

Danika Tynes
Geopolitics of Oil
Influences of Oil Production on Government

“Increases in Western (Brazil; Canada; American; et. al.) oil/gas production will change the relationship the West has with the governments of large oil/gas producers (GCC/OPEC). What will these changes be and what are the political/economic ramifications for the ascending producers and falling producers?”

More countries are in the position to reduce their reliance on oil from the Middle East and Russia, to some extent, particularly in the West (Goldman, 2010). Newly discovered deposits and new technologies have expanded the capacity of Western states to shift to internal consumption, increased exports, and enhanced oil stores (ibid). This shift places the West in far less of a precarious position vis-à-vis their oil supplying partners and reduces their risk in terms of civil conflicts that are more frequent in the Middle East (Ross, 2012), pipeline obstruction that creates significant volatility in the industry (Kandiyoti, 2012), and a historically unreliable relationship (e.g., OPEC embargo) (Mohaddes, & Pesaran, 2013). Huntington (1993) speaks of a “clash of civilizations” that, leveraging his theoretical perspective, could lend to and even more contentious relationship between “the West and the rest.” If the West chooses to recoil significantly from being significant consumers of GCC and OPEC, such a move would further define the lines and create a similar Cold War environment (Mohaddes, & Pesaran, 2013). China, for example, will surely continue to rely on GCC and OPEC because their need is so great, thereby creating an alignment that will further separate East and West relations. While much of the world has opened integrative lines of exchange beyond oil, the Middle East has not, so retreating from that relationship will exacerbate their lack of global integration. On the other hand, the Middle East experiences significant conflict (Ross, 2012), which is particularly destabilizing to governments (Frankel, 2012). For the West to reduce reliance on oil from Middle East helps to relieve them of some of the pressure of intervening in the region as well as being closely susceptible to any associated oil volatility. On the other hand, Russia is such a major oil player and has seen super power status so, it’s declination of joining OPEC signals the desire to remain an autonomous force (Goldman, 2010). So, while the world may not be headed in a bipolar direction, it may recognize a big five that will lend to a struggle for power. At this time, though, developing oil-rich countries are at a significant disadvantage in preparing for a power struggle if it does arise. For example, oil-rich countries in the developing world historically have greater gender inequity issues whereas women are less likely to work outside of the home (Ross, 2012). This is an enormous missed opportunity for development and growth. This oppression of women is linked to the “Dutch Disease” and the inability to offer work outside of the oil industry that would create new jobs. To the contrary, Western states have far more advanced gender equity and can better realize the benefits of women’s productivity, and societal contributions towards the aim of fostering greater development in the long run. Economies in the Middle East are sustainable primarily by their oil wealth in the absence of which, they would have significant challenges. Thus, the susceptibility of countries not investing in diversification and decentralization to volatility in the oil market is significant (Soto & Haouas, 2012). These types of Dutch Disease symptoms are likely to amount to a great deal over the long run and help to bolster the West’s place in the global order. Over the long-run, the West will realize a far better

power relationship with the increases in oil/gas. The one grave mistake the West could make that could have both political and economic negative impacts is to fail to properly plan for sustainable economic growth or equilibrium where it concerns their natural resources. Because resources are finite, learning from examples such as Norway, is advisable.

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