

IN THE NAME OF OIL

Oil, Politics, Poverty & The Planet, Toby Shelly, London: Zed Books, 2005,
pp. 220, ISBN 1842775219

A Review by Sanya Osha

The exploration, exploitation and consumption of the world's petroleum resources have long ceased to be matters that are decided by single nation-states. Indeed, they have become truly global issues through which a part of the dynamics- in their positive and negative effects- of globalisation can be understood. Toby Shelley's *Oil: Politics, Poverty & the Planet* offers a largely factual reportage of the various developments that have made the politics of oil an issue mere nation-states are not in a position to deliberate upon, decide or act alone. A point he continually stresses is that:

At the global level, oil and natural gas are inseparable from geostrategy. The quest of the powerful consumer nations for access to energy on their own terms runs parallel to the clashes over agricultural subsidies (...). In the energy sector, the natives of producer countries are good natives as long as they guarantee supply of oil and natural gas at prices that are low enough to be acceptable to companies and governments in the rich consumer countries and high enough to keep the nodding-donkey producers of Pennsylvania and the shareholders of the oil majors happy (Shelly, 2005:196).

So the politics of oil exploitation and consumption is central to how global dynamics are configured and shaped and are in turn influenced by a variety of local and global factors. Since global politics is generally dominated by the most powerful nations of the world, it isn't surprising that

“controlling access to hydrocarbon reserves has been an abiding feature of foreign policy since the First World War” (Ibid. p. 2)

The struggle to control this vital resource has also been the cause of many major conflicts. For instance, it led to the overthrow of Mussadeq in Iran, the Suez Crisis in the 1950s, the price increases in 1973 and also the Arab embargo in the same year. In addition the conflicts that erupted as a result of

interrupted supply of oil include the 1979 Iranian revolution, the tanker wars of the 1980s and of course the Gulf crises of 1990 and 2003. As long as oil remains crucial to the engine of the world economy, it will always be a source of conflict. Ron Paul, a US congressman links the access to, and supply of oil with the question of the US national interests and by extension, national security. With this kind of perception, it is easy to understand why the politics and fate of oil have moved beyond the countries who own or produce them. According US congressman Raul;

In dealing with foreign policy, because we mess up our energy policy, we have this so-called great need to defend our oil, and it drives our foreign policy. Whether it is in Colombia to protect a pipeline, whether it is in Venezuela to have our CIA involved, whether it is in the persistent occupation of the Persian Gulf (which does not serve our interests), whether it is in our control of where and how the oil comes of the Caspian Sea, and possibly our presence in Afghanistan, may all possibly be related to energy (Raul cited by Shelly, *ibid.* p. 82).

By virtue of the views expressed above, the global dimensions of the control of, and access to, oil resources become clearer. Through them, it demonstrates the extent to which the United States is willing to go in pursuing what it sees to be in its interests. Of course, other nations are bound to have important interests tied to the politics of oil which Shelly does not disclose. Neither does he explore the consequences of some countries being ready to go to any extent to secure their interests pertaining to oil.

What he does instead is to present precise estimates of oil reserves in various parts of the world. In this connection, we are informed that

“in the last ten years 1993-2002, proven oil reserves of the Middle East rose over 45 per cent to 699 billion barrels, those of Africa rose over 45 per cent to some 94 billion, and those of the former Soviet Union increased over 35 per cent to some 78 billion” (*Ibid.* p. 13)

Shelley also explores what is known as the “Dutch curse”. This simply means that nations that have an abundance of petroleum or other natural resources would not necessarily become rich. The origin of the phrase the Dutch curse

“refers to the mutation of the Dutch economy during the tulip boom of the sixteenth century; the other is that it derives from the impact of natural gas development and

export in the 1960s. The theory states that large windfalls in one sector tend to drive up the exchange rate, making exports of other sectors more expensive and imports cheaper" (Ibid. p. 35).

Accordingly, countries such as Algeria, Ecuador, Indonesia, Nigeria, Trinidad and Tobago as well as Venezuela received a windfall of \$22.5 billion in 1974 but only Indonesia was able to accomplish a significant diversification of its economy away from oil dependency. In this sense,

"Indonesia bucked the trend in managing oil windfall revenues, and its agricultural and manufacturing bases achieved strong growth through a combination of 'good luck and an abundant supply of labour relative to oil income' and government policies that accepted the need for a flexible exchange rate and emphasised programmes to raise rural incomes thus avoiding the Dutch disease" (Ibid. p. 37).

Nigeria had used the monetary resources derived from oil windfalls for capital projects in the petrochemical and metal sectors but these sectors were severely affected by the slump in the global petroleum markets. Consequently, Nigeria has become a country that suffers from a chronic case of the Dutch disease.

In addition, a connection can be made between oil exporting countries and the peculiar institutional formation known as the 'petro-state' which in essence is a predatory autocracy. Shelley suggests that the petro-state is especially vulnerable to corruption. Citing Terry Lynn Karl, we are informed:

"Petro-states are not like other states. While they share many of the development patterns of other developing countries, especially mineral exporters, the economies and politics of countries dependent on oil are rapidly and relentlessly shaped by the influx of petrodollars in a manner that sets them apart from other states. Oil wealth moulds the institutions more dramatically than developments specialists ever imagined or even seem to understand. This is especially true if petroleum exploitation coincides with modern state building, as has so often been the case. Where this historical coincidence occurs, petro-states become marked by especially skewed institutional capacities" (Ibid. pp. 43-44).

Countries such as Russia, Nigeria, Saudi Arabia, Ecuador, Venezuela and Colombia all manifest different features of the petro-economy or in this case, the petro-state. For instance, in Russia,

"the transition from Soviet rule to capitalism was marked by the transformation of

powerful civil service barons into the oligarchs whose manoeuvrings dominate political and economic life in the country” (Ibid. p. 45).

As such,

“complex political stratagems, reminiscent of medieval court intrigues” (Ibid.)

dominate the petroleum sector and other vital areas of contemporary Russian life. In relation to Saudi Arabia, we are informed that

“oil rents have long been skimmed by the ruling family and its dependent caste” (Ibid. p. 47).

In general terms, oil-producing countries tend to be unaccountable and so misappropriation, corruption and plunder are common.

In the legal sphere, the effects of petro-state are quite evident since it usually means a formal, abstract conception of law and justice is difficult to enforce and so the question of corruption gets doubly complicated because it is not always underpinned by categorical imperatives. Shelley employs several useful examples from various petro-states to support this view.

Indeed, there are many negative developments attributable to petroleum and its exploitation. For instance, the population of oil-producing countries in the Middle East and North Africa increased by 2.5 per cent in the 1970s and 1980s but we also have to take into account that oil and natural gas are finite resources. The most obvious consequences of population growth with decreasing revenue from oil are economic decline with the attendant problems of low mortality rates, poor literacy levels, high incidence of child malnutrition and the widespread emasculation of social services.

The parable of the Dutch curse in this context makes penetrating sense. Oil wealth does not necessarily equate with national development. Thus,

“there is an argument that oil wealth can increase the proportion of the population living in poverty, overpowering the beneficial effects of a statistical rise in per capita income” (Ibid. p. 40).

It is possible to explore and exploit oil thousands of feet below sea level and Nigeria and Angola in Africa have been identified as important sources of off-shore petroleum in the foreseeable future. But this as we know is hardly pleasing news as it is not likely to translate to wealth for the collective good

of Nigerians or Angolans. Perhaps it is now more urgent to explore in more concrete terms the relationship between petroleum exploitation and the destruction of biodiversity and indeed the earth.

However, the overriding point Shelley makes is that the politics of oil exploitation is now fully global. He concedes that this global drive has serious implications for the environment. Indeed

“the social impact of climate change is global. The low-lying Netherlands’ exposure to coastal flooding and storm damage and its dependence on coastal defences is epitomised in the folkloric tale of a boy who blocked a hole in a dyke with his finger” (Ibid. p. 158).

Graphic as this metaphor is, it does not do enough to project the various dangers to the world’s ecology. A few other instances in Shelley’s book indicate these very real threats. In some of the oil-producing communities in Nigeria,

“flaring near settlements has meant that some communities have not had a dark night for years. The rain is acidic and crops and animal life are destroyed” (Ibid. p. 155).

Also, the pursuit of oil can lead to all out war involving several countries;

“In the South China Sea, the 500-mile chain of rocks known as the Spratly Islands is subject to territorial claims by no fewer than six countries interested in the unproven natural-gas and oil deposits lying beneath and around them. China, Vietnam and Taiwan claim sovereignty over all of the chain, while the Philippines, Malaysia and Brunei claim a part” (Ibid. p. 78).

Surely, this kind of recipe can result in the outbreak of violent hostilities. In Africa, Nigeria and Cameroon have had their relations strained for years over the Bakassi Peninsula which is also oil rich.

Being a journalist, Shelley is adept at marshalling his facts. The United States consumed 19.9 million barrels of oil a day in 2001. It would need 31.8 million barrels a day in 2025. In 2003, China consumed 5.59 million barrels of oil a day. In 2030, it would require 162 billion cubic metres of natural gas a year. In 2002, India consumed 2.1 million barrels of oil most of which was imported. In 2030, it is projected that it would need 5.6 million barrels. Shelley frequently highlights that fact that China and India have become important nations on the global scale of petroleum consumption. He also mentions

that no alternatives to oil are expected in the immediate future. However, what we need to know is just how much of humanity and of the globe itself are at risk in 2025 or 2030? Would the world's ecology be able to support this drive of consumption? Again, Shelley does not pose these questions in ways that resonate throughout his book. Instead what he does is to state statistics relating to oil consumption and finds. We also need to know some of the more specific impacts of oil exploitation or at least identify a way of situating their deeper significance in relation to the future of the earth. For policy makers who need facts to make projections for the machinery of bureaucracy a lot in Shelley's book should be quite useful. And for those who are concerned with the future of the earth, there is some material to build a broader (than the book incorporates) conceptual vision for a world that is becoming increasingly interlinked.

Shelley makes a number of revelations one already suspects to be true. One of them is that petro-states are generally prone to corruption and institutional dysfunction. Another is that oil wealth does not necessarily lead to broad national wealth. Also, he points out that the inexorable pursuit of oil for purposes of exploitation can easily lead to war among several nations. Given these unpalatable truths about the politics of exploitation and consumption, we are left to ponder the possibilities of these negative attributes of oil leading to global chaos. Indeed the pursuit of oil can and does lead to chaos and there are many studies of specific cases. Shelley's books of facts forces us to pose this question – can oil lead to global chaos? – which he does not attempt to answer.