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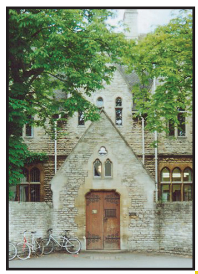

The International Politics of Oil

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Simon Bromley · Joshua Busby
Nils Duquet · Leben Nelson Moro
Peter Utting & Kate Ives

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Editorial Introduction: 'The International Politics of Oil'

Alexander Betts, Matthew Eagleton-Pierce and Anne Roemer-Mahler

The contemporary global economy is premised upon energy consumption. Industry and transportation lie at the heart of economic development, and both have come to depend upon sustainable access to hydrocarbons. Alongside gas and coal, oil is particularly significant as a source of energy. While other fossil fuels can be used in electricity production, there are few reliable substitutes for oil in transportation, and it continues to be widely used in industrial production. Demand for oil was around 75 million barrels per day (bpd) in 2000, and the International Energy Agency (IEA) estimates that it may nearly double by 2030.[1] There have long been concerns about whether the current rate of consumption is sustainable from an environmental and economic perspective. The so-called 'peak oil' debate has deliberated over the point at which the world would reach its highest point of oil production, claimed to represent the half-way point of total exploitation of global reserves.[2] With diminishing supply and rising prices, ongoing oil dependency is widely recognised to have serious economic consequences.[3] Significantly, however, the implications of ongoing consumption, production, and extraction of oil go far beyond economics; they are profoundly political.

The political consequences of dependence on oil are increasingly evident in a range of different ways. In the context of the 'war on terror,' the United States' (US) presence in Afghanistan and Iraq has led to questions about the extent to which securing access to oil has motivated these conflicts and U.S. foreign policy more broadly. Meanwhile, increasing evidence about the potential effects of climate change has led to growing calls to reduce dependency on fossil fuels through greater energy efficiency and the use of renewable energy sources. This debate on managing the global commons has likewise been deeply political, dividing the world between supporters and detractors of the Kyoto Protocol. Oil has also been identified alongside other natural resources as a potential source of conflict. Although the causal relationship remains contested, the civil conflicts in Angola, Sudan, Nigeria, and Indonesia, for example, have been linked to competition for oil revenues.

A. Betts, M. Eagleton-Pierce & A. Roemer-Mahler, 'Editorial Introduction: 'The International Politics of Oil,'' *STAIR* 2, No. 1, (2006): 3-10.

Furthermore, contemporary politics is not simply about the state but is about the broader political economy. Due to the enormous concentration of capital in the hands of relatively few companies and the strategic importance of energy for every government, the oil industry has often been used to illustrate the changing relationship between the state and business. Large private oil corporations, it is claimed, hold immense power to influence public policy concerning, for example, trade and investment policies, as well as the broader regulatory environment.

All of these issues highlight the diversity and complexity of the international politics of oil. In this issue, a range of theoretical perspectives explore the influence of oil in four distinct areas: foreign policy, the environment, development and conflict, and state-business relations.

Foreign Policy

Throughout the second half of the 20th century oil has been at the heart of foreign policy. The Suez Crisis in 1956, the 1973 Arab oil embargo, the consequences of the Iran-Iraq War in 1980, and the two Gulf Wars in 1990 and 2003 most visibly illustrate how oil has been implicated in international relations.[4] Import-dependent states have been concerned with maintaining sustainable, secure access to oil at low prices, whereas oil exporting states, mainly in the developing world, have been concerned with balancing the desire to uphold prices and revenues while maintaining market share. This relationship between importing states and Organisation of Petroleum Exporting Countries (OPEC) states has been highly strategic and political. With the states that comprise OPEC able to collectively bargain on price and production levels, the politics of oil has become a strategic game with strong implications for foreign policy.[5] Numerous developing countries such as Libya and Venezuela have used the presence of oil in their territories as a means to assert their authority in world politics through so-called 'petronationalism.' OPEC's system of quotas and collective bargaining has empowered many of these states to leverage political capital in other areas through their strategic significance as supply or transit routes.

Meanwhile, a number of powerful states, including the US, China, and France, have used diplomatic relations and sometimes even military power as a means to guarantee energy security. In particular, U.S. foreign policy during and after the Cold War in the Middle East, parts of Latin America and, increasingly, the Caucuses and Central Asia has been consistently linked to the political economy of oil. Yet rarely has this causal link been adequately substantiated to show a direct relationship between U.S. foreign policy and the 'oil motive.' Against the backdrop of claims that the most recent Iraq War was motivated by oil, Simon Bromley's article explores the way in which the oil industry has influenced U.S. foreign policy. He argues that a hegemonic strategy to uphold the capitalist system has driven U.S. foreign policy in the Middle East. Significantly, though, the article places the relationship between the large oil companies, the U.S. government and foreign policy in historical context, allowing it to demonstrate and nuance the different ways in which the overall Middle East strategy has emerged and varied in different parts of the region and over time. Steffen Hertog's response piece critically examines the causal relationship between oil and the U.S. government's Middle East policy. It explores a range of historical and geopolitical factors that Hertog claims make the relationship between oil and U.S. foreign policy less than straightforward. Meanwhile, in his interview with Nahid Siamdoust, Fareed Mohamedi implicitly challenges Bromley's central claim. Examining the motives underlying the invasion of Iraq and U.S.-Saudi relations, he concludes that the interests of the oil industry and concern with energy security have been peripheral to U.S. Middle East policy making. However, looking at the relationship between foreign policy and oil the other way around, he argues that U.S. relations with for example Russia, Iran and Venezuela have had a significant, and often negative, impact on the oil industry.

Development and Conflict

The politics of oil provides a fascinating case study for exploring North-South relations. Although the world's biggest producers include the US, Russia, and Norway, the biggest exporting countries are from the developing world. The main importing countries have, until the recent emergence of China and India as major importers, been economically developed countries. Structurally, as the article by Nils Duquet highlights, this relationship has placed many oil exporting states on the periphery of the global economy. A number of developing countries are largely dependent on oil exports. Saudi Arabia, Algeria, Sudan, Nigeria, Angola, and Venezuela, for example, rely on oil for the majority of their export income. Given the rankings of these states in United Nations Development Programme's Human Development Index (HDI), the benefits of being an oil rich developing country are somewhat ambiguous.[6] Dependency on oil export revenue has, for example, been identified as a potential 'curse' rather than a blessing for development.[7] To illustrate this, economists have pointed to the notion of so-called 'Dutch disease,' whereby often a large revenue in one sector of the economy can raise the exchange rate, so reducing the competitiveness of other sectors of the economy and prohibiting diversification. It has also been argued that dependency on a single commodity is an unsustainable route to development given the likelihood of declining terms of trade.[8]

However, politics rather that simple economics perhaps best explains the 'resource curse' argument. Indeed the precise implications of oil for development seem to depend very much on the nature of the state. Duquet, for example, argues that oil exporting states are often able to rely on external income to sustain them, rather than taxation, so insulating them from society. Without the need for accountability to the wider population, the state can survive on 'rents' captured from the oil industry. This can create 'petro-states' subject to corruption or allow states to maintain patronage networks that undermine democratic accountability.[9] It is within this context that competition for the resources of the state has been implicated in fuelling conflict. Work by econometricians implies that dependence on primary commodities is a significant risk factor for internal conflict.[10] However, the precise causal relationship between oil and conflict needs to be carefully teased out within its broader historical and political context.

The articles by Leben Nelson Moro and Nils Duquet provide case studies exploring the relationship between oil and conflict in Sudan and Angola, respectively. Moro's paper, based on extensive fieldwork in Sudan, argues that oil exploration in Southern Sudan has been the major cause of conflict between the government and the Sudanese People's Liberation Army (SPLA) since the early 1980s. His detailed historical analysis highlights the complicity of government elites, the SPLA, international oil companies, and the wider international community in the human rights abuses and forced displacement that have taken place in the region. Richard Barltrop's response piece challenges Moro's central argument as mono-causal, arguing that the 'greed not grievance' argument implicitly made by Moro is overly reductionist. He argues that oil is but one manifestation of wider grievance about political inequality within the country. Furthermore, he questions whether oil has not, conversely, played a positive role in motivating the peace process between 2002 and 2005. Meanwhile, Duquet's piece highlights how the Movimento Popular de Libertação de Angola (MPLA) run state was able to maintain its control of power with a narrow support base and fund both its civil war and military interventions within the Democratic Republic of the Congo through controlling oil revenues. Building a theoretical perspective, Duquet argues that dependency theory, in conjunction with the 'paradox of plenty' theory can go some way towards improving our understanding of the relationship between conflict and oil.

The Environment

Climate change has been widely accepted to have serious environmental and social implications on a global scale. The threat of drought, rising sea levels, crop failure, and species extinction, for example, have led many governments to acknowledge the need for a reduction in fossil fuel emissions, through a combination of greater energy efficiency and investment in renewable energy sources. However, the global nature of the causes and consequences of climate change requires that attempts to resolve the problem are based upon international political cooperation. The Kyoto Protocol has been the major instrument adopted to address these concerns, aiming to cut greenhouse gas emissions from their 1990 levels to fixed targets between 2008 and 2012. However, the failure of countries such as the US and Australia to sign the Protocol has limited its scope and effectiveness; the disappointing rate of reduction in current emissions levels has led to disillusionment with the Protocol.[11]

Joshua Busby's article draws upon public goods theory to argue that the failure to move towards a post-oil economy is a form of collective action failure. Reducing fossil fuel emissions is a global public good, he claims, from which all states benefit irrespective of which country bears the cost of reducing emissions. Yet, crucially, Busby argues that states' contributions to the reduction of fossil fuel emissions are not a pure public good. Instead, states may have self-interested reasons to work independently to reduce emissions because of the commercial opportunities it creates for companies based in those states. In particular, under the right domestic and global institutional arrangements, companies (and hence also states) may be able to profit from developing cleaner technologies. He argues that global institutional arrangements should provide firms with commercial incentives for technological innovation. The European Union emission trading scheme, which allows firms to trade emission allowances, accomplishes this as firms that reduce their emissions can sell their allowances on the open market. Busby also argues that promoting flexibility beyond the rigidity of the Kyoto Protocol can further decrease the rate of greenhouse gas emissions. In particular, he claims, institutional arrangements that, for example, guarantee intellectual property rights can induce states to promote innovation and technology transfer. He uses this argument to support consideration of alternatives to

Kyoto such as the U.S. government's proposed Asia-Pacific Partnership on Clean Development and Climate (APPCDC), which is based upon flexibility and the promotion and transfer of clean technologies.

State-Business Relations

The oil sector represents a fascinating area for assessing the changing nature of state-business relations. Companies such as Exxon Mobil wield enormous political influence within states that require external investment in order to exploit reserves, and the long-term nature of contracts give them a significant stake within the provision of public goods and regulation within the state. Haliburton and TotalFina are amongst the many private oil companies with close links to politics, which have been widely documented. Furthermore, oil continues to be an industry in which companies remain nationalised or have a strong parastatal character. Governments own some of the largest oil companies in the world, for example: PDVSA, Saudi Aramco, and the Iranian National Oil Company. This close relationship with the state makes oil a particularly political industry. When national oil companies have transnational reach, their state governments can use them as a vehicle for petronationalism. The emergence of Sinopec and China National Petroleum Corporation (CNPC) in China and Oil and Natural Gas Corporation (ONGC) in India, for example, have allowed those states to acquire stakes in oil reserves abroad. Both CNPC and ONGC have invested heavily in the Greater Nile Consortium in Sudan.

One manifestation of the changing nature of state-business relations in the oil economy is the leading role that some energy companies have taken in investing in Corporate Social Responsibility (CSR) activities, such as social and environmental auditing and community development projects. However, the profit motive has inevitably rendered CSR a rather ambiguous program. Barltrop touches upon the contradiction of CSR practices in Sudan, pointing to how oil companies perversely used 'community projects' to mitigate being implicated in human rights violations. Peter Utting and Kate Ives' article explores the motivation and origins of CSR in the oil industry in much more detail. Taking as its starting point a Gramscian understanding of the hegemonic strategising of companies seeking to co-opt civil society pressure groups, it argues for a nuanced understanding of CSR. In particular, it highlights the diversity of responses of different companies within the oil industry and attempts to explain this variation. It does so by exploring factors within the firm, such as the mode of internalisation of CSR within companies, and factors external to the firm, such as the institutional and political context in which the companies operate. In showing the significant role of the institutional, political, and regulatory environment, the article highlights the possibility for society and politics to 'recapture the state' from strong business influence.

Conclusion

The papers are diverse and wide ranging, touching upon an array of seemingly unrelated themes from very different theoretical perspectives. Collectively, however, they highlight two things. Firstly, the range of approaches taken in this issue to analyse the international politics of oil highlights that the pursuit of sustainable and secure energy supplies is at the heart of world politics, intersecting with just about every significant contemporary global challenge. That a special edition on the international politics of oil can cover so much ground is an indication of how wide ranging the consequences of ongoing hydrocarbon dependence are and the challenges this presents for humanity. Secondly, and perhaps most significantly, it shows how much can be learnt about the changing nature of politics through the study of oil. Because oil represents a crucible for exploring the intersection of political economy, development, foreign policy, and international cooperation, it offers a starting point for asking more profound questions about the changing nature of contemporary world politics and how it should be conceptualised by academia. In that regard the papers in this special edition are as much about 'international politics' as they are about the 'international politics of oil.'

Notes

[1] Toby Shelley, *Oil: Politics, Poverty and the Planet* (London: Zed Books Ltd, 2005), 7.

[2] Bilaal Abdullah, *Peak Oil Paradigm Shift: The Urgent Need for a Sustainable Energy Model* (London: Medianet, 2005); and Kenneth S. Deffeyes, *Beyond Oil: The View from Hubbert's Peak* (New York: Hill and Wang, 2005), 3-12.

[3] Paul Roberts, *The End of Oil: On the Edge of a Perilous New World* (New York: Houghton Mifflin, 2004), 44-65.

[4] Shelley, *Oil*, 83.

[5] Jahangir Amuzegar, *Managing the Oil Wealth: OPEC's Windfalls and Pitfalls* (London: I.B. Tauris, 2001), 1-22.

[6] Jeffrey Sachs and Andrew Warner, 'Natural Resource Abundance and Economic Growth,' *NBER Working Paper*, no. W5398 (1995).

[7] Alan Gelb et al., *Oil Windfalls: Blessing or Curse?* (Washington DC: World Bank, 1988).

[8] Christine Ebrahim-Zadeh, 'Dutch Disease: Too Much Wealth Managed Unwisely,' *Finance and Development* 40, no. 1 (2003): 50-51.

[9] Michael Ross, 'Does Oil Hinder Democracy?,' *World Politics* 53, no. 3 (2001): 325-361.

[10] Paul Collier and Anke Hoeffler, 'On Economic Causes of Civil War,' *Oxford Economic Papers* 50, no. 4 (1998): 563-573; and Paul Collier and Anke Hoeffler, 'Greed and Grievance in Civil Wars,' *Oxford Economic Papers* 56, no. 4 (2004): 663-695.

[11] See, for example, Hans Joachim Schellnhuber et al, eds., *Avoiding Dangerous Climate Change* (Cambridge: Cambridge University Press, 2006).