

Writing Petropolitics: The Poverty of Geo-Political Analysis

By Iain Grant

Ph.D. Candidate (Political Science), Dalhousie University
A Presentation to the British Institute of Energy Economics
Oxford University, 20-21 September, 2006

There are sub-fields of Political Science that have devoted valuable attention to the oil and gas trade – Comparativists’ treatment of rentier states and Public Policy analyses of regulation come to mind – but the study of International Relations has been remarkably remiss in this area. This neglect is surprising, for two reasons. First, for a field so enamoured of issues pertaining to national interests, it is difficult to imagine a more appealing subject. Few International Relations scholars would deny that the relationships between economic growth, industrial capability and military power are viable realms of study, but beyond the assertion that oil is central to modern warfare and, by extension, to national interests, the relationship between the global oil and gas trade and world politics has been curiously neglected. Second, given the decades-long experience of western states with volatilities too numerous to count in the oil-rich areas of the globe, it should have been expected that greater attention would have been paid to global ‘petropolitics’ within International Relations. But with the exception of a burst of scholarship that followed the oil crises of the early 1970s – most of it emanating from the United States – the subfield has taken an a very narrow view of the subject.

The contrast between this dearth of attention in IR and the ways in which global petropolitics has been treated by economists could not be more stark. With greater acceptance of the importance of markets and the decentralized, equilibrating properties they comprise,

Economics routinely offers a treatment of the subject that is richer, more quantitatively and qualitatively sound, and more sophisticated than that which has been offered so far by practitioners of International Relations. The discussion that follows traces the reasons for this, and advances an argument as to why this theoretical shortcoming should be of concern to economists. The first section deals with the dominance of ‘Realist’ international relations theory, with a focus on North America, and explains the conditioning effect that this tradition has had on the perceptions of global oil that obtain among policymakers, academics and media, particularly in the United States. The second section introduces two interpretations of the intersection of oil and world politics – the geopolitical and the ‘petropolitical’ – and uses the developing oil relationship between China and the United States to illustrate the differences between them. This section also offers the Global Oil Regime (GOR) as a practical venue of structure, process and principle for petropolitics. The third and final section seeks to explain why the geopolitical view has become the default one in many North American quarters, a point of particular importance when the American position on global oil is considered; again, the U.S.-China relationship will serve to examine this question. Throughout, the argument will be advanced that while the geopolitics view is well entrenched, the petropolitical view of the GOR is a more accurate and productive interpretation of global oil, and that economists would do well to appreciate the under-development of petropolitics and the GOR in the minds of political scientists, in the media, and in the many influential decision-making corners of American politics.

(i) The Dominance of ‘Realism’ in the Study of International Relations

The study of International Relations has, in the western hemisphere at least, been dominated by a framework known most generically as Realism. This framework is known for

fostering what newcomers to the field would undoubtedly view as a ‘hard line’ approach to international affairs, having evolved in opposition to more optimistic schools of thought that emphasize interstate cooperation. But despite opposition within the discipline to Realist discourse, it has yet to be dislodged as a theoretical mainstay; feminist theorists, postmodernists and regime theorists, to name a few, have mounted articulate and compelling critiques, but the core Realist arguments have demonstrated considerable resilience, and they continue to hold what some might see as enervating sway within the field.

A chronicle of the Realist view and its evolution need not be provided here, but a cursory summary is in order. In its 20th-century incarnation, Realism emerged as a response to the Wilsonian optimism and attendant prescriptions for international peace that followed the First World War.¹ One early proponent was E.H. Carr, whose highly influential *Twenty Years’ Crisis, 1919-1939* advanced the view that the realities of the interstate system made faith in the possibility of cooperation more dangerous than helpful, and suggested that the safest course was for statesmen to adopt this as a founding principle. Similar views were advanced in Hans Morgenthau’s *Politics Among Nations*, a 1948 text that remains core reading in political science programs to this day. The finishing theoretical touches on the Realist framework were provided by Kenneth Waltz in 1959 in *Man, the State and War*, an equally influential work that articulated a structural explanation for the recurrence of war as a phenomenon in the international system.

Countless volumes have since been written to refine (and to oppose) the arguments advanced in these works, but the core assumptions of the Realist framework have changed little; three will be summarized here. The first is that the international environment is anarchic and that, in the absence of a central authority, states operate within a self-help system. Power, in this

¹ Many consider Realism to be much older. One can find similar principles in the works of Thucydides, Hobbes and Von Clausewitz, to name a few.

environment, becomes the crucial criterion in determining the extent to which states, as the key actors in the system, are able to cater to their own interests. A second core assumption of realism is that competition and warfare are natural by-products of this anarchic environment; cooperation is not impossible, but as game-theoretic models like the Stag Hunt or the Prisoner's Dilemma indicate, the system and the rules it imposes frequently provide actors with disincentives to cooperate. A third assumption is that there is a direct relationship between one state's pursuit of security and the threat that this pursuit represents to other states; this creates Robert Jervis' oft-cited 'security dilemma' in which the preparations and actions of one state – however defensive – invariably encourage reciprocal behaviour elsewhere.² These fundamentals have led to the adoption within Realism of other key concepts – Geopolitics, the Balance of Power, the zero-sum game, etc. What emerges from it all is an international political environment in which the 'natural' relationship among states is one of competition, where cooperation is difficult to achieve, self-help and attention to defence and security are encouraged, and the general dynamics frequently drive states toward suboptimal outcomes in their relations with other states.

There is little in the annals of Realism to suggest that, where oil has been considered at all, it has gone beyond the default assumptions that (a) oil is central to industry and economic growth; (b) these things are crucial to the development of military capability; (c), military capability is vital to state power and oil exists, therefore, as a core element of every state's national interest. These things are true, of course, but if the wider issues around oil are left at this level, important aspects of oil's place in international politics remain under-stated, and a misleading logic is encouraged. And the subfield of International Relations does seem to have left it at this level; the giants of the field – Morgenthau or Waltz, for example – barely mention the subject and, apart from a brief burst of scholarship in the wake of the oil crises of the early

² Jervis, Robert (1978). *Cooperation Under the Security Dilemma*. World Politics, 30/2, pp. 167-214.

1970s, International Relations has devoted no consistent attention to something its practitioners universally (and correctly) assume to be of central strategic and analytic importance. There have been exceptions – notable work by Stephen Krasner or Bernard Mommer, for example – but generally speaking, political scientists have been eclipsed by historians and economists where this subject is concerned, and few International Relations theorists would contest their neglect of a topic for which their training and theoretical predisposition would appear to have been custom-tailored.

The main result of this neglect has been the unchallenged congruence of oil, as a national interest element, with the theoretical mainstays discussed above: state-driven, zero-sum competition; the security dilemma; and the anarchic environment where self-help is the safest, most secure approach for state decision-makers to take because other states are more likely than not to adopt that approach themselves. This line of thought is useful for the treatment of issues like nuclear deterrence – that the timeline cited above connects the evolution of this theoretical framework with the heyday of nuclear brinkmanship and Cold War is not simply coincidence, after all – but it is of limited use in analysing the relationship between the global oil trade and international politics.

(ii) Geopolitics Versus ‘Petropolitics’ – The Case of U.S.-China Oil Relations

A geopolitical treatment of the oil question – that is, the marriage of global oil to the Realist assumptions discussed above – offers fairly predictable fundamentals. The most obvious real-world demonstration of this marriage is the relationship that has developed around the oil question between the United States and China over the past few years. In U.S. eyes, China has taken full advantage of anarchic environment to secure oil supplies all over the world, adopting a

mercantilist, competitive, zero-sum posture in the process. Jervis' security dilemma is also discernible: in the face of state-backed competition from Chinese firms, calls for a revamped energy security policy in the United States have reached new heights, and the American government is devoting more attention to the oil question than at any time since the early 70s. The geopolitical interpretation was further solidified in American media and government circles during the Unocal affair in the summer of 2005: with zero-sum thinking as the apparent national default, the general view in the U.S. became one of a predatory takeover of a strategic asset, i.e., 'they' are coming to take away 'our' oil. On the Chinese side, the threatened action of U.S. lawmakers and the looming presence of Chevron – which led directly to the demise of the deal – undoubtedly convinced Beijing of the paranoid defensiveness of the U.S. hegemon. It also demonstrated, for China, the clear U.S. will to obstruct China in the pursuit of interests to which it was clearly entitled, and to keep it from rising as a legitimate Great Power.

In fairness to those on either side of the Pacific who interpreted the Unocal affair in this manner, it was not as if there were no grounds for suspicion. China was several years into a new foreign oil policy designed to secure deals around the globe, including several in so-called pariah states that generated strong consternation in western capitals, and several in areas within the U.S.' traditional sphere of influence. These latter acquisitions included a minority stake in Canada's MEG Corporation, a firm with holdings in the Alberta oilsands, and agreements with Venezuela that drew a particularly vitriolic reaction from Washington. If Beijing was prepared to load Venezuelan crude and tanker it all the way to the Chinese coast, the thinking went, there was no reason for Americans to assume that they wouldn't do the same for oil drawn from Unocal properties in the Gulf of Mexico. And from Beijing's point of view, mounting U.S. involvement in the Middle East and Central Asia could hardly seem unrelated to the presence of

oil reservoirs in those territories, further proof of a hegemonic intent to block China out of crucial reservoirs that had become crucial in Beijing's calculus of the Chinese national interest.

For many U.S. industry insiders, though, the domestic reaction to the prospective takeover of Unocal by the China National Offshore Oil Corporation (CNOOC) was nothing short of embarrassing. And though they would likely acknowledge that Beijing was every bit as ham-fisted in its approach to the deal as was Washington, their discomfort with the way the entire affair unfolded is reflective of a very different view of global oil. This alternative to the geopolitical view – a 'petropolitical' interpretation, perhaps – is the more nuanced and less dramatic of the two, more typical among economists and oil insiders than is the hard-line geopolitics interpretation described above. Here, the relationship between interstate politics and the global oil trade is viewed as a bounded competition that involves state, non-state and inter-governmental actors, and while national interests are certainly part of the equation, the manner in which they are catered to is seen as very different from the zero-sum calculus of the geopolitical approach. If petropolitical adherents were International Relations theorists, they would present the global oil trade as existing within an international regime that, with a few notable exceptions, has ensured the steady flow of oil from reservoir to market for more than a century. This approach will be adopted here, i.e., that there is a global oil regime (GOR) in which far more order and regularity is evinced than fractious, competitive geopolitics would suggest. The GOR serves largely to mitigate the numerous lines of tension that exist within it, e.g., importer-exporter, MNOC-host government, importer-importer, exporter-exporter, etc., tensions taken as a starting point in the geopolitical view. It is also irregular among international regimes, which usually feature formal mandates, memberships and agreements, and which operate through the clear and deliberate actions of states; by contrast, the more heterogeneous GOR encompasses

state, non-state and supra-state actors, and owes much of its stability to decentralized market processes. And while it has no official charter and holds no meetings, it certainly features enough of Krasner's 'principles, norms, rules and decision-making procedures around which actor expectations converge' for the regime label to apply.³ To separate this petropolitical interpretation from the geopolitical one, the following section will provide a very cursory summary of the GOR, focusing on key elements of process and principle that exist within it.⁴

Process in the Global Oil Regime:

The GOR is a complex machine, and much of what follows may seem elementary to energy economists, but that is precisely the point – elementary it may be, but to the International Relations theorist, it is not well trodden ground. The first notable 'process' aspect of the GOR is the impact of transport costs on the pattern of oil flow around the world. Tanker economics, pipeline tolls and other costs provide a set of incentives and disincentives for sellers, driving them to transport oil to the closest major markets, and pressuring buyers to seek oil from the closest major supplies. Again, this makes perfect sense to economists, but seems counter-intuitive through geopolitical lenses. The fact that the largest supplier of oil to the United States is Canada, for example, flies in the face of the profile which U.S.-Saudi relations have been assigned in the geopolitical view; the fact that Mexico and, occasionally, Venezuela ship more oil to the U.S. than does Saudi Arabia would seem all the more incongruent. This is not to suggest that analysts of a Realist-geopolitics bent cannot grasp the logic behind these realities, but the crucial fact that more of the oil procured by U.S. firms in the Middle East goes to Europe

³ Krasner's definition of a regime, quoted above, is the one that is accepted here. See Krasner, Stephen D. (Ed). (1983). *International Regimes*. Ithaca and London: Cornell University Press, p. 1.

⁴ This approach is more fully developed in Grant, Iain (2006). 'Geopolitics or Petropolitics? China and the Global Oil Regime,' in Ann Griffiths, ed., *Global Perspectives on Oil and Security*. Halifax: Centre for Foreign Policy Studies (forthcoming).

than to the United States is not as widely known or appreciated in International Relations as it is in Economics. It also flies in the face of the heavy-handed ‘oil equals national interest’ assumption that any oil procured by American firms should be brought directly to U.S. shores.

The market inter-penetration discernible in the GOR is another example of routine petropolitics that is counter-intuitive in the geopolitical view, where it would be expected that the national interest aspect of oil activity would demand protectionist behaviour by states. This does occur, but there is still a surprising degree of interpenetration in the major oil-importing economies, as evinced by British Petroleum’s status as the sixth-largest producer of crude oil in the United States, or by the fact that Exxon-Mobil owns or leases 2,025 *more* retail service sites in Europe than it does in the U.S.⁵ Additional counter-intuition is provided for geopolitics by the manner in which oil is priced, bought and sold – where the unilateral pricing decisions made by large firms in the 1920s and 1930s would have constituted analytical terra firma for the Realist, today’s decentralized, market-driven pricing decisions, and the pressures and counter-pressures that markets exert, do not fit tidily into a geopolitics framework. Geopolitics envisions state actors striving to impose stability on international process, with powerful states more likely to succeed in this than non-powerful ones, but petropolitics acknowledges the impact of other actors than states, casting them all as agile, adaptive agents in an inherently unstable environment in which the goal is not to impose stability, but to manage instability.⁶ Control over the process, such as it is, is very diffuse, and highly reactive to the unilateral political actions of states. The celebrated ‘oil weapon’ is a case in point – efforts by a producing state to isolate a specific buyer would pressure the latter to pay more, and create an incentive for someone to sell; efforts by an importing state to isolate a particular seller would pressure the latter to lower its

⁵ Exxon-Mobil Corporation (2005). Financial and Operating Review. Available at: http://www.exxonmobil.com/Corporate/Newsroom/Publications/Publications_Financial.asp, pp. 74-78.

⁶ I am indebted for this notion to Dr. Burt Vorhees of Athabasca University.

price, and create an incentive for someone to buy. Again, if asked, political scientists would certainly appreciate this point, but as a sub-field, International Relations has rarely considered the question.

Principle in the GOR:

Geopolitical interpretations of world affairs also struggle with the concept of principle, a difficulty traceable to Realism's long antipathy to moralistic approaches to international affairs, i.e., that states/would voluntary suspend their interests in order to cooperate with other states. Such cooperation as does occur, for the Realist, is enabled through the coercive power of a hegemon that is able to exert its will on other states, and which is willing to pay the costs of doing so (presumably on the assumption that they will be exceeded by the benefits). It is worth noting that this does not constitute a suspension of national interests by the hegemonic power; instead, regime-based cooperation offers the hegemon a safer and cheaper means toward national interest ends.

But there is principle within the GOR and, leaving aside the debate as to whether or not this is the product of hegemonic control over the regime, three principles in particular have reconciled the clear divisions of interest among exporters, importers, buyers and sellers of oil, giving the GOR its extraordinary flexibility and longevity. American energy consultant Walter Levy sought in 1955 to explain the adjustment and reconciliation of GOR participants' interests, citing "the very fact of the continuous functioning of the world oil economy" as proof that these tensions could be resolved. Levy posited "basic limitations on the conduct of each participant in (its) relation with the others," and advanced "guiding considerations" which obligate GOR participants to accept a number of constraints on their own behaviour, namely: recognition of each other's contribution to the general realization of benefits; maintenance of equitable

contributions and benefits; awareness that the “vital interests” of other parties are involved; accounting for the effect of one’s actions on others and – crucially – limiting the exercise of “political, economic or legal power;” and realisation that, because the “survival of nations might be at stake,” disregard for the principle of “free consent” could bring about the use of force.⁷ The first operating principle of the GOR, then, is to avoid creating desperate enemies, and Levy’s proscriptions all flow from an understanding that state interference in another state’s ability to procure oil is a risky proposition, one that will certainly create an embittered opponent bent on redressing the imbalance.

Tolerance of market inter-penetration, a second principle, serves several ends within the GOR, and has been part of a deliberate effort by firms and governments for decades. As Levy pointed out, “states have deliberately designed legislation to attract foreign investment” and to introduce “foreign technical and managerial skills.”⁸ Clearly, it is good business. Firms have an obvious interest in developing overseas market share, and in diversifying their supplies in case of disruptions by one government or in one part of the world. Buyers of oil, under conditions of increasing demand or tightening supply, are happy to see supplies provided by foreign firms because of the downward pressure it exerts on price. Finally, market inter-penetration serves to head off the tension that would develop if certain firms were shut out of overseas markets, as they would usually have created for themselves many other options; by drawing on alternative sources of supply, for example, the U.S. successfully navigated two OPEC-induced embargoes.

The third operating principle within the GOR is that parties are expected to compete within general parameters of ‘fair play.’ Competition is a given, but there are limits: increasing

⁷ Levy, Walter J. (1982) *Oil strategy and politics, 1941-1981*, Melvin A. Conant, Ed. Boulder, Co: Westview Press, pp. 107-109.

⁸ Levy (1982: 110).

market share is fine, but cornering markets by undercutting or overbidding is not. For MNOCs, this may mean losing the occasional bid for a concession, tolerating the securing of contracts by rival firms, and generally allowing other companies turf for themselves. For states, this means leaving opportunities on the table for other states and foreign firms to win. As Levy put it, if “any one participant ... were ever to attempt to monopolize any one phase of operations, or to interfere with the free competitive choice of the other participants, the continued effective functioning of the world oil economy might well be jeopardized.”⁹

Other elements could be added here – e.g., the rule of law and adherence to contracts, transparent license allocation schemes, bilateral investment treaties and consistent regulatory regimes that form the superstructure of the industry. The principles are not always applied evenly, and transparency and consistency remain dubious in some quarters but, in general, the global level of adherence to these principles is surprisingly high. So long as this trend continues, regime participants will maintain their connection to the GOR, the system will continue to adapt and maintain itself, and global oil should continue to flow in a relatively stable manner.

Petropolitics and the U.S.-China Oil Relationship:

Petropolitics adherents would see China the net importer threatening the United States very little or not at all. Well attuned to the structure, process and principles of the GOR, petropolitics adherents are not oblivious to the regime-aberrant behaviours displayed over the past half-decade by Beijing – e.g., the assumption of political risk in Ecuador and Kazakhstan; the transport of crude from Venezuela to China; and the ludicrous procurement of oil from Russia via the Mediterranean and Israel’s Ashkelon-Eilat pipeline – but they are far more likely to see inexperience, domestic political pressures, and outright desperation as better explanations

⁹ Levy (1982: 108).

of China's actions than malign, mercantilist intent. Some have actually welcomed China's activity, arguing the benefits of new investment that brings more oil onto the world market, or that Chinese and American interests are actually complementary, not conflicting.¹⁰ And despite the scope and pace of Chinese deal-making, which are hardly surprising given its domestic situation, China has operated within as many GOR norms as it has flaunted. It has honoured its contracts, it has participated in open bidding practices, it has not interfered with producing governments (certainly not to the degree that British and American firms have done in their day), and it has not interfered with the activity of other oil importers.¹¹ China may have been compiling a list of unorthodox or even unsavoury deals but, on many levels, it has been following the rules of the game. For the petropolitical believer, the solution is not for other importers to adopt similar regime-aberrant behaviour or to adopt a geopolitical bent themselves; rather, it would be to encourage regime congruence by China through enticement and mutual benefit.

(iii) Oil and Strategic Rivalry: An Uneasy Analytical Fit

Throughout this discussion, the point has been made repeatedly that there is nothing to stop International Relations, as a sub-field, from wrestling with these issues and coming to conclusions that take greater account of the petropolitics view. Again, however, this has not occurred, and we should be wondering why, beyond the simple conditioning effect of Realism and its emphasis on geopolitics. The best explanation for this theoretical inattention is likely

¹⁰ Comments by energy consultant Edward Chow at "China, Energy and U.S. National Security," a symposium sponsored by the Pacific Basin Institute at Pomona College, California, 2 March 2006. See also Mufson, Steven (2006). "As China, U.S. Vie for More Oil, Diplomatic Friction May Follow," Page D01, Washington Post, 15 April, 2006 [Online]. Accessed 16 April 2006 from: <http://www.washingtonpost.com/wp-dyn/content/article/2006/04/14/AR2006041401682.html>.

¹¹ One could argue that Beijing's insistence on an Irkutsk-Daqing pipeline, and exclusive conduit for Russian crude, as opposed to the Irkutsk-Nakhodka artery to which China, Japan and South Korea could share access, is regime-aberrant behaviour that smacks of interference with other importers.

twofold. First, the coincidence of the development of geopolitics with the Cold War naturally led to a focus on the bipolar tension between the U.S. and the Soviet Union, particularly in North American political science. The result was an entrenched paradigm that offered little incentive to International Relations theorists to delve into the issue of global oil – the Soviet Union was, after all, always a net exporter, and while Cold War dynamics certainly had their effect on the oil arena, there was little direct reason for American scholars or policy-makers to view the Soviets as competitors for oil. They did, however, need to focus on the U.S.’ relations with the Middle East, particularly Saudi Arabia, a focus reflected in the post-1973 prominence of the ‘oil question’ in American political science journals and books. But this enthusiasm soon waned, and to this day there is no discernible core literature in International Relations on the petropolitics view. This inattention is directly traceable to the absence of pressure to consider the question during the Cold War and the emphasis on the U.S. relationship with the Middle East, and is more to blame for the current fog that surrounds U.S. perceptions of the new oil question, now re-cast as ‘energy security,’ than any other factor.

It might be possible to excuse U.S. policymakers, media and public for their confused response to China’s emergence as a net importer, a classic case of cognitive dissonance. In many ways, it is an entirely original situation – with the Soviets always exporting rather than importing, the notion of a major strategic rival that is also a net importer of oil is something the U.S. has not experienced. The closest parallel would be the wave of ill will that developed over oil in U.S.-British relations in the early 1920s, a tension that developed between *allies*. For American observers, then, a cognitive default to geopolitical thinking is not so surprising, and lest we lean too heavily on academics in this regard, it is worth noting that there is no shortage of

political science graduates in American media and government circles – here, too, the Realist tradition has had its conditioning effect.

Other explanations are possible for the ease with which the U.S. government, media and public have defaulted to the geopolitics view. First, on many levels, it is easier to grasp than petropolitics. With tidy us/them and ours/theirs divisions, the intricacies of global oil are assigned the same definitional properties as the territory on which ‘they’ and ‘we’ are based; in contrast, the more complex petropolitics emphasizes relatively borderless and fluid markets. Petropolitics is ubiquitous in our daily lives, but it is so esoteric and so geographically unfocused that with the exception of economists and energy traders, there are few outside the industry who genuinely understand it. Further, it must be said that the relative simplicity of the geopolitics view contributes to its potent emotional punch – add a bit of strategic rivalry to a core element of the national interest and you have an issue instantly identifiable as a matter of national urgency. For anyone taking a cursory look at the issue, the geopolitical interpretation is an easy one to adopt; for anyone looking to present the issue as a crisis, it is a very easy sell.

Geopolitics differs from petropolitics in another important way. As a tradition that tends toward higher-level abstraction than a rigorous examination of the industry requires, it is ill-suited to the more detailed machinations of the GOR. There is a pronounced irony to this: geopolitics easily absorbed systemic analyses that explained international conflict, but has far more difficulty accepting a systemic interpretation of global oil, i.e., the more holistic treatment offered in Economics. The introduction of the *regime* notion in this discussion is an effort to introduce the systemic aspect of the oil trade, but rather than making the issue more familiar in geopolitical eyes, it makes it more jarring.

This is unlikely to continue, however, and to be fair to the field, it needs to be reiterated that the Chinese emergence as a net importer created a historically novel situation where great power rivals were also net importers. Attention has now turned to this issue – indeed, it is practically impossible to avoid the term ‘energy security’ in the U.S. these days – and although the bulk of it has been fairly ‘geopolitical’ in nature, we should expect that the petropolitics view will assume a higher profile within International Relations. This will require that theorists begin to explore the relationship between their familiar starting position – interstate competition and national interests – and the systemic properties of global oil, its process and principle, and the interplay among state, non-state and supra-state actors.

Conclusion: Why Does the Geopolitics-Petropolitics Disjuncture Matter?

If the above discussion could remain a purely academic affair, this theoretical divide would be of little import in the real world. But even among economists, few would argue that political decisions (well-informed or otherwise) always have the potential to impose themselves on economic process (well-designed or otherwise). If the GOR can be accepted as a complex adaptive system that features general parameters of stability within which countless, daily destabilising influences are accommodated, it would still be folly to assume that those parameters cannot be changed through the actions of political decision-makers. And, in the United States at least, the conditioning influence of geopolitics on these decision-makers should not be underestimated.

Discussions of the merits of establishing a national oil company have occurred periodically in U.S. history, but they have always come to nought. Instead, what has become entrenched in the American philosophy of oil is something that might be called a ‘loose’

conception of energy security, i.e., where the government lends diplomatic support (and occasionally more) to the activity of private actors, who have been left to meet the needs of the world's most ravenous consumer and importer. No one monitors, for example, the question of whether Wisconsin has enough oil this week – this has long been left to markets and private actors to manage, and as long as no obvious disruptions or shortages have occurred, the U.S. government has been content to leave it at this.¹² But given the realist predilection of those trained in American political science, and the poor appreciation of global oil dynamics that this implies, China's shift to net-importing status represents has lent credence to the question of whether a 'tighter' U.S. energy security philosophy is called for.

There are, to be sure, other burgeoning oil importers – India, say – but China is a unique case. Among more hawkish elements of the vast political establishment in the U.S., there was little chance that any other default position would be adopted than the geopolitical one described above. China's oil situation is contextualized by a lengthy scholarly tradition of 'China Watching' that holds China as a strategic rival to the United States, and though increasing economic ties between the two states have clouded the issue in recent years, this strategic rivalry still looms large. Tim Luard provided a fairly typical summary of these sentiments for the BBC in 2004:

As China gets richer and stronger, the world is coming to share its belief that it merits recognition and respect as a great power. Through a combination of economic dynamism, skilful diplomacy and understated threat, it is already regaining much of its old imperial supremacy across Asia. Filling the void left by the former Soviet Union, it has also emerged as the likeliest challenger to the United States as a global superpower.¹³

¹² This leaves aside a major issue in U.S. oil circles these days: the harmonization of state regulations which currently complicate cross-state distribution of oil, a particularly important problem when disruptive events (e.g., Hurricane Katrina) do occur.

¹³ Luard, Tim (2004). "China Takes Place on World Stage," BBC News [Online]. Available at: <http://news.bbc.co.uk/2/hi/asia-pacific/3763370.stm>. Accessed 22 October, 2004.

In oil terms, this rivalry manifests itself in the tension between an oil-hungry China and other high-order importers, principally the United States, the EU, Japan and India. A China that has so clearly based its well-being on industrialization and economic expansion is cause for concern, not simply because it is now importing oil, but because it is suddenly desperate for oil from outside its borders.

The challenge for petropolitics adherents is to undo this default interpretation. Luckily, some work has been done in this regard, and the fevered pitch of the Unocal discussions do seem to be giving way to more nuanced treatment of the issue in the U.S. There have been high-level discussions of the U.S.' need to engage Beijing on their mutual 'energy security dilemma,' and to ensure that China has emergency supply measures in place.¹⁴ Western firms continue to seek to expand their activity in China, currently limited to retail activity and joint-venture production. And within China, deregulation of the tightly structured pricing of oil in the domestic market is now being discussed openly.¹⁵

In the meantime, geopolitics continues to provide the default position. Economists should not assume that their nuanced view of global oil is shared by important political constituents in the U.S., many of whom still need to be convinced that 'loose' energy security will do the job, and that the most pressing need is to convince Beijing to loosen its own. And here lies the rub, for Beijing's calculations have not led accidentally to its current foreign oil policy. In all states, foreign policy is developed out of a complex interplay of domestic politics, politico-economic traditions and physical needs, and China is no different. Some progress has been made in

¹⁴ See, for example, the emphasis on market mechanisms and IEA attention to China in the testimony of Mikkal Herberg, Director of the Asian Energy Security program at the National Bureau of Asian Research, before the U.S. Senate Committee on Foreign Relations in July, 2005. This document is available online at: <http://www.senate.gov/~foreign/testimony/2005/HerbergTestimony050726.pdf>.

¹⁵ See Wang, Ying (2006). "Oil Giants Fight it Out for Shanghai Company," *China Daily*, 13 February, 2006 [Online]. Available at: http://www.chinadaily.com.cn/english/doc/2006-02/11/content_519214.htm. Accessed 15 February, 2006.

dislodging the default assumptions around energy security in the U.S., but this will not occur as quickly or as easily in Beijing. Nonetheless, this is what needs to happen if GOR 'rules of the game' are to continue to provide stability to the global oil trade, and if economists' interpretation of the subject – on this occasion, the enlightened view – is to hold sway. In the meantime, economists should not underestimate the potential for the default interpretation to rear its disconcerting head, or for political decision-makers to adopt the view that their national interests are better served through geopolitics than petropolitics. Economists, energy analysts and multinational oil firms may state their case and exert pressure with their numerous levers on the political process, but many decision-makers have been conditioned by a very different train of thought. This is not a trivial consideration – economists might contest the 'politics trumps economics' argument, but access to oil is all about politics, and if push comes to shove, rationally or otherwise, politicians will still be calling the shots.