Control Oil – Rule the World!

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Abstract:

‘If you want to rule the world you need to control the oil. All the oil. Anywhere.’ - Michel Collon, Monopoly

Iraq, Iran, Kuwait, and Saudi Arabia have more proven oil reserves than the rest of the world combined. This Black diamond (Crude Oil) is the world's most important commodity due to the development and dependence on energy of all humans in the world. The importance of Crude Oil to modern industrial society grew rapidly with the proliferation of automobiles in the early 1900s. But the turning point for Oil's importance was the First World War. By switching the British navy from coal to oil, British Secretary of the Navy Winston Churchill gave Britain and its allies a crucial advantage over their enemies. After the Allied victory, British foreign secretary Lord Curzon stated, "The Allies floated to victory on a wave of oil".¹

After the war, oil production shifted from Texas, USA & the Caribbean basin to the Middle East, where vast oil reserves were discovered. The once allies - France, Britain, and the U.S. became competitors to have the greatest prize of the century. Britain emerged initially as the best-placed contender as it already had control of all of Iran's oil. The U.S. government worked hard to gain a foothold for U.S. oil companies in the region. The Second World War tipped the balance in the race for oil completely in the favor of the U.S. Europe was devastated and Germany was destroyed. France and Great Britain, the major imperial powers, emerged much weaker from the war, while the U.S. emerged relatively unscathed and controlling over half the world's industrial output. This helped the US claim the status of the dominant power in the West, while France and Britain became its junior partners in the past.

Currently it is a fact that many of the world's leading oil producing countries are either politically unstable or are at serious odds with the U.S.A. In the past, a country's military was the sole arbiter of her strength, but today it is the economy that has become nearly as important and all industrial economies and militaries both run on oil and gas. The current world financial turmoil

¹ Geopolitics of Oil by Saman Sepheri in International Socialist Review, November/December 2002
has created more insecurities than ever before. This paper focuses on the current geopolitical issues underlying the oil supply in the world. The US and China desire those resources to fuel their power plants, factories, automobiles, aircraft, and armored vehicles. Iran and Russia want the pipelines to go through their territory in order to claim transit fees and use the resources as political tools. The recent political development in Iraq, Libya, Egypt, Yemen and other small Arab nations has given another twist to the old geo-politics in the region. This paper would analyze the factors that make and break international relations between countries with regard to oil supply. In this context, the focus of this paper would be to analyze the position of India vis-à-vis the changing scenario in the geopolitics of the world.

**Purpose** –

To analyze the factors that makes and break international relations between countries with regard to oil supply.

**Design/methodology/approach** –

Secondary data in the form of Literature review is to be studied.

**Keywords**

*Oil, reserves, geopolitics, international relations, war*
Introduction

Oil is the world's most important commodity. Modern industrial society would simply be impossible without oil. Oil and natural gas are the fuels for modern capitalism. These are so much a part of our lives that we often take them for granted. With the rising market prices of oil, it has become a lucrative resource and millions of dollars are being invested in its exploration and production and shipping and refining. However, oil history is tarnished with violence, conflicts, repression and interventionism. The main reason for this can be attributed to the fact that this valuable resource, black diamond is not found uniformly across the world. Some geographical locations are endowed with more of this resource and other regions have to depend on them for meeting their demand.

According to the U.S. Geological Survey over 50 percent of the undiscovered reserves of oil and 30 percent of gas are concentrated in the region primarily in Saudi Arabia, Iran, Iraq, Kuwait, UAE and Libya. The concentration of so much of the world’s hydrocarbons in this geographical location means that as long as the modern economy depends on the supply of oil and natural gas, the Middle East will play a key role in global politics and economy. This demand-supply imbalance shapes this industry and the bigger players always have an edge over the smaller players leading to upheavals and socio-economic-political unrest.

The major factors that lead to this unrest could be:

i) In addition to the demands of old industrialized countries, emerging powers like China and India have seen a sharp increase in their demand for oil.

ii) Severe competition among major oil importers to have access to oil.

iii) Political instability within oil-rich countries.

As the countries dependence on oil increases, it becomes strategically imperative for them to secure their access in oil-rich regions. This often means the building of strong alliances with the region’s suppliers and providing them diplomatic support and military aids. Policies adopted by importing governments stress security of supply through diversity of supply, diversity among the kinds of fuels we consume and in how this oil and gas is delivered to our markets. The need for diplomatic and economic support to curb the influence of oil-rich countries is being now being felt by many countries and they have taken an initiative to develop alternative supply sources and alternative energy routes. As long as the world’s transportation system depends on oil the dependence on the Middle East will grow and so will the economic and security burden associated with such dependency.

World’s two thirds of the oil is being used for transportation. To reduce this dependence means reducing oil use through increased fuel efficiency and through a shift from a petroleum dependent transportation system to one that relies on next-generation fuels, like, non-oil based
transportation fuels such as methanol, ethanol, biodiesel, electricity and others derived from abundant domestic energy resources such as coal, nuclear power, biomass, and municipal waste. But the challenge is how to reconcile environmental and security considerations as regards these alternatives.

In the World Energy Outlook’s central New Policies Scenario, which assumes that recent government commitments are implemented in a cautious manner, primary energy demand increases by one-third between 2010 and 2035, with 90% of the growth in non-OECD economies. **China consolidates its position as the world’s largest energy consumer:** it consumes nearly 70% more energy than the United States by 2035, even though, by then, per capita demand in China is still less than half the level in the United States. The share of fossil fuels in global primary energy consumption falls from around 81% today to 75% in 2035. Renewables increase from 13% of the mix today to 18% in 2035; the growth in renewables is underpinned by subsidies that rise from $66 billion in 2010 to $250 billion in 2035, support that in some cases cannot be taken for granted in this age of fiscal austerity. By contrast, subsidies for fossil fuels amounted to $409 billion in 2010 (12ww).

**Historical Perspective**

'Geopolitics’ means the struggle between rival powers for control over territory or natural resources like oil and gas, minerals, food products, water, etc., vital geographic features, such as strategic harbours and military base locations, rivers and canals, trade routes, etc, and other sources of economic and military advantage. The term ‘Geopolitics’ was coined in 1899 by the Swedish political scientist Rudolf Kjelln and then geopolitics emerged as a systematic area of study. Capitalism created a world market going across boundaries, but at the same time it is based on ruthless competition between rival countries. This struggle to achieve market shares has always been dominated by successive superpowers.

During the 19-century nearly half of the world’s crude oil supply came from the oilfields surrounding the Azeri city of Baku. At that time, petroleum supplied only four percent of the world’s energy, giving the Caspian region little strategic advantage in the international stage. But as the world economy grew, the dependence on petroleum grew significantly. In the modern world, those who own the major share of this resource of energy are at the drivers of the world economy and their influence is steadily growing. Since the 1930s the Middle East has emerged as the world’s most important source of energy and the key to the stability of global economy. The Persian Gulf is home to 65 percent of global oil proven reserves and 45 percent of its natural gas. The Middle East also controls a significant portion of the hydrocarbons that are yet to be discovered.
First World War

Oil gained much importance with the advent of automobiles in 1900s. The modern industrial society started growing rapidly but the First World War was the turning point in the history which emphasized the importance of oil. British navy was switched from coal to oil, giving them and their allies an advantage over their enemies. After the Allied victory, British foreign secretary Lord Curzon stated, "The Allies floated to victory on a wave of oil".

After the First World War, oil production shifted from Texas and the Caribbean basin to the Middle East where vast oil reserves were being discovered. This lead to competition between France, Britain and the U.S. who were allies at the time of war and oil became the greatest prized resource. Britain, which already had control of all of Iran's oil, won through a concession in 1901, emerged initially as the best-placed contender (Sepheri).

Second World War

The Second World War changed the dominance of Britain in favour of U.S. after the U.S. government waged a hard battle for the U.S. oil companies in the region. By the time the war was over, Germany was destroyed, Europe was in a bad shape and the two major powers, France and Great Britain emerged weaker. U.S. was positioned as controlling half of the world’s industrial output and this helped it to gain dominance in the West. France and Britain became its junior partners.

This change was now being reflected in the control of oil resources. The U.S. share of Middle East was 10% in 1940 and by 1950, it had increased to 50% as a result of some concessions gained by U.S. It took over Britain and France’s oil holdings and brought an end to Britain’s monopoly in Iran. France was given a marginal share in Iraq at that time. For example, after Iran's nationalist Prime Minister Mohammad Mossadeq nationalized the British-controlled Anglo-Iranian Oil Company (AIOC) operations in 1951, the American CIA organized a coup to overthrow Mossadeq, replacing him with the Shah, who became a staunch ally of the U.S. Once Mossadeq was overthrown, Iranian oil was not returned to the British AIOC. It was divided up among Exxon, Mobil, Gulf Oil, and other American companies, which took their share for services rendered by the CIA with AIOC now holding a minority share of 40 percent (Sepheri).

The U.S. aid program to rebuild Europe after the Second World War, officially known as the Economic Cooperation Administration (ECA), commonly known as the Marshall Plan was used by the U.S. to take control of European energy markets and to open access to raw materials in Europe's colonial holdings. Walter Levy, a Mobil Oil economist, and later the head of the Marshall Plan's oil division, noted in 1949 that "without ECA American oil business in Europe would already have been shot to pieces." Of $ 13 billion in Marshall Plan aid, fully $2 billion was slated for oil imports, while the Marshall Plan actually "blocked projects for European crude
oil production and helped American oil companies gain control of Europe's refineries. All this was done without regard for the effects on domestic employment in coal or loss of internal self-sufficiency.” The net effect of this aid was that petroleum replaced Europe's domestic coal as Europe's main source of energy (Sepheri).

**Post War Era**

The post-war era saw an enormous expansion in petroleum's share of world energy usage. In 1929, oil and gas had accounted for 32 percent, and in 1939, it accounted for 45 percent of all energy used in the U.S. By 1952, petroleum's share had risen to 67 percent and by the 1970s it had gone up to over 70 percent. In the 1970s, 40 percent of all U.S. investments in developing countries, and 60 percent of all U.S. profits from developing countries, were oil related. The great wealth extracted from Middle East countries helped oil corporations become massive edifices that dominated the world economic terrain. By 1973, seven of the world's 12 largest companies were oil corporations, known as the "Seven Sisters,” these oil giants—Exxon, Mobil, Chevron, Texaco, Gulf, Shell, and BP—have dominated the world oil industry ever since.

**Rise of OPEC**

The 1970s saw the rise of the Organization of Petroleum Exporting Countries (OPEC). It was founded in Baghdad in 1960 by Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela, and was later joined by Qatar, Indonesia, Libya, the United Arab Emirates, Algeria, and Nigeria. It was originally formed as a way for these countries to try to negotiate a better share than the 10 to 15 cents on every dollar of immense profits the giant oil multinationals were making from the marketing and sale of their oil.

However, its member countries soon realized that they could coordinate the amount of oil exported. Each country received a quota, negotiated within OPEC, of how much oil it could produce. If they would stick to these production quotas, OPEC countries could manipulate prices. Holding 40 percent of world's production and a 50 percent share of oil available for export, OPEC has had a great leverage on oil supplies worldwide. But they could not control the price of oil by controlling its supply due to the conflicts arising among its member countries.

OPEC also controls 90 percent of the world's excess oil production capacity, with Saudi Arabia holding more than half of that. Most of the other producers were nearly at the maximum of their production capacity, while, OPEC’s limiting production through its system of quotas, was producing at about 80 percent of its full capacity. It could easily ramp up the production to make up for shortages in cases of emergency.

Although the U.S. gets less than a quarter of its oil from OPEC, OPEC still has great influence on all oil importers worldwide. Its excess production capacity makes OPEC, especially Saudi
Arabia, of great strategic importance to the U.S. OPEC's presence was especially felt with the 1973 oil embargo, organized by OPEC's Arab countries as a protest of Israel's war against Egypt and Syria. The embargo was organized against Israel, but also against the U.S. which was funneling arms and aid to Israel, ensuring an Israeli victory. During the embargo the price of oil tripled in a matter of weeks, increasing from $4 a barrel to $12 a barrel, there was a realization by OPEC of its own power over oil markets.

Geopolitics

By the end of 1970s, U.S. faced major issues and it had to contend with OPEC’s control of oil supplies. But the real blow came with the Iranian Revolution of 1979 which overthrew Shah who was considered the ‘Policeman of the Gulf’. This was replaced by an Islamic regime which was hostile to the U.S. leading to a serious blow to its policy in the most strategically placed region i.e. the oil producing Persian Gulf.

Besides, in December 1979, the USSR invaded Afghanistan, adding more woes to the concerns in the region. Saudi Arabia was also shaken at roughly the same time. A military coup attempt took place in September 1979, followed in November by an armed takeover of the Grand Mosque in Mecca, Islam's holiest site, by those opposed to Saudi family rule, and riots by the Shiite minority in the oil rich Eastern Province in December.

Two major factors came to light by the loss of Iran and the turbulence in Saudi Arabia:
   i) U.S. aid to Israel doubled in 1980
   ii) the price of oil tripled, rising from $12 per barrel to its highest price ever, $35 per barrel

The U.S. started sending arms to Saudi Arabia and the Gulf states to build a common front against Iran. It urged the formation of Gulf Cooperation Council (GCC) as a way to coordinate the efforts of Saudi Arabia with the Gulf's weaker states like, Kuwait, Bahrain, Qatar, and the United Arab Emirates. In 1980, President Jimmy Carter, announced Washington's intention and willingness to interfere directly in the area under the new Carter Doctrine. The United States formed its new Rapid Deployment Force (RDF) with a mission ostensibly to guard against "any attempt by any outside force to gain control of the Persian Gulf region [which] will be regarded as an assault on the vital interests of the United States."

The Iran and Iraq war in 1980 gave U.S. an opportunity to contain Iran and build its ties with the Gulf States. It stationed the U.S. Fifth Fleet in Bahrain and set up bases and command centers in the Gulf States. By 1983, the RDF had been expanded into Central Command (CENTCOM), now a permanent military presence in the region, with 17 ships under its command and the authority to requisition 35,000 troops.
With the help of GCC, Iraq's army under Saddam Hussein was being built up to force a retreat of Iranian forces. This was financed by Kuwait and Saudi Arabia. The U.S. approved and oversaw the transfer of some of the secretly developed chemical and biological weapons and missile technologies which Bush was accusing Iraq for. Iran lost the war and the Iranian threat was controlled. However, with Iraq's invasion of Kuwait in 1990, the U.S. now turned on its erstwhile ally. In a brief and completely one-sided bombardment and invasion, the U.S. killed at least 200,000 Iraqis there.

By 1992, the situation in the Gulf had been stabilized. The Iranian Revolution had been controlled and Iraq was left constrained with economic sanctions which were to kill more than a half million Iraqi children in the next decade. But regimes hostile to the U.S. were still in power in Iran and Iraq. Saddam Hussein, although weakened, had been left in power by the U.S., which feared an uprising from below would be more damaging and destabilizing than leaving the Iraqi regime intact. The Iranian regime became more accommodating to the West, but was still a source of concern for the U.S.

At the same time, Saudi Arabia was facing economic and political problems internally. The Saudi economy, which was totally dependent on oil revenues, started facing serious issues. The lower oil prices brought falling revenues and increased the government debt throughout 1990s. Moreover, the U.S. military presence and bases in Saudi Arabia which were used to launch the invasion of Iraq became a source of public resentment towards the U.S. and Saudi regimes. The Gulf region became temporarily stabilized for U.S. interests, but it was not by any means permanent.

Considering the situation, U.S. initiated strengthening security arrangements in the region. It signed military pacts and engaged in joint military exercises between Israel and Turkey. In the early 1990s, Turkey became the third largest recipient of U.S. military aid after Israel and Egypt, receiving as much as $700 million a year. Turkey used much of this aid to buy $2.3 billion worth of arms from the U.S. in just two years. Turkey's Incirlik air base was modernized and became home to the U.S. F-16 jets used to bomb Iraqi forces under the excuse of protecting Iraq's Kurdish minority in Iraq's northern "no-fly zone." But it turned a blind eye when Turkey's F-16 jets, sitting on the same tarmac at Incirlik, bombed the bases of the Kurdish minority in Turkey.

U.S. started tapping other regions than the Persian Gulf from Africa, to the North Sea to Canada, to diversify its sources of oil imports. This had a twin benefit – cushioning the U.S. from any disruptions from the Gulf and would also reduce the market share of OPEC, thereby weakening its influence on oil supplies and prices.

OPEC lost market share during the 1973 oil boycott. The boycott established OPEC as the force that had effective control of world oil supplies and therefore oil prices but it also sent oil consumers to look for sources of oil other than OPEC's, such as Norway's North Sea. Due to these pressures, OPEC's share, which had been about 50 percent of total world oil production in
1970, came down to a low of 31 percent by 1985. Since then, OPEC has managed to recoup some of losses, and raise its share to about 40 percent in 2000.

After the collapse of the Soviet Union in 1991, the Caspian Sea's oil riches opened to Western markets and identified as a potential alternative to Persian Gulf oil. The oil and natural gas reserves in the former Soviet Union republics of Azerbaijan, Kazakhstan, and Turkmenistan, are estimated to hold about 70 billion barrels of oil, or three times the reserves of the United States. Some estimates put the reserves of oil as high as 200 billion barrels, making this potentially the second largest oil and gas reserves in the world after the Gulf. The American Petroleum Institute has called the Caspian region "the area of greatest resource potential outside of the Middle East."

The Caspian Sea basin has attracted US interest for the following reasons (Arvanitopoulos):

i. The quality of oil of this region is considered good.

ii. The biggest part of this oil is intended for export, since the needs of the producing countries are relatively low and are expected to remain low.

iii. The fact that the countries of the region lack the capital and the technology to proceed independently to the development of these oilfields offers American companies considerable investment opportunities.

Major oil companies like Chevron, Texaco, ExxonMobil, BP-Amoco, Shell, and Unocal have all made bids for development of Caspian oil. But the competition is not limited to the oil majors. Japanese and Chinese companies have taken stakes in the oil consortiums, trying to secure oil shares, and Iran and Russia have been competing to become the main transport route for Caspian oil out of the area. But this area is not free from problems. There has been tension among the five countries bordering the Caspian over how to divide the sea. But the biggest problem is transporting its oil and gas to the world markets as the Caspian is actually a lake. Pipelines have to carry its oil and gas to ports and through many nations to reach consumers. These transport routes have been the source of competition, since these pipelines are not only a source of revenue, but the transportation routes are of strategic importance.

Then there are the economic concerns which are vital. If oil prices drop, the Caspian's oil will become less attractive. Though the Caspian may easily contain the estimated 200 billion barrels of oil, the estimates of proven reserves have actually been reduced. However, at the end of the day, there may not be too little oil but too many pipelines to carry the volume of oil and gas eventually produced in the Caspian.

**India’s Position**

South Asia, comprising of eight countries, Afghanistan, Pakistan, India, Nepal, Bhutan, Bangladesh, Sri Lanka and Maldives, occupies a vital position in the world. China is located in
the north of this, Russia on the North West, the Middle East Balkans and Europe are on the West and the Indian Ocean on the South. The Indian Ocean connects the Atlantic and the Pacific Oceans.

History shows that India was most prosperous and secure nation and was most connected to the world, and this connection was mainly by sea. It is well known that we are an ancient sea-faring nation, as the four thousand year old port at Lothal and other Indus Valley finds show. What is less well documented or taught is the extent to which the sea was the major means of our links with the world to the west and the east. Jawaharlal Nehru had said, “We cannot afford to be weak at sea. History has shown that whoever controls the Indian Ocean has, in the first instance, India’s sea-borne trade at her mercy and, in the second, India’s very independence itself.”

The Indian Ocean is already centre-stage in international politics. Issues that have concerned India in the recent past like the attacks on Mumbai, the end of the Sri Lankan civil war, piracy off the Horn of Africa, the rise of China, energy security and trade, and instability in our periphery, each of them has involved the Indian Ocean or its littoral countries in one way or the other.

India has a geopolitical advantage due to the proximity to energy rich West Asia. More than US $ 400 million each day is being spent by India on oil imports which account for 70% of its oil consumption. Such a high dependence on outside sources, India wants to secure reliable and long-term supplies. The union cabinet has affirmed India's participation in the Turkmenistan-Afghanistan-Pakistan-India (TAPI) 1,700-kilometer pipeline, which envisages a flow of gas from Central Asia into India.

The severing of India's natural lines of communication to the resource wealth of Central and West Asia was one of the great tragedies of partition. In many ways, India's post-1947 foreign policy has struggled to overcome the geopolitical consequences of 1947 after which India became a prisoner of geography unable to forge continental geoeconomic or geopolitical links with its western periphery and beyond (Singh).

The Indian Ocean provides major sea routes connecting the Middle East, Africa, and East Asia with Europe and America. It carries heavy traffic of petroleum and petroleum products from the oil fields of the Persian Gulf and Indonesia. Large reserves of hydrocarbons are being tapped in the offshore areas of Saudi Arabia, Iran, India, and Western Australia. An estimated 40% of the world's offshore oil production comes from the Indian Ocean.

Sea Lines of Communications (SLOCs) in the Indian Ocean came into prominence in the 90s when forces of globalization sparked a process of huge economic growth that resulted in increased consumption and competitive trade, creating an upsurge in oil demand in both developed nations and developing economies. The Indian Ocean covers an area of 73,556,000 sq
kms and consists of some of the most critical sea lanes and choke points that connected the oil rich Middle East, East Asia and Africa with Europe and on which most oil and goods trade came to depend. The ocean became the highway of international trade. It inevitably led to a rivalry between countries for dominance of key trade routes and choke points.

Major choke points in the Indian Ocean that conceivably require greater security include:

i. The Strait of Hormuz between the Persian Gulf and the Gulf of Oman.
ii. Bab-el-Mandeb at the southern access to the Red Sea and the Suez Canal.
iii. The Mozambique Channel between Madagascar and the coast of Africa.
iv. The Strait of Malacca between Sumatra and Malaysia.
v. The Sunda Strait between the Indian Ocean and Borneo.
vi. The Lombok Strait between the Indian Ocean and the Sulawesi.

The increase of demand in India has meant an increased reliance on imports but at the same time, it may also impact India’s security concerns. Companies like the Oil and Natural Gas Company Limited (ONGC) and the Indian Oil Corporation are investing outside the country but they face fierce competition.

There are no Chinese bases in the Indian Ocean today despite talk of the “string of pearls. There is, however, extensive Chinese port development activity in Myanmar, Bangladesh, Sri Lanka, and Pakistan, and active weapons supply programmes to the same states. The question is whether and to what extent this improved access and infrastructure will translate into basing arrangements and political influence in future (Menon).

Chinese interests are also involved. For China, as for India and Japan, her energy security is intimately linked to keeping the sea lanes open in the Indian Ocean. The threats to energy flows in the Indian Ocean come not from the major powers, like India, the USA, China or Japan as these have a shared interest in keeping these sea lanes working. The immediate threats come from local instability and problems in the choke points and certain littorals, particularly the Straits of Hormuz and the Horn of Africa. These will not be solved simply by an application of military force, just as piracy off the Horn of Africa cannot be. This is a test of wisdom and is where China and other states can choose to be part of the solution rather than of the problem.

The Indian Ocean is dominated by the Arabian Sea and the Bay of Bengal. Near the top of which are two of the least stable countries in the world, i.e. Pakistan and Myanmar. State collapse or regime change in Pakistan would affect its neighbours by empowering Baluchi and Sindhi separatists seeking closer links to India and Iran. Similarly, the collapse of the junta in Myanmar, where competition over energy and natural resources between China and India looms would threaten economies nearby and require a massive seaborne humanitarian intervention. On the
other hand, the advent of a more liberal regime in Myanmar would undermine China's dominant position there, boost Indian influence, and quicken regional economic integration (D. Kaplan).

Indian Ocean combines the centrality of Islam with global energy politics and the rise of India and China to reveal a multilayered, multipolar world. The dramatic economic growth of India and China has been duly noted. India's and China's great-power aspirations, as well as their quests for energy security, have compelled the two countries "to redirect their gazes from land to the seas," according to James Holmes and Toshi Yoshihara, Associate Professors of Strategy at the U.S. Naval War College. Thus, the map of the Indian Ocean exposes the contours of power politics in the twenty-first century.

The strategic position of Burma between India and China is of particular geopolitical significance. China’s quest for oil and other natural resources has increased to sustain its growing economy and to meet its energy needs. China is the world’s fastest-growing importer of oil, yet currently an estimated 80 percent of China’s imported crude oil – coming mainly from the Middle East and Africa – is transported through the Malacca Straits. The development of a deep sea port on Burma’s western coast would provide China a new transit point for oil and gas imports and easy access to the Indian Ocean while a pipeline across Burma would reduce the Malacca voyage by 1,200 kilometers. The pipelines therefore present China with much needed natural gas supplies while also saving roughly seven days of shipping-time from its African and Middle Eastern crude oil source points (Shwe Gas Movement).

India has developed plans for various transport routes after years of research and negotiations. In 2007, the Indian Oil Minister was sent to Burma to seal new contracts in additional exploration blocks. During that time, there was an unprecedented and peaceful protest taking place against high price of fuel taking place in Burma. India’s Minister promised an additional US$150 million in investment to the junta despite a violent crackdown on the monks leading the demonstrations, referred to as the Saffron Revolution. India has also invested heavily in the development of the port at Sittwe, the Kaladan transit transport multi-modal project and on the roads linking the two countries. All this took place under the Indian government’s ‘Look East Policy’, which aimed to reduce the influence of China on its neighbour and in the region.

World Energy projections predict that by 2030, China and India alone will account for 45% of the increase in energy demand. These two countries are the world’s fastest growing and energy hungry economies. During the round CII Round Table Session on Overseas Energy Assets Acquisition, a study on ‘Energy Assets Acquisition: A Comparative Analysis of India & China Policy’ was released. All the speakers in this session stressed that given the acquisition of energy assets overseas and diversification of oil and gas supply base assumes greater urgency.

The CII Study notes that Chinese companies spent a record US $ 32 billion in 2009-10 for acquiring energy assets overseas versus India’s single US $ 2.1 billion investment by ONGC for
the same period. India produced 8.8 million tonnes of oil and gas from its overseas assets in comparison to China’s 800 million barrels of oil and gas from its overseas assets for the same period. Further, China is dipping into US $ 2.5 trillion of foreign currency reserves to buy stakes in oil and natural gas fields, compared with India’s US $ 250 billion. The CII Study recommends that India needs to strategically engage energy rich countries, backed by energy diplomacy and foreign policy, to ensure continuous availability of commercial energy at competitive prices to support its economic growth (R. Menon).

Energy rich countries have now started to leverage their resources for promoting infrastructure development in their countries. Pursuing a ‘Two Imports and One Exports’ strategy to strengthen energy ties with energy-producing countries is an important tool to acquire overseas energy assets. The ‘two imports’ refer to oil imports and capital to invest in the development of India’s oil industry. The ‘one export’ refers to India’s investment in oil exploration and development projects in the energy-producing country (R. Menon).

Central Asia’s energy game is now intensifying, nevertheless, with China grabbing the spotlight with a high-profile push into Kazakhstan’s energy market. The US and Russian companies remain major players in the contest to develop and export energy resources in Central Asia and the Caspian Basin. However, Chinese and Indian entities have become increasingly competitive in recent years (Blank). India, with a growing appetite for oil and gas, is working diligently to make energy inroads into the region (Chandra).

**Conclusion**

Countries need energy to produce economic growth, but as we have seen the costs of supplying new increments of energy are increasing. In many cases all that remains is lower-quality resources that have high extraction costs and in some cases securing access to these resources requires military expenditures as well. Meanwhile the struggle for the control of resources is re-aligning political power balances throughout the world.

The U.S. remains an enormously powerful nation militarily, with thousands of nuclear weapons and its unparalleled conventional forces but is does not have the strategic flexibility. The European Union, traditionally allied with the U.S., is increasingly mapping its priorities independently partly because of increased energy dependence on Russia, and partly because of economic rivalries and currency conflicts with America. Germany’s economy is one of the few to have emerged from the 2008 crisis relatively unscathed, but the country is faced with the problem of having to bail out more and more of its neighbors. The ongoing European serial sovereign debt crisis could eventually undermine the German economy and throw into doubt the long-term soundness of the euro and the E.U. itself (Heinberg).
China is the emerging power of the 21st century according to many economic and political pundits. It has a surging military and cash to buy access to resources and could be a threat to U.S. in future. However, it suffers from domestic political and economic weaknesses which may hamper its becoming the next economic power. The third largest economy, Japan, is facing a situation of uncertainty because of its protector, the U.S. It is focusing on building its military to defend its interests independently. Japan’s disputes with China are on the rise as it has almost no domestic fossil fuel resources and needs secure access to supplies.

Russia has abundant resources, but is politically corrupt and economically not that developed. With a residual military force at the ready, it vies with China and the U.S. for control of Caspian and Central Asian energy and mineral wealth through alliances with former Soviet states. It tends to strike tentative deals with China to counter American interests, but ultimately Beijing may prove to be as much of a rival as Washington. Moscow uses its gas exports as a bargaining chip for influence in Europe. However, very little of the income from the country’s resource riches benefits its population. The Russian people’s advantage in all this may be that they have recently been through one political-economic collapse and will therefore be relatively well-prepared to navigate another (Heinberg).

Countries like Venezuela, Bolivia, Ecuador, and Nicaragua do not accept American foreign policy, yet the U.S. continues to exert enormous influence on resource-rich Latin America via North American-based corporations. But now China is actively contracting for access to energy and mineral resources throughout this region leading to a gradual shift in economic interests.

The establishment of Africom in 2009, a military strategic command center on par with Centcom, Eucom, Northcom, Pacom, and Southcom made Africa a strategic location. Africa is getting U.S. investment in oil and other mineral extraction projects but is also a target of Chinese and European resource acquisition efforts. In future, conflicts between and among these powers may intensify.

The Middle East is characterized by extreme economic inequality, high population growth rates, political instability, and the need for importing non-energy resources, including food and water. But it maintains vast oil wealth. The revolutions and protests in Tunisia, Egypt, Libya, Bahrain, and Yemen in early 2011 were interpreted as indicating the inability of the common people in Middle Eastern regimes to tolerate sharply rising food, water, and energy prices in the context of autocratic political regimes. The Economic situations may become worse there and its consequences cannot be predicted as of now. However, its effects on the world economies would be enormous.

China and Saudi Arabia are buying farmland in Australia, New Zealand. The U.S. Nations like Iraq and Iran need advanced technology which can be supplied by both Chinese and U.S.
companies. This technology is required to maintain an oil industry that is moving from easy plays to oilfields that are smaller, harder to access, and more expensive to produce.

The deep oceans and the Arctic are the areas of growing resource interest in spite of military maneuvering and engineering-mining efforts. Nations capable of undertaking increasingly expensive efforts to compete for and extract strategic materials in these extreme environments would be better placed in the competition. However, the opportunity cost of diminishing returns as costs rise and payoffs diminish needs to be seen.

History shows us that nations in desperation to maintain their relative positions may resort to ways that would not serve any rational purpose. As instability increases in the world, economic and geopolitical situations may worsen and resources may get diverted to maintaining military mobilization under the pretext of security, rather than for increasing economic growth and peace.

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