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Market Cycles, Power Politics and the Latest North–South Energy Trade Conflict

PAUL A WILLIAMS

ABSTRACT Energy trade periodically aligns Northern importing–consuming countries against predominantly Southern producing–exporting countries. Conflict appears to follow a cyclical pattern, whereby Northern firms invest in developing Third World hydrocarbon resources to meet consumer demand until market conditions enable unilateral efforts by host sovereigns to augment fiscal take and ownership share and to impose output restrictions, thereby elevating prices and revenues. Although markets eventually correct themselves, major consuming-country governments, to the extent that seller’s markets attributable to exporter actions harm short-term consumer welfare and alternative options for restoring buyer’s markets are lacking, have varying incentives to support military intervention. Shifting market conditions and power balances suggest six ideal-typical energy trade conflict strategies. Finally, to the extent that exporting states succeed in converting higher hydrocarbon revenues into energy-intensive economic growth, co-operative phases within this conflict pattern could yield to increasingly zero-sum inter-consumer rivalry.

Energy trade and foreign direct investment (FDI) are again pitting ‘Northern’ consumer and corporate interests against sovereign producers in the global ‘South’. As the history of the oil sector indicates, multinational firms extracted Southern energy reserves to supply Northern consumption requirements until market conditions enabled Third World producing–exporting countries to enlarge sovereign shares of asset values and gain control over extraction. Sustained price hikes then brought demand down, while bringing undeveloped geographical and geological frontiers into play, which multiplied exporters and strained collective output discipline, already attenuated by exporters’ proclivity to raise output to serve expanding non-oil fiscal budgets. Recent upsurges in consumption and assertions of sovereign control over FDI suggest that a political–economic ‘market cycle’ is recurring.

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While responsive to corporate energy concerns, Northern governments are electorally compelled to weigh the negative short-term economic effects of energy-price ‘spikes’ more heavily in their calculations. Depending on the extent to which actions in exporting territories harm consumer welfare, alternative options are lacking, and home corporations cannot acquire upstream assets, these governments have incentives to increase control over hydrocarbon-rich territory. Superior power-projection capabilities and relatively low petrol taxes increase US support for external coercion. However, although the USSR’s collapse permitted more assertive Northern intervention in the Persian Gulf, the present Iraq occupation reveals that force can be balanced by non-state opposition, since insurgency and infrastructure sabotage, by raising the costs of oil and intervention elsewhere, have probably emboldened wider resource-centric resistance movements and stimulated efforts to curb consumption and develop alternative sources. Conversely, some Third World exporters have developed greater social knowledge of problems associated with the ‘resource curse’, providing incentives to restrain upward price rachets and non-hydrocarbon fiscal spending. Ironically, if this enables permanent increases in exporters’ energy consumption, North–South conflict could become coterminous with less tractable forms of consumer rivalry.

After examining analytical frameworks of enquiry into North–South energy-centric conflict, this article traces how market forces have interacted with power politics in the oil sector. It then presents a typology featuring six ideal-typical conflict scenarios, each beginning with specific strategic rent-seeking actions that hypothetically oppose Northern corporate and consumer interests to those of Southern exporters. Finally, it assesses the possibility of demand-driven reductions in Southern hydrocarbon energy output available for Northern consumption.

**Analytical frameworks**

*Realism*

Realism offers an intuitive explanation of energy trade conflict. Material scarcity provides an obvious incentive to dominate natural resource supplies or to otherwise influence the terms of their trade. Defensive motives include preserving consumption levels and stabilising the world economy for importing countries and securing necessary revenue levels for exporting states. Conversely, offensive drives to increase control seek the capacity to deny resources to others.

Among themselves, governments of consuming countries have unequal capacities to force adjustment on others. For example, many OECD countries, even oil producers Britain and Norway, have based energy policies on high petrol tax rates that curtail consumption. Conversely, US governments have allowed higher consumption, while using price controls and later relatively low end-use taxation to moderate upward pressure on retail fuel prices. During the first 1970s oil shock price controls muted signals of scarcity that
could have stimulated domestic output as well as lowered consumption and global inflationary pressures. This policy reflects the USA’s ability to use dollars not only to finance budget deficits, amassed at least in part to pay for military spending associated with preserving access to distant-source petroleum output, and current-account deficits, which include higher-priced oil imports, but also to reduce the real costs of oil-trade transactions via dollar devaluation.

For Realists, however, military intervention in resource-rich areas remains the ultima ratio of outcomes in the energy sector, as it does for great-power politics. Military coercion vis-à-vis the energy trade has been recurring salient, as Northern, especially US, government capacities have gradually become commensurate with will. The 1973 Arab states’ oil embargo prompted Nixon to develop an unexecuted contingency plan for seizing Gulf oilfields. However, the end of the cold war power balance opened a seemingly unfettered path to the respective 1991 and 2003 US-led operations Desert Storm and Iraqi Freedom, which potentially represent a new phase of ‘resource war’, not only in the context of post-1985 upturns, and projected future rises, in Northern dependence on Persian Gulf oil imports, but also in relation to forecasts of a 2010 ‘peaking’ in global oil output.

However, the post-Saddam oil market has also revealed that geopolitical outcomes are not fully determined in great power capitals. As resource revenues provide a disproportionately larger share of their total incomes, exporting countries should react more intensely to adverse market changes than major consumer states, which spend relatively less of their GDPs on energy imports. Technological innovation may obliterate certain defensive obstacles, but even the IT-based ‘revolution in military affairs’, bestowing panoramic command of ‘common’ spaces on the USA, does not provide commensurable leverage over the ‘contested zones’, where commodity extraction and initial shipment are likely to be located. Even Realist scholars acknowledge that great power intervention must often surmount longer distances, difficult terrain, logistical vulnerabilities (eg extended supply lines) and nationalist sentiment. Control is costlier to assert over more distantly concentrated resources, especially when ‘obstructable’ resources, for which ‘transportation can be…blocked by a small number of individuals with relatively inexpensive weapons’, aid otherwise weaker parties to an armed conflict.

Prospect theory

Developed to explain anomalies in expected-utility models of decision making, prospect theory’s focus on risk seeking to avert losses emphasises that advantages should accrue to actors attempting to consolidate previous gains rather than to those engaging in aggression to obtain anticipated ones. This notion holds relevance in the area of North–South energy trade relations to the extent that duration of extant market structures increases defenders’ leverage. Exporting countries should engage in more effective collective protection of status quo asset valuations against the negative effects
of sudden supply gluts or demand dropoffs, or when accumulated gains in more gradually emergent seller’s markets are threatened. Conversely, importing countries should act more strenuously both to preserve an established buyer’s market against imminent threats or to alter situations resulting from rapid supply reductions that can credibly be attributed to actions occurring in exporting territories.14

Unilateral acts by Northern multinational corporations (MNCs) in dropping posted crude oil prices, on which Southern fiscal takes were calculated, to compete in a soft market galvanised the Organisation of Petroleum Exporting Countries’ (OPEC) 1960 founding. Even in its 1970s heyday OPEC members attributed contemporaneous oil price inflation to broader economic changes originating in earlier dollar devaluation. Drastic curtailment of demand and export revenues after the late 1990s financial crises improved members’ co-ordination with each other and with non-OPEC exporting countries in limiting output to shore up prices. In contrast, the post-1985 emergence of a buyer’s market and subsequently renewed dependence on Persian Gulf oil, including Iraq’s, increased importing-country interest in opposing Iraq’s invasion of Kuwait and preventing even larger losses of Saudi and United Arab Emirates (UAE) supply. The post-1998 concertation of supply restraint provoked US consternation over OPEC contributions to price volatility, eliciting calls to criminalise its perceived price-fixing activity.15

Social constructivism

Finally, constructivist approaches help to identify the relative institutional prevalence and defensibility of typically ‘Northern’ or ‘Southern’ positions. Arguing that material resources acquire particular meanings from being part of larger social structures, which also consist of shared knowledge and agent practices that (re)produce these structures, constructivists maintain that ‘only because of socially defined use do . . . raw materials constitute resources, which are also assets when they are constituted in reference to immediate ends, or interests’.16

Decolonisation placed Third World states’ developmental aspirations in stark contrast to extant foreign control over their hydrocarbon income sources. Host countries’ nominal proprietal control over subsoil resource access could be usurped because they were unable to add value without foreign capital and personnel, reinforcing legal recognition of ‘compensation to the finder of a lost property’.17 Backed by pacta sunt servanda and international arbitration, concession contracts gave sovereign states rents, consisting of a royalty and later at least half of the profits, in return for allowing the seven major multinational companies to find, produce and sell oil. The rules of the game favoured, and were reproduced by, corporate practices, such as denying export markets to countries, eg Mexico in 1938, Iran in 1951 and Iraq in 1961, trying to assert fuller sovereignty over their oil industries.18

However, perceived corporate derogations of social norms led to OPEC’s very creation in September 1960. Aramco consortium companies’ unilateral
reduction in posted prices of their Middle Eastern crudes reduced the
differential between posted and discounted actual prices, by which exporting-
country governments had actually been earning more than 50% of profits at
companies’ expense. OPEC’s charter preamble states that members ‘can no
longer remain indifferent to the attitude… adopted by the Oil Companies in
effecting price modification’ and should work to restore the earlier price
structure, require companies to consult on necessary adjustments, and ensure
price stabilisation via ‘regulation of production’. Third World state sovereignty over territorial resources now represents the
prevailing social knowledge, even to the extent of being blamed for
unfavourable market conditions. Norway was instrumental in insisting that
the 1994 Energy Charter Treaty (ECT), whose subsidiary Transit Protocol
aimed to widen non-Russian access to Gazprom-controlled export pipelines
traversing Former Soviet Union (FSU) territory, include a clause affirming
‘Sovereignty over Energy Resources’. Northern scholars expressed scepticism
that Venezuela would allow arbitration provisos to be inserted into joint-
venture contracts and, while the North American Free Trade Agreement
(NAFTA) obligates Canada to maintain a certain percentage of oil exports to
the USA, it leaves Mexico’s oil sector nationalised. Even OPEC allies of the
USA remain reluctant to re-liberalise upstream energy sectors, given
institutional memories of the concession system and pre-nationalisation
disputes with MNCs over unsustainable field production rates.

The ‘resource curse’ concept provides an alternative discourse co-optable
by powerful Northern agents. It argues that dependence on resource revenues
worsens economic distortions, fosters corruption and incites sub-national
violence, facilitated by the ‘lootability’ of resources per se. Yet using this
concept to justify different governance of Third World energy sectors also
entails greater transparency in revenue collection and equity in distribution,
as large segments of Southern populations believe that theft of their resource
wealth results from FDI. Thus, coalition authorities were admonished about
violent reaction to perceptions that the Iraq invasion was driven by ‘US neo-
colonialism’; Al-Qaida has exploited populist sentiment against the ‘theft’ of
the Muslim world’s oil resources; and Bolivian leader Evo Morales bluntly
stated, after unilaterally raising government revenue share from MNC natural
gas operations and sending troops to occupy fields in 2006, that ‘The looting
by foreign companies has ended’. In Turkey, which holds most of the
world’s boron reserves, criticism of the low purchase price of an allegedly
proposed sale to a US firm of an entity that controls the reserves can be
contextualised in relation to successful tests of boron compounds as a storage
medium for hydrogen in fuel-cell vehicles.

Market cycles and power politics: the case of petroleum
By 1970 OPEC members were exerting greater control over oil supply. General
Southern aspirations to control natural resource wealth, as articulated in the
UN General Assembly’s 1962 resolution on Permanent Sovereignty over
Natural Resources, itself embedded in OPEC’s own 1968 Declaratory Policy,
propelled progressive increases in tax-reference prices, royalties, tax rates, acreage relinquishment and government participation, while Arab–Israeli wars furnished a conducive political setting for increasingly potent Arab oil boycotts. Latent advantages inhering in the immobility of extractive activity were reinforced by the 1960–70 doubling of consumer demand, the 1970 peaking of domestic US oil supply and loss of spare capacity, and OPEC’s expanded share of total output to over half.27

Market maturation played an enabling role. Diffusion of technology and marketing know-how eroded entry barriers and intra-OPEC communication amplified the ‘demonstration effect’ of Libyan and Algerian asset expropriations on the actions of other members.28 Between 1970 and 1980 OPEC national oil companies’ average share of production increased from one-fifth to nearly four-fifths, while the majors’ portion fell from 72% to 17%. Given oil’s low short-term demand elasticity, price hikes massively boosted oil exporters’ ‘petrodollar’ revenue, from US$6 billion in 1973 to $107 billion in 1980. This, albeit cycling back to importing countries via Northern banks, aggravated inflation, as consumption did not fall until hydrocarbon price deregulation allowed the 1979–80 oil shock to register its full recessionary impact.29

Responses by governments of Northern consuming countries were primarily defensive in nature, as represented in the 1974 creation of the International Energy Agency (IEA) and its programmes to co-ordinate, with MNCs, storage and release of supplies to cover OECD shortages, and to alter market structure by lowering demand and exploiting non-OPEC oil. Eventually scarcity reflected in higher prices curtailed demand not only via recession but also through the longer-term inducement to conserve, improve efficiency, innovate and substitute, and prices of piped natural gas in ‘take or pay’ contracts are now typically indexed to oil prices. Energy demand fell by 3% during 1979–83, with oil losing a 10% share of that demand and OPEC losing the same proportion of total oil demand.30

Among producers expectations of rising scarcity and prices yielded diametrically opposed responses. Price hikes ensuing from the 1973–74 and 1979–80 oil shocks initially propelled more extreme OPEC efforts to shut in capacity. Conversely, MNCs, denied equity in OPEC fields, gained favourable tax treatment and used advanced technology to obtain oil elsewhere. Corporate activity shifted to numerous offshore non-OPEC territories, and much later even to those of OPEC member states Indonesia, Iran, Nigeria and Qatar; to developmental frontiers entailing higher transportation costs, as in the Caspian and Central Asia; and to unconventional onshore Canadian and Venezuelan oil. By 1982, when even its lowest-cost suppliers were applying production quotas, OPEC had been relegated to a ‘residual supplier’ of the shrinking gap between falling demand and rising non-OPEC supply.31

By the early 2000s Southern national companies were producing and exporting hydrocarbons to reflect their sovereign authorities’ high discount rates, whereby selling oil is preferred to leaving it in the ground because of expanding budgetary needs, which fuelled problems associated with the aforementioned ‘resource curse’. Iraq exemplified this issue. While geographical propinquity and the extant post-1986 buyer’s market gave Iraq
incentives to enforce neighbours’ quotas through force, these factors impelled major Northern opposition to Iraq’s invasion of Kuwait, while permitting efforts to sanction investments in, and sales from, the hydrocarbon sectors of Iraq, Iran and Libya. Yet, as market forces again buoyed oil imports, rising dependence on Persian Gulf supplies increased the saliency of its under-invested oil sectors. Having lost older concessions, or otherwise been blocked by sanctions from investing, in that region, but enticed by the prospects of entering the Caspian region to replenish reserves, MNCs sought home-government support for a ‘non-proprietorial fiscal regime’ to protect future energy investments, as articulated in the ECT, bilateral investment treaties (BITs), and production-sharing agreements (PSAs), by which corporations arguably increase earnings by inflating ‘cost oil’ accounts.  

The post-1999 return of the seller’s market, caused largely by an upturn in Chinese consumption, aligned Northern, especially US, consumer and corporate interests in antipathy towards OPEC policies. Suspicion lingers that the 2003 Iraq war represented an offensive to grab oil and weaken OPEC, backed by evidence that coalition oversight has been enveloping Iraq in the fold of neoliberal governance centred on PSAs with arbitration provisos. Yet violent non-state resistance in Iraq and elsewhere, notably Colombia, Ecuador, Nigeria and Saudi Arabia, has threatened supplies, thereby undergirding prices, emboldening world-wide efforts to tighten sovereign control over the terms of hydrocarbon FDI and outflow, and heightening the potency of major producers’ threats to divert or embargo exports.

Classifying North–South energy trade conflict

This section proposes a typology consisting of six analytically distinct rent-seeking strategies pertaining to North–South energy trade. Relevant strategic action is initiated by Southern exporters or by Northern interests to target the other group directly or indirectly and occurs either in buyer’s or seller’s markets. These two sets of differentiations determine the approximate ‘defensiveness’ or ‘offensiveness’ of action. Relevant balances of power represent key antecedent conditions, as the target’s capacity for opposition or adjustment limits the efficacy of the strategy.

While inter-state resource-related wars also encompass armed conflict among sovereign exporters and among salient consuming countries, ‘energy war’ here designates armed action by importing–consuming governments to prevent or to overturn producing–exporting countries’ legal and physical control over relevant energy supplies. As Table 1 suggests, ‘defensive energy war’ is typically intended to forestall threats of export cutoffs, or overturn sudden cutoffs, which sometimes occur in order to change a buyer’s market that has been exacerbated by inter-producer quota cheating and related disputes over market share. If power is also less unbalanced (from now on, meaning in favour of consumers), strategic efficacy is related to collective unity of the relevant number of consuming states required to effectuate the action, as well as to likely levels of counter-resistance. Operation Desert
Storm exemplifies the stimulus provided by anticipated reductions in future trade. However, this action category could logically extend to cover backing for the 1953 anti-Mossadegh coup following nationalisation of MNC oil assets in Iran and US joint military alliances and exercises with co-optable producing–exporting regimes, especially Caspian states, in the mid-to-late 1990s.

Conversely, an ‘offensive energy war’ by importer–consumer countries seeks to compel sovereign exporters to increase supply or relinquish control over it. This is most likely to occur under more slowly emergent seller’s market conditions, which can be aggravated by consumers’ own demand-side pressure on prices. Operation Iraqi Freedom, while incorporating a larger myriad of causal factors, most closely approximates this type of conflict. Power is likely to be more unbalanced, so limits on the efficacy of military force stem from non-state resistance, as in Iraq, where oil assets sustained over 350 attacks from June 2003, the first month after the conclusion of formal combat operations, to September 2006.

Four other strategies centre on struggles over distribution of rents from the energy trade. Here, rent seeking aims to aggrandise shares of rising or falling asset values. ‘Defensive asset/revenue gain’ encompasses producer efforts to form cartels and co-ordinate action to defend price floors in robust buyer’s markets. Examples include OPEC’s 1960 formation and wider and more disciplined efforts to curtail supply after the 1986 and 1997 price collapses. Power is likely to be more unbalanced, so effective action will depend on a level of producer discipline that prevents quota violations, which may in turn hinge on the ability of a ‘swing’ producer, like Saudi Arabia, to tactically over-produce in the strategic interest of punishing cheaters.

‘Offensive asset/revenue gain’ signals expectations of robust seller’s markets. Tax and royalty hikes, as well as asset expropriations, reallocate

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**Table 1. Energy war and other Rent-Seeking strategies**

<table>
<thead>
<tr>
<th>Market Structure</th>
<th>Buyer’s</th>
<th>Seller’s</th>
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<tbody>
<tr>
<td><strong>INITIATING ACTOR</strong></td>
<td>Producer-Exporter</td>
<td>Defender</td>
</tr>
<tr>
<td>DEFENSIVE ASSET/REVENUE GAIN</td>
<td>Cartelisation and coordinated output cuts to support price floors</td>
<td>OFFENSIVE ASSET/REVENUE GAIN</td>
</tr>
<tr>
<td><strong>INITIATING ACTOR</strong></td>
<td>Importer-Consumer</td>
<td>Defender</td>
</tr>
<tr>
<td>DEFENSIVE ASSET/REVENUE DENIAL</td>
<td>Sanctions to punish select exporters</td>
<td>OFFENSIVE ASSET/REVENUE DENIAL</td>
</tr>
<tr>
<td>DEFENSIVE ENERGY WAR</td>
<td>Deterrence of supply cuts</td>
<td>OFFENSIVE ENERGY WAR</td>
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revenue and property to sovereign exporters, and punitive boycotts work to the extent that consumer access to alternative options, including military power, is constrained. Cases include early 1970s Libyan and Algerian unilateral company output restrictions and asset confiscations and later the 1973 oil embargo. Various producers may plausibly have been emboldened by the 2003 Iraq war’s conjoined effect of straining US power-projection capabilities, reducing Iraqi oil output and elevating prices to impose increasingly stringent terms on hydrocarbon FDI. Arguably repeating the aforementioned Libyan–Algerian ‘demonstration effect’, Russia inspired Venezuela and, in turn, Bolivia, to use punitive tax measures as leverage to acquire governing control over assets and operations of non-state energy firms. Similar manifestations of ‘resource nationalism’ have occurred even in Chad and Turkmenistan, two landlocked and highly isolated states seemingly in greatest need of foreign efforts to bring their hydrocarbons to market. Russian state-led companies have also employed gas and oil cutoffs and threatened to divert supplies to Asia to obtain more money from FSU buyers, to punish pro-Western FSU governments, and to acquire downstream assets as payment-in-kind. Oil is a relatively fungible commodity, but Venezuela’s concessionary sales to neighbours, producer agreements to augment pipeline capacity to, and refinery capacity in, China, and long-term Asian investment and purchasing contracts for Persian Gulf hydrocarbons could restore sufficient pre-1973 degrees of trading inflexibility to make threats to divert exports more credible.

Northern consumer and corporate gains potentially deny assets and revenue to exporters. ‘Offensive asset/revenue denial’ encompasses MNC efforts to augment booked reserve values, the corporate analogy to ‘offensive energy war’. Again, the former is more likely to occur in seller’s markets when overall power is more unbalanced, but sectoral influence favours sovereign exporters. Cases include post-World War II concessions or the currently salient neoliberal, PSA-centric governance trends in the energy sectors of smaller Third World economies. It is most likely to face obstacles in the form of non-state opposition to privatisation, to the latter’s effects on revenue distribution or to corporate symbols of alien presence, resulting in force majeure stoppages of oil exports and related violence against foreign installations, contractors and workers.

Finally, consumer governments may engage in ‘defensive asset/revenue denial’ by banning sales and investments related to the energy sectors of targeted countries. Defensiveness stems not only from the strategy’s proximity to hostile actions by sanctioned regimes but also from the fact that it allows non-sanctioned exporters to reap additional gains from filling vacated markets, and this strategy is enabled by buyer’s markets. US-led sanctions against Iran, Iraq, Libya and Sudan comprise prominent examples. Efficiency depends on near-universal willingness not to break sanctions, a discipline that is harder to maintain as prices rise. In this vein, growing importer China has sought, by offering enticements such as arms, concessional loans and politico-diplomatic support, to consolidate energy-centric ties with sanctioned exporters like Iran and Sudan.
North–South energy trade as inter-consumer rivalry

Previous sections highlight the rough market-cyclical patterns of North–South energy trade conflict. Specifically this conflict has generally moderated when economic complementarity prevails. However, other factors may further exacerbate North–South energy conflict. One issue centres on the possibility that non-OPEC production of conventional oil is reaching its ‘peak’ or maximum. This would leave only hydrocarbons from unconventional sources, such as bitumen and tar sands, and those from conventional sources in deepwater reserves below 500 meters, available. But these would be more expensive, either geologically or because extraction relies on steam heating generated by natural gas, the most accessible supplies of which may also be reaching output peaks. Persian Gulf states could obtain firmer market command, but even this area’s largest onshore fields are maturing, as reflected in increased use of energy-intensive enhanced recovery techniques, such as gas and water injection, in Saudi Arabia, where spare production capacity of one million daily barrels equalled nearly three-quarters of OPEC’s total in January 2006 and the world’s largest refinery narrowly escaped bombing.

Dire warnings of impending supply downturns are not novel. Moreover, estimated dates of decline tend to recede in the presence of technological advances and even thanks to the dubiously beneficial prospects of ‘frontier’ energy deposits made accessible by the melting of the Arctic icecap. However, demand pressures threaten to worsen hydrocarbon scarcity if more Southern exporters follow Northern consumption trajectories. Developing countries on average consume a tenth of the commercial energy per capita that developed countries use and three-fifths of an estimated one tonne of oil-equivalent threshold needed for societal development. While once a minor petroleum exporter, as was the USA, China, which became a net oil importer in 1993 and imported just under half its total supply in 2004, exemplifies rapid economic expansion driving similar growth in oil consumption and intensifying competition for imports.

Most major energy exporters hold the unique position, if oil revenues promote economic diversification, to raise consumption and meet their needs from domestic sources. Sizable post-1998 hydrocarbon export revenues, instead of being recycled or spent to import Northern products to the extent they were 30 years ago, are now being used, perhaps reflecting social knowledge of the ‘resource curse’, to lower national debts, make foreign portfolio investments (thereby limiting US interest rates), create oil-stabilisation funds and support domestic private sectors. OPEC’s average consumption over 1973–2003 has risen from 3% to 20% of its total crude oil production. Gulf Arab gasoline consumption has shown similar growth and Middle Eastern oil demand is expected to grow by nearly one million daily barrels from 2003 to 2006. Finally, although mostly the result of logistical barriers to liquefied natural gas (LNG) trade growth, OPEC members consume most of their natural gas output, which may supply over 50% of the total Arab energy market by 2015 for environmental reasons. Nonetheless, in all consuming countries, North and South, the resulting permanent
upward ratchet in hydrocarbon prices should induce more resilient demand reduction and the manufacturing of more domestically accessible fuel from crops, like sugar-based ethanol in Brazil, nuclear power and even diesel made from gas or coal.59

Notes
1 These designations are not precisely coterminous with geographical location. Even hydrocarbon exporting countries that are otherwise considered developed, especially Russia, sometimes adopt typically ‘Southern’ stances on issues of sovereign control over territorial natural resources, while major importing countries that are otherwise considered part of the Third World may follow ‘Northern’ positions on questions of energy supply and FDI security, as indicated by reactions to Bolivia’s 2006 move to nationalise gas assets owned by Brazilian Petrobras. See P Prada, ‘In Brazil, anger at leader’s mild response to Bolivia’s bold move’, New York Times, 4 May 2006, p A13.
9 OPEC countries depend on hydrocarbon exports to cover at least two-thirds of their imports and services, while the European Economic Area (EEA) and USA, of the six largest consuming areas, pay the highest costs for fuel imports and domestic oil and gas production measured in terms of purchasing power parity (PPP) GDP, 4.2% and 3.7% respectively. But even these relatively larger fractions relate to the fact that these economic groupings include the largest fuel producers and their output is priced on the international market. See Mitchell, ‘Producer–consumer dialogue’, pp 3–4.
18 Ibid, p 147; and SJ Kobrin, ‘Diffusion as an explanation of oil nationalization: or the domino effect rides again’, Journal of Conflict Resolution, 29 (1), 1985, 20–23.
27 Mommer, Global Oil and the Nation State, pp 63–64, 146–160.
28 Kobrin, ‘Diffusion as an explanation of oil nationalization’.
29 Venn, The Oil Crisis, pp 44–45, 138–139, 156–157.
36 On the latter, see Klare, Resource Wars, pp 1–5.
37 A similar point is made in J Selby, ‘Oil and water: the contrasting anatomies of resource conflicts’, Government and Opposition, 40 (2), 2005, p 218. The 2003 invasion of Iraq can also be situated within a long-standing US grand strategy of ‘extra-regional hegemony’, which entails maintaining a forward US


Mommer, *Global Oil and the Nation State*, p 169; and Hildyard & Mutti, ‘Turbo-charging investor sovereignty’.


59 See L Alvarez, ‘Finland rekindles interest in nuclear power’, *New York Times*, 12 December 2005, p A10; and ‘Steady as she goes’. One author has even advocated that ‘the United States should embark on a “Manhattan Project” to develop new energy sources that ultimately will render the Persian Gulf strategically and economically irrelevant’. See Layne, *The Peace of Illusions*, p 189.