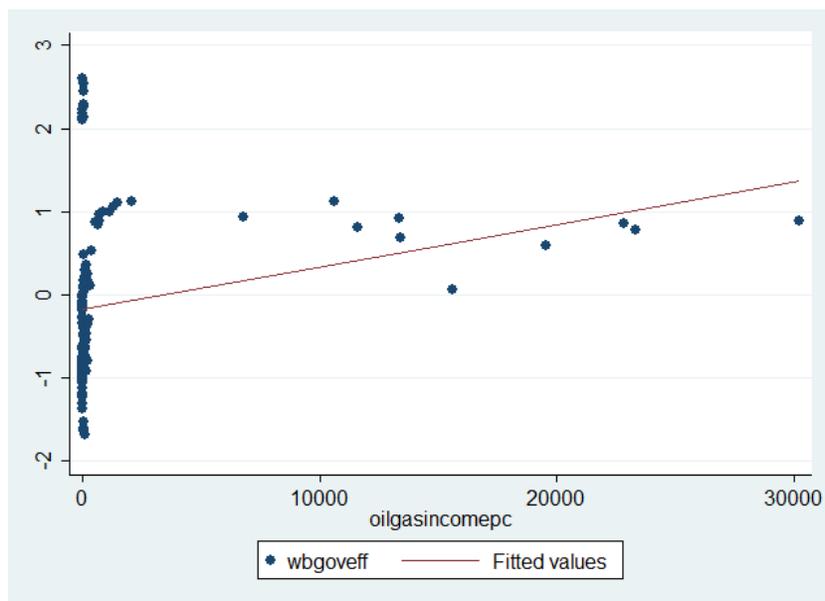
For democracy and governance models, analysis is by generalized least squares (GLS) regression. Fixed effects specified.

* p<.05; ** p<.01; *** p<.001

† Freedom House score (1-7), reversed so that higher scores denote a more open polity.

§Analysis is by logistic regression. Robust standard errors in parentheses. Cubic splines included but coefficients not reported.

Figure 1. Oil Income and Governance
(Governance score on y axis)



Appendix: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Oil/gas income per capita	219	1322.792	4267.355	0	30186.41
oil/gas income _(ln)	219	3.083	3.665	-10.204	10.315
Urban population share	219	.415	.2566	.13	1
Annual gdp pc growth	211	3.555	4.567	-14	15
GDPpc (PPP)	196	10551.89	15782.78	648	50499
GDPpc _(ln)	196	8.313	1.318	6.474	10.830
Freedom House score	219	2.114	1.570	0	4.5
conflict	231	.3506494	.4782095	0	1
Government effectiveness	118	-.0991044	1.005907	-1.675759	2.59764

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