The Changing Geopolitics of Oil

Michael T. Klare

Geopolitics and oil have been closely intertwined for a very long time. Geopolitics — or the efforts undertaken by a state to advance its political and economic interests abroad — has a natural affinity with petroleum because oil is essential for the functioning of modern economies and military organizations and because it is only found in certain areas of the world. For over a century, the governments of the major powers have considered it necessary to ensure an adequate supply of oil to meet national requirements and, in times of crisis and conflict, to deny such a supply to their adversaries. Given that many of the world’s principal sources of petroleum lie outside the borders of the major powers, the leaders of these countries have long sought to exercise control over (or influence in) the oil-producing areas. This had led to a fierce struggle for dominance in these key regions — a phenomenon best described as the geopolitics of oil.1

In many respects, the geopolitics of oil has retained the features it exhibited when initially inserting itself into world politics before and during World War I. At that time, petroleum first became crucial to warfare — with the introduction of oil-powered tanks, airplanes, and warships — and so assured access to oil became a principal military objective. This, in turn, highlighted the strategic importance of oil-producing areas, and made their protection or conquest a major military objective. Ever since then, oil geopolitics has emphasized efforts by the major oil-consuming nations to gain and retain positions of influence in the major oil regions. Also, because many key sources of supply are located far from the homeland or major sites of conflict, oil geopolitics has also emphasized control over the transit routes used to transport oil, such as the vitally important Suez Canal.

These features of oil geopolitics continue to shape world affairs. The USA — now the world’s leading consumer and importer of petroleum — has established an elaborate overseas military apparatus to ensure the safe transport of foreign oil to international markets and has used force on several occasions to eliminate threats to this flow.2 As in the post-World War I era, the major powers continue to compete for influence in the major oil-producing regions, using the various instruments at their disposal.3 Concern over the safety of transportation of oil routes also remains a major international concern, especially in light of the recent upsurge in piracy off the coast of Yemen and Somalia, which has sometimes targeted oil tankers.

But despite this continuity, some aspects of oil geopolitics have changed over the years. Most significant are the shifts in the geographic foci of this competition. Before and after World War I,
the major pivots of oil geopolitics were Romania, the upper Persian Gulf (what is now Iran and Iraq), and the Baku area (in what is now Azerbaijan); later, the Dutch East Indies (now Indonesia) were added to the mix. These areas attracted substantial interest from the major powers in the interwar years (1918–39) and were key strategic targets during World War II. Some of these areas, such as the Gulf area and Azerbaijan, continue to attract geopolitical interest, while others, including Romania and Indonesia, have become less important as oil producers. At the same time, new producers have arisen and gained in prominence, including several in Africa and the Caspian Sea region. In addition, the depletion of many existing oil reservoirs combined with impressive advances in extractive technology have given increased impetus to drilling in areas once considered inaccessible, such as far-offshore waters and the Arctic – lending these areas added geopolitical significance as well. As a result of all this, the global map of oil geopolitics is undergoing a dramatic transformation.

The geopolitics of oil has also been altered by the emergence of powerful new players. Up until World War II, the key actors in this contest were the European powers and the USA, joined in the 1930s by Japan. After World War II, the Europeans declined in importance while the USA and the Soviet Union reigned supreme. But now a host of new players, including China and India, have come to the fore; and while the Soviet Union is no more, Russia has emerged as a major player in its own right. All of this, too, has transformed the map of oil geopolitics.

The origins of oil geopolitics

Many scholars believe that it was Winston Churchill who first comprehended the geopolitical significance of oil. In 1912, as First Lord of the Admiralty, Churchill ordered the conversion of British warships from coal to oil propulsion in the belief this would give them an advantage over Germany’s coal-powered ships in the event of war. Because Great Britain at that time did not possess domestic oil reserves of its own – the North Sea fields were not discovered until much later – Churchill determined that London must obtain a secure overseas source of oil under direct British control. In particular, he sought to extend government control over the Anglo-Persian Oil Company (APOC, the forerunner of British Petroleum), which had secured a concession to promising reserves in southwestern Persia (now Iran). Through his prodding, Parliament voted in 1914 to nationalize APOC and bring the Persian concession under British government control. From that point onward, the protection of APOC’s concession area and of British supply lines to the Persian Gulf (especially the Suez Canal) were viewed as matters of vital national security by the British government.4

As predicted by Churchill, oil-powered weapons played a significant role during World War I. If this was not evident at the start of the war, it was certainly so at the end, following the dramatic appearance of oil-powered tanks, aircraft, and submarines. This, in turn, made it vitally important for the major powers to gain ensured access to prolific supplies of petroleum. “Oil in the next war will replace coal in the present war,” Sir Maurice Hankey, the secretary of Britain’s War Cabinet, told Foreign Secretary Arthur Balfour at the time, and so control over foreign oil deposits “becomes a first-class war aim.”5 As the war drew to a close, Britain, along with the other victorious powers, sought to redraw the postwar political landscape in such a way as to enhance their access to overseas oil supplies. Much of this effort focused on the fate of the Ottoman Empire, which was thought to possess significant oil deposits in areas of Mesopotamia (later Iraq) that bordered APOC’s existing fields in Persia. Both Britain and France sought control over these areas, whose postwar destiny was a major issue in Franco-British relations during this period. Finally, under the San Remo Agreement of 1920, Britain obtained control
over Mesopotamia through a mandate from the League of Nations; France, in turn, was assured access to 25% of all oil produced in the territory.6

The strategic aspect of the international competition for sources of energy continued to play a significant role in international relations throughout the period between World Wars I and II. The major European powers – possessing few domestic oil reserves of their own – focused much of their geopolitical efforts on gaining or expanding a foothold in the oil-bearing areas of the Persian Gulf basin. Great Britain, in particular, sought to extend its sway over an ever-greater swath of this region. Meanwhile, Japan – a rising industrial power with a similar paucity of oil – harbored imperial ambitions over the Dutch East Indies, then the major producer in Asia. The need to secure overseas sources of oil played a significant role in the evolving war plans of Germany and Japan, both of which sought to invade and conquer foreign sources of supply in order to fuel their military forces and domestic industrial machines. In 1941, when full-scale combat broke out, both undertook military strikes with this purpose in mind: Germany invaded the Soviet Union with Baku as one of its primary objectives; Japan invaded the Dutch East Indies. Because Tokyo assumed that its invasion of the Dutch East Indies would provoke a US military response of some sort, it simultaneously attacked the US naval base at Pearl Harbor in Hawaii, thus ensuring American entry into the war.7

Up until this point, the USA had not participated in the strategic (as distinct from commercial) pursuit of overseas oil, as it possessed sufficient domestic reserves to satisfy its wartime military requirements and those of its principal allies. As World War II progressed, however, President Franklin D. Roosevelt and his senior advisers became deeply concerned that the heavy wartime extraction of domestic oil was rapidly depleting US reserves, and so erasing America’s capacity to sustain another full-scale war on the scale of World War II. (At this time, American geologists were unaware of major deposits in Alaska and the deeper waters of the Gulf of Mexico, making it appear that US reserves were shrinking faster than, in fact, later proved to be the case.) Accordingly, Roosevelt ordered the State and Commerce Departments to seek a reliable foreign source of oil to supplement American reserves in the event of a major future conflict.8

After considering the various possibilities, government experts became convinced that the Kingdom of Saudi Arabia constituted the best candidate to serve in this capacity. Whereas most of the rest of the Gulf area was under British dominion – and that of Britain’s state-controlled oil company, APOC – Saudi Arabia had largely escaped British control. In addition, the Saudi monarch, King Abdul Aziz ibn Saud, had granted a substantial oil concession to an American oil firm, the Standard Oil Company of California (Socal), giving the USA a significant presence in the country. Early geological studies had suggested, moreover, that the concession area harbored vast reserves of oil. On the basis of these considerations, Roosevelt decided in 1943 to anoint Saudi Arabia as America’s chosen foreign supplier of oil and to be brought under American military protection. To cement this arrangement, Roosevelt met with Abdul Aziz on February 14, 1945 and forged an agreement with him under which the USA received privileged access to Saudi oil in return for a US pledge to protect the monarchy against all enemies, foreign and domestic.9 From this point onward, it was American policy to prevent any hostile power from invading Saudi Arabia or otherwise impeding US access to the oil supplies of the Persian Gulf area.

With this Roosevelt-Abdul Aziz agreement in place, the USA proceeded to insert a permanent military presence in the Gulf region. This led, in 1946–47, to the establishment of an air base at Dhahran in Saudi Arabia and a naval base at Bahrain. The USA also began to provide Saudi Arabia with advanced weaponry and other forms of military assistance.10 For much of this period, the Soviet Union was viewed as the major threat to American strategic interests in the
Gulf, and so US policy was aimed at preventing any Soviet inroads into the region. This outlook was responsible for one of the formative episodes of the early Cold War era, a clash between Moscow and Washington over Soviet efforts to establish a pro-Soviet state in northern Iran, the short-lived Autonomous Republic of Azerbaijan. This clash and continuing US concern over Soviet inroads in the Middle East provided the backdrop for several of the major US policy statements of the Cold War era, including the Truman Doctrine of 1947 and the Eisenhower Doctrine of 1957.

But despite the perceived importance of ensuring access to Saudi Arabia and other Persian Gulf oil producers, American policymakers were largely content to allow Great Britain to shoulder responsibility for maintaining stability in the Gulf area during this period. Later, when London announced in 1968 that it would withdraw most British forces from “East of Suez” by the end of 1971, Washington again sought a friendly power to carry the burden of regional security — on this occasion choosing to rely on the Iranian regime of Shah Reza Mohammed Pahlavi, whom the Americans and British had helped install as absolute monarch through a CIA-orchestrated coup in 1953. From 1971 to 1978, the Shah was the leading foreign recipient of US arms aid and technical support, including a wide array of advanced military equipment. In early 1979, however, the Shah was driven from power by rebellious Shiite clergy, once again raising alarm in Washington over the safety of America’s access to vital Persian Gulf oil supplies. Eleven months later, in December 1979, the security equation in the Gulf received a further jolt when the Soviet Union commenced its invasion and occupation of Afghanistan.

The “Carter Doctrine” and beyond

In the wake of these developments, then President Jimmy Carter and his top advisers determined that US interests in the Gulf had become too great to be entrusted into the hands of surrogates and so would have to come under the direct protection of American forces. This proposition, henceforth known as the Carter Doctrine, was spelled out in the president’s January 1980 State of the Union address. To a degree unprecedented in modern American political discourse, Carter provided a geopolitical explanation for the expansion of American military power. “The region which is now threatened by Soviet troops in Afghanistan is of great strategic importance: it contains more than two-thirds of the world’s exportable oil,” he declared. “The Soviet effort to dominate Afghanistan has brought Soviet forces to within 300 miles of the Indian Ocean and close to the Straits of Hormuz, a waterway through which most of the world’s oil must flow.” As a result, “the Soviet Union is now attempting to consolidate a strategic position … that poses a grave threat to the free movement of Middle East oil.” America’s response to this threat, he avowed, cannot be equivocal. “Let our position be absolutely clear: An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force.”

Because the USA did not, at that time, possess any forces earmarked for operations in the Persian Gulf area, President Carter established a new military organization to implement this policy, the Rapid Deployment Joint Task Force (RDJTF). He also announced plans to deploy additional warships in the Gulf and to acquire new bases in the surrounding region. Carter also began a policy of “pre-positioning” US military materiel in the Gulf area, thereby allowing for the rapid reinforcement of US forces already deployed there. These measures all received strong support from Carter’s successor, Ronald Reagan, who elevated the RDJTF into a full-scale regional combat organization, the US Central Command (CENTCOM). In keeping with the
strategic thinking of the time, CENTCOM was originally intended to repel a Soviet invasion of
the Gulf area, but, over time, has been reconfigured to face threats emanating from states within
the region, notably Iran and Iraq.16

Again and again, American officials have reaffirmed the basic precept embodied in Carter’s
January 1980 address. When Iranian naval forces began attacking Kuwaiti and Saudi oil tankers
in the Persian Gulf itself during the Iran-Iraq War of 1980–88 – thus jeopardizing the flow of
crude to American refineries – the administration of President Ronald Reagan threatened to
employ military force to keep the oil flowing. “We would regard as especially serious any threat
by either party to interfere with free navigation or act in any way that would restrict oil exports
from the Gulf,” Deputy Assistant Secretary of State Robert H. Pelletreau asserted in 1983.17
When the Iranians failed to heed this and subsequent warnings, President Reagan authorized
the “reflagging” of Kuwaiti tankers with the American ensign and ordered U.S. warships to
escort them while traversing the Gulf. In this manner the United States became a de facto
belligerent in that war, opposing Iran – and, by extension, aiding Iraq.18

American determination to ensure the safety of Persian Gulf oil supplies in accordance
with the Carter Doctrine was next affirmed in 1990, when Iraqi forces invaded Kuwait and
appeared to pose a threat to Saudi Arabia, the world’s leading producer. In a nationally televised
address on August 8 announcing his decision to employ military force in the Gulf, President
George H. W. Bush cited America’s energy needs as his primary impetus for intervention in the
region. “Our country now imports nearly half the oil it consumes and could face a major threat
to its economic independence,” he declared. Hence, “the sovereign independence of Saudi
Arabia is of vital interest to the United States.”19 Only later, when American forces were girding
for combat with the Iraqis, did administration officials assert other justifications for war – the
need to liberate Kuwait, to destroy Iraqi weapons of mass destruction (WMD), to bolster
international sanctions against aggression, and so forth. The historical record makes it clear,
however, that the President and his senior associates initially viewed the invasion of Kuwait
through the lens of the Carter Doctrine: as a threat to Saudi Arabia and the safe flow of oil from
the Gulf.20

Following the expulsion of Iraqi forces from Kuwait, the first President Bush considered –
but eventually rejected – plans to invade Iraq and eliminate the threat posed by Saddam Hussein
once and for all. Instead, he chose to weaken the regime (and hopefully spark a military coup)
through a punishing system of economic sanctions – a policy subsequently embraced by his
successor, President Bill Clinton. But despite painful consequences for ordinary Iraqis, the
sanctions failed to achieve their intended goal of “regime change” in Baghdad – making US
policy look increasingly ineffectual. It was on this basis (among others) that President George
W. Bush eventually concluded that direct military action was needed to complete the task of
regime change left unfinished at the conclusion of the first Gulf War.21

At present, American forces are in the process of withdrawing from Iraq. But the same geo-
political considerations that underlay the invasion of that country, as originally expressed in the
Carter Doctrine, are now being extended to Iran – another country seen as posing a threat to
the safe flow of Persian Gulf oil. Although Washington’s chief argument with Tehran has been
its suspected pursuit of nuclear weapons, US officials are also worried that the Iranians are pre-
pared to impede oil shipping in the Gulf area in the event of any future confrontation with the
USA.22 To deter such action, the Bush Administration conducted highly conspicuous naval
manoeuvres in the Gulf and issued stern warnings of likely US countermeasures. “With two
carrier strike groups in the Gulf, we’re sending clear messages to friends and adversaries alike,”
Vice-President Cheney declared during one such exercise, in May 2007. “We’ll keep the sea
lanes open. We’ll stand with our friends in opposing extremism and strategic threats.”23
President Obama has eschewed such harsh language and instead relied on a campaign of tough sanctions to pressure Tehran, but has not backed off from demands that the Iranians abandon their nuclear arms ambitions and ensure the safety of Persian Gulf oil supplies.

The extended Carter Doctrine

At present, US efforts to ensure access to overseas sources of oil remain centered on the Persian Gulf area. In recent years, however, this policy has been extended to other regions, including the Caspian Sea basin and West Africa. This is the result of dedicated efforts by Washington to “diversify” America’s foreign sources of oil, thereby minimizing its reliance on any single area – such as the Gulf – that could be susceptible to periodic supply interruptions. A key US strategic goal, the Bush Administration affirmed in 2002, is “to strengthen [US] energy security and the shared prosperity of the global economy by working with our allies, trading partners, and energy producers to expand the sources and types of global energy supplied, especially in the Western Hemisphere, Africa, Central Asia, and the Caspian region.”

And, as the USA has come to rely for more of its oil on areas outside the Persian Gulf area, it has begun to replicate in those areas the same sort of military measures adopted in the Gulf since Roosevelt’s day to ensure the safe flow of petroleum.

The first president to stress this approach was Bill Clinton, who crafted what might be termed an “extended Carter Doctrine” and applied it to the Caspian Sea region in the late 1990s. Carter viewed the Caspian basin both as a promising new source of oil and as a welcome alternative to the ever-turbulent Middle East. At that time, the newly-independent states of Azerbaijan and Kazakhstan were eager to sell their petroleum riches to the West, but lacked an autonomous conduit for exports, as all existing pipelines from the Caspian Sea basin passed through Russia. (The Caspian itself is land-locked, so any petroleum exiting the region must travel by pipeline or rail cars.) Clinton agreed to assist in the construction of a new oil pipeline from Azerbaijan to Turkey via Georgia, bypassing Russia. Because this new conduit, the Baku-Tbilisi-Ceyhan (BTC) pipeline, passed through or near several areas of ethnic unrest, Clinton also agreed to help these states bolster their military capabilities. Although never formally invoking the Carter Doctrine when announcing these actions, Clinton applied the same “national security” umbrella to Caspian Sea energy as Carter had done in the Gulf. Hence, in a 1997 White House meeting with Heydar Aliyev (then president of Azerbaijan), he affirmed that by facilitating Azerbaijan’s oil exports, “we not only help Azerbaijan to prosper, we also help diversify our energy supply and strengthen our nation’s security.”

Just as President Clinton extended the Carter Doctrine to the Caspian Sea basin, President George W. Bush extended it to Africa. As is true of the Caspian region, Africa is seen by American officials both as a valuable source of oil and as an alternative to reliance on the Persian Gulf. Africa’s potential role in satisfying US oil needs was first highlighted in the Bush Administration’s National Energy Policy of May 2001: “Sub-Saharan Africa holds 7% of world oil reserves and comprises 11% of world oil production. ... West Africa is expected to be one of the fastest growing sources of oil and gas for the American market.” This obviously gave Africa a geopolitical significance it did not possess before. “African oil is of national strategic interest to us,” Assistant Secretary of State Walter Kansteiner observed in 2002, “and it will increase and become more important as we go forward.” As in the Caspian, this perception of Africa’s growing strategic importance has led to an increase in US military assistance. As a further expression of Africa’s increased importance, President Bush created a new military command organization for the region, the US Africa Command (AFRICOM), in February 2007. Although the establishment of AFRICOM was not explicitly tied to the protection of
oil – as was the case for CENTCOM – it is evident from government statements that this is an underlying factor.33

Within Africa, particular emphasis has been placed on Nigeria – the leading sub-Saharan producer and one of America’s principal foreign suppliers. “Nigeria is the fifth largest source of US oil imports, and disruption of supply from Nigeria would represent a major blow to US oil security strategy,” the State Department noted in its Fiscal Year 2006 request for economic and military assistance to Nigeria. It is for this reason, the document asserts, that the USA should help bolster Nigeria’s internal security forces and protect its vital oil installations – especially “in the vulnerable oil-producing Niger Delta region.”34 In addition to direct military assistance under various bilateral aid programs, Nigeria is a participant in several Pentagon-sponsored multinational programs that serve, under the rubric of the Global War on Terror, as supplemental conduits for US military support, including the African Contingency Operations Training and Assistance Program and the Trans-Saharan Counter-Terrorism Initiative. These programs were begun during the Bush Administration, but have been much expanded in the Obama Administration.35

Geopolitical initiatives by China and Russia

While it is the USA that has been most conspicuous in the pursuit of geopolitical advantage in oil-producing areas around the world, it is hardly alone; as has been true before, a number of other countries are competing for positions of influence in these areas. America’s geopolitical competitors include some states, such as Russia, that have long sought positions of influence in these areas, along with others, including China, that are relative newcomers. China’s emergence as a competitor is particularly striking. Until 1993, China was self-sufficient in oil and thus saw little need to establish overseas ties of the sort long nurtured by the USA with its leading suppliers. But as China’s reliance on imported oil has grown, so, too, has its diplomatic and military intercourse with major foreign producers.

In 2009, according to BP’s Statistical Review of World Energy, China consumed 8.6m. barrels of oil per day and produced 3.8 million b/d, forcing it to import 4.8m. b/d.36 (By contrast, the USA imported approximately 11.5m. b/d in that year; Japan imported 4.3m. b/d.) China’s import requirements are expected to grow in the years ahead, reflecting rising demand – much of it propelled by exploding automobile ownership – and stagnant production at home. In 2035, according to predictions by the US Department of Energy, China will remain number two in consumption after the USA (16.9 to 22.1 million b/d, respectively), but will overtake the USA to be the world’s leading oil importer, requiring foreign supplies of 12.1m. b/d, compared to 10.7m. b/d for the USA. Because the number of foreign oil producers that can satisfy the import requirements of China and the USA are limited, these two countries are destined to be entwined in a desperate struggle for access and influence in the oil-producing regions.37

Chinese leaders appear to harbor little doubt about this geopolitical imperative, and so have been making vigorous efforts to establish close ties with favored producers in the major oil-producing regions. As part of this drive, Chinese President Hu Jintao, Premier Wen Jiabao, and other top officials have made numerous trips to Africa, the Persian Gulf, and the Caspian region to negotiate major oil purchases and to promote the involvement in joint ventures of state-controlled firms, including the China National Petroleum Corporation (CNPC), the China National Petrochemical Corporation (Sinopec), and the China National Offshore Oil Corporation (CNOOC).38 In 1999, for example, China established a “strategic oil partnership” with Saudi Arabia, under which Sinopec is to co-operate with Saudi Aramco in developing oil
and gas fields in the kingdom while Aramco would invest in refineries and petrochemical plants in China. Similarly, in 2006, Hu Jintao met with then President Olusegun Obasanjo of Nigeria and negotiated a “strategic partnership” that included significant co-operation in the area of energy. Chinese leaders have also sought to establish such relationships with Kazakhstan, Russia, and Venezuela, among other countries.

Like the USA, China has also employed military means in its effort to cement ties with its foreign oil suppliers. The militarization of China’s foreign energy ties is especially evident in Africa and Central Asia. China first became involved in the delivery of arms and military services to African oil providers in 1996, when it acquired a majority stake in the Greater Nile Petroleum Operation Company, Sudan’s leading producer. At that time, Sudan faced a severe challenge from rebel forces in the south (where most of the country’s oil fields were located) and desperately needed a fresh infusion of weapons for its army; when rebuffed by Western powers, the Khartoum regime turned to Beijing, which proved far more accommodating. Eager to ensure the safety of its recently-acquired oil assets in southern Sudan, China provided a wide array of modern arms, which were then used to drive the rebels out of the oil-producing region in what many observers termed a “scorched-earth campaign.” The Sudanese government reached a cease-fire agreement with the southern rebels in 2005, but has stepped up its efforts to suppress insurgents in the Darfur region – again reportedly using weapons supplied by China.

As China has increased its reliance on other African suppliers, it has increased its military ties with them as well. Thus, when Chinese oil firms made their first significant bids for oil assets in Nigeria in 2005, Beijing agreed to provide the Nigerian government with jet aircraft and naval patrol boats. The Chinese are also supplying arms and ammunition to a number of other African oil suppliers and, like the USA, are supplementing these deliveries with training programs, joint combat exercises, and intelligence-sharing activities.

In the Caspian region and Central Asia, China has been reluctant to play an overly conspicuous role as an arms provider in its own right – no doubt being wary of giving any impression that it has imperial designs on the region – but has channelled such aid through the Shanghai Cooperation Organization (SCO), the regional organization it helped launch in 1996. Originally created to enhance counter-terrorism operations and border security in Central Asia, the SCO has evolved into a robust regional security organization with a decidedly anti-American cast. At a 2005 SCO summit meeting, for example, member states called on the USA to vacate its military bases in the region. As China has become more reliant on the Central Asian countries for supplies of oil and natural gas, it has increased the importance given to the SCO in its foreign policy and the resources devoted to the organization’s growth. This has led to an accelerated tempo of joint military exercises and to the delivery – under SCO auspices – of Chinese arms to the Central Asian republics.

Until now, China’s efforts to protect its access to overseas sources of energy have been limited to the delivery of arms and military-support services. There is growing evidence, however, that China is expanding its capacity to employ military force in ensuring access to overseas supplies of oil and other vital resources. “China’s reliance on foreign energy imports has affected its strategy and policy in significant ways,” the US Department of Defense observed in the 2008 edition of its annual report, The Military Power of the People’s Republic of China. At present, the report noted, China lacks the capacity to use force in ensuring access to its foreign sources of energy. However, “China’s leaders may seek to close this gap” by acquiring a broad spectrum of “extended-range power projection” capabilities, including aircraft carriers and associated support vessels, long-range missiles, expeditionary forces, and overseas bases. As if to confirm this assessment, the deputy commander of the East Sea Fleet, Rear Admiral Zhang
Huachen, told the Xinhua news agency in 2010 of China’s expanding naval prospects. “With the expansion of the country’s economic interests, the navy wants to better protect the country’s transportation routes and the safety of our major sea lanes.” To achieve this, “the Chinese Navy needs to develop along the lines of bigger vessels and with more comprehensive capabilities.”

Russia has also sought to expand its geopolitical presence in key oil-producing areas, especially the Caspian Sea basin. In its case, the motive is not to acquire energy for domestic use – Russia is self-sufficient in oil and natural gas – but rather to dominate the transportation of energy, in order to reap the attendant political and economic benefits. In the case of the Caspian Sea states, these countries were once part of the Soviet Union – and the Russian empire before that – so Russian leaders believe that they possess a natural right to exercise some degree of dominion over them. On top of that, the Russians seek to control the flow of oil and natural gas from the Caspian basin to Europe, thereby pocketing the lucrative transit fees involved and exercising a degree of influence over their needy customers in the West. To achieve these goals, Moscow has used the same sort of intensive diplomacy and associated military instruments employed by Beijing and Washington in seeking influence in this region. Along with its participation in the Shanghai Cooperation Organization, Russia also works through the Collective Security Treaty Organization (CSTO) – a NATO-like entity composed of former Soviet republics – to provide arms and military aid to the Caspian Sea states. Using CSTO as an umbrella, Moscow also maintains military bases in some of these countries and engages in regular military exercises with their armed forces.

How all this will play itself out in the years ahead cannot be foreseen. What can be said, however, is that the flow of arms, advisers, and other military capabilities into the oil-producing regions is accelerating as a result of the geopolitical struggle for advantage among China, Russia, and the USA, and that this brings with it an attendant risk of outside involvement in any local conflicts that might arise in these areas. For example, any future war between South Sudan and North Sudan over the division of their shared oil reservoirs could result in indirect involvement by the USA and China on opposite sides, with Washington supporting the South and Beijing the North. It is not hard to conjure up other comparable scenarios in the Caspian region, with Russia as an added participant. While the likelihood of any one of these particular scenarios unfolding may be low, history suggests that clashes of this sort become increasingly likely when states engage in intense geopolitical competition involving the transfer of arms and military personnel.

New geopolitical arenas

Although aspects of the competition have been altered, Africa, the Caspian Sea basin, and the Persian Gulf area have all experienced geopolitical competition before and, as the global thirst for petroleum grows, will do so again in the future. But now, as a result of developments in technology and growing international demand, this competition is extending to additional areas – many never exposed to such contestation before. Of particular note in this regard is the extension of oil drilling into deep-sea areas and the Arctic region. These areas were largely inaccessible to the oil companies until relatively recently, and so did not figure significantly in the realm of oil geopolitics; but now that they are coming within reach, these areas are attracting enormous interest. Because much of the world’s remaining untapped oil and natural gas is believed to lie in such areas, and because many of them are blanketed by overlapping claims to sovereignty, they have become the subjects of geopolitical competition – in some cases accompanied by violence or the threat of violence.
Most of the world’s major oil reservoirs were discovered 30, 40, 50, or more years ago, and are now facing systemic depletion. According to a comprehensive study by the International Energy Agency (IEA), crude oil output from all fields in operation in 2009 will decline from 68 m. b/d in that year to a mere 16 m. b/d in 2035, a drop of three-quarters. In order to sustain production and meet rising demand, the oil companies will have to find and develop new reservoirs – most of which are expected to be located offshore and in the Arctic region. According to a March 2010 assessment by energy analyst John Westwood, offshore oil output will contribute 35% of global supplies in 2020, up from about 28% in 1995. More tellingly, the share of world oil provided by deep and ultra-deep wells will grow from only 3% in 2002 to a projected 10% in 2012. Westwood further predicts that after 2015, no further increase in output will occur in onshore and shallow coastal reservoirs, leaving deep-offshore fields as the only source of further worldwide production growth.

Drilling in deep-offshore areas poses a host of technological and environmental challenges, as demonstrated by the April 2010 Deepwater Horizon disaster in the US Gulf of Mexico. But it also poses geological risks in areas where offshore borders are not fully demarcated. This is especially true in the Western Pacific and Southeast Asia, where the presence of many island chains complicates the task of determining maritime boundaries. The only international covenant that addresses this problem, the United Nations Convention on the Law of the Sea (UNCLOS), provides ambiguous criteria for determining the outer boundaries of coastal states, and there is no international court empowered (or equipped) to adjudicate such disputes. These distinctions did not matter much when states saw no value in these deep-offshore areas, but now that they hope to exploit the mammoth oil and natural gas deposits believed to be lying there, the location of offshore boundaries do matter – especially when a shift in such a boundary by 10 or 20 miles in either direction could mean the gain or loss of a multibillion-dollar gas field.

The Western Pacific region harbors several such disputes, of which the most important and worrisome are those in the East and South China Seas. These are relatively large bodies of water separated from the Pacific proper by a string of islands: Japan and Taiwan in the north; the Philippines in the South. Both areas are believed to sit above large oil and natural gas deposits: the East China Sea is believed to sit atop a large natural gas field off eastern China; the South China Sea possesses valuable oil fields in areas off the Spratly Islands, situated between China, Malaysia, the Philippines and Vietnam. Because so many countries have advanced claims to all or part of these areas – China, Japan, and Taiwan in the East China Sea; Brunei, China, Indonesia, Malaysia, the Philippines, Taiwan, and Vietnam in the South China Sea – it has proven nearly impossible to establish firm offshore boundaries and award production licences to interested energy firms. The problem has been compounded by Beijing’s assertion that the greater part of both seas fall within its national territory and its stated unwillingness to compromise on these claims due to issues of national pride and sovereignty. To remove any uncertainty about their resolve in this matter, Chinese officials have regularly deployed naval forces in the disputed areas and, on occasion, employed force to seize and hold small islands also claimed by other countries.

The East China Sea is believed to be especially rich in natural gas. A large field – called Chunxiao by the Chinese and Shirakaba by the Japanese – has been discovered in waters approximately midway between the two countries. But ownership of the field is contested: The Chinese claim that it lies on their outer continental shelf, and so is theirs alone to exploit; the Japanese say that it falls within their 200-nautical-mile exclusive economic zone, and so belongs to them. Both sides cite provisions of the United Nations Convention on the Law of the Sea to justify their claims; but because these provisions contradict one another, and because there is no
formal process for resolving such disputes, each insists on an exclusive right to exploit the field. Complicating the dispute is the presence of powerful nationalistic sentiments on each side: many Chinese resent Japan’s invasion and occupation of China during World War II and so oppose any territorial concessions to Tokyo; many Japanese are fearful of China’s rise and so oppose any territorial concessions to Beijing.58

To demonstrate support for their respective claims in the East China Sea, both China and Japan have regularly deployed air and naval forces in the area, in some cases deploying in close proximity of one another. On at least one occasion this has led to a near confrontation – with crews of both sides aiming their weapons at each other or otherwise engaging in threatening manoeuvres.59 Typically, this has led to an outpouring of nationalistic fervor in each country, resulting in mass demonstrations of anti-Chinese or anti-Japanese sentiment. In an effort to calm matters (and ensure the steady flow of bilateral trade), officials from the two countries have met on several occasions to find a solution to the impasse; at one meeting, in June 2008, they agreed to a formula whereby Japanese firms would participate in a Chinese drive to exploit the undersea field.60 But neither side has surrendered its claim to the disputed area, and both continue to station warships in the general area; there is every risk, therefore, that some future incident at sea – accidental or otherwise – could lead to something far more serious.61

A similar scenario could easily unfold in that other disputed territory, the South China Sea. Here, too, large hydrocarbon deposits are believed to lie beneath a contested body of water. In this case, the protagonists are China, Taiwan, Vietnam, Malaysia, the Philippines, and Brunei – each of which claims all or part of the region. China, which says the entire area is part of its territorial waters, has placed small military garrisons on some of the small islands that dot the area and used military force to drive away ships belonging to the other claimants – in some cases, producing human casualties.62 The Obama Administration has offered to support the other parties to this dispute in their efforts to reach a compromise solution with Beijing, but Chinese officials have warned the USA to stay out of the matter, saying it is an internal affair. Describing the South China Sea as one of China’s “core interests,” akin to Taiwan and Tibet, Chinese officials have warned that conflict could erupt if Washington does not stand aside.63 This is another place, then, where a small incident could conceivably trigger something more dangerous.

Geopolitical competition is also spreading to the Arctic region, although it has not yet produced the same degree of friction as that witnessed in the East and South China Seas. As in the case of deep-offshore Asia, the Arctic has attracted such interest because it is believed to harbor large untapped reserves of oil and natural gas which are only now coming within the reach of oil-drilling technology. The region’s hydrocarbon potential was first revealed in a 2008 study by the US Geological Survey (USGS). Although the area north of the Arctic Circle encompasses only about 6% of the earth’s surface, the USGS noted, it is thought to harbor approximately 22% of the world’s undiscovered hydrocarbon resources, including an estimated 1,689 trillion cubic feet of natural gas (30% of the world’s undiscovered supply) and 90bn barrels of oil (13% of the undiscovered supply). As suggested by the USGS in a press release announcing the 2008 study, “the extensive Arctic continental shelves may constitute the geographically largest unexplored prospective area for petroleum remaining on Earth.”64

Drilling in the Arctic, as in the deep waters of the Gulf of Mexico and the Atlantic, poses enormous technological and environmental challenges. Some of these – for example, the presence of thick sea ice during much of the year – could be lessened by the gradual warming of the earth’s atmosphere as a result of climate change. But here, too, boundary disputes and competitive ambitions could prove an obstacle. The five Arctic nations – Canada, Denmark (representing Greenland), Norway, Russia, and the USA – have yet to agree on a regime for
dividing the polar region, and all are parties to disputes over their respective offshore boundaries in various Arctic Ocean extensions, such as the Beaufort and Chukchi Seas. Although all five of these countries have declared their intention to avoid the use of force in resolving these disputes, several have bolstered their military capabilities in the region and stated their intent to defend their Arctic interests by any means necessary. The Russians, for example, have created a new group of Arctic forces, and Canada has established a new base on Resolute Island, on Cornwallis Island in the Canadian Arctic Archipelago. For now, the extraction of oil and gas from the Arctic is still at too low a level to spark any significant geopolitical contestation, but the risk of serious friction could increase as reservoirs elsewhere become depleted and Arctic production gains momentum.

Conclusions

So long as the world relies on oil for a substantial share of its energy supply, nations will compete for access to the available supply and the geopolitics of oil will play a conspicuous role in international politics. As in the past, this will entail competitive efforts by the leading oil-importing nations to secure positions of advantage in the oil-producing regions, often employing military means to achieve this objective. While much of this will resemble the oil geopolitics of earlier years, we will witness significant changes in the geographic foci of these endeavors as well as the identity of some key players. Advanced oil-drilling technologies will also extend the reach of geopolitics to entirely new realms, including the deep oceans and the Arctic. Whether these changes will increase or decrease the risk of conflict over contested supplies of oil cannot be foreseen, but the fact that the new players are employing the same military tools as their predecessors, and that contested offshore fields are being subjected to the same sort of militarized contestation once devoted to onshore fields, suggests that conflict has not disappeared from the geopolitical equation.

Notes

1 The best introduction to this theme is Daniel Yergin’s magisterial study of the global struggle for oil, The Prize: The Epic Quest for Oil, Money, and Power (New York: Simon and Schuster, 1992).
2 For background and discussion of these events, see Michael T. Klare, Blood and Oil: The Dangers and Consequences of America’s Growing Dependency on Imported Petroleum (New York: Metropolitan Books, 2004).
4 For background on these developments, see Yergin, The Prize, pp. 153–64.
5 As quoted in ibid., p. 188.
6 Ibid., pp. 188–96.
10 For background, see David E. Long, The United States and Saudi Arabia (Boulder, Colo.: Westview Press, 1985).
12 For background on these developments, see Klare, Blood and Oil, pp. 37–45; Palmer, Guardians of the Gulf, pp. 52–84; and Painter, Oil and the American Century, pp. 112–13.
18 For background on these events, see Palmer, *Guardians of the Gulf*, pp. 118–27.
25 For discussion, see Klare, *Blood and Oil*, pp. 64–66.
26 The author first discussed this concept in Klare, *Blood and Oil*, p. 132.
27 The author first discussed these efforts in Klare, *Resource Wars*, pp. 81–108
29 The author first advanced this argument in Klare, *Blood and Oil*, pp. 143–45.
37 The author first made this argument in Klare, *Rising Powers, Shrinking Planet*.
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41 For background, see Klare, Rising Powers, Shrinking Planet, pp. 76–77, 104–8, 132–37, 164–71.
42 For background and discussion, see Human Rights Watch (HRW), Sudan, Oil, and Human Rights (New York and Washington, D.C.: HRW, 2003).
46 For background on the SCO, see Bates Gill and Matthew Oresman, China’s New Journey to the West (Washington, D.C.: Center for Strategic and International Studies, 2003), pp. 5–8.
48 Gill and Oresman, China’s New Journey to the West, p. 20.
55 For background on the problem of overlapping offshore territorial claims in Asia, see Mark J. Valencia, China and the South China Sea Disputes, Adelphi Paper no. 298 (Oxford: Oxford University Press and International Institute for Strategic Studies, 1995).
59 On incidents at sea, see also Mure Dickie and Kathrin Hille, “Japan Urges China Warships Probe,” Financial Times, April 14, 2010. This article refers to an incident in the East China Sea in which a Chinese ship-based helicopter came within 300 feet of a Japanese destroyer.
61 See Dickie and Hille, “Japan Urges China Warships Probe.”
62 For background, see DoE/EIA, “South China Sea,” March 2008. See also Valencia, China and the South China Sea Disputes.