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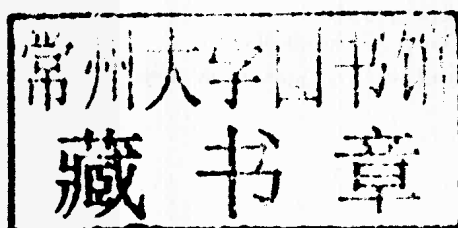


Handbook of Oil Politics

Edited by Robert E. Looney

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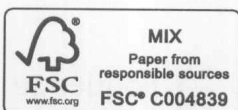
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For Ginny
Thanks for the magical times we shared

Preface

These days, one would have a difficult time picking up a newspaper, or watching a newscast that did not have a lead story dealing with some aspect of oil. From instability in the Middle East, to stock market crashes and concerns over the health of the world economy, to wars that seem to break out unexpectedly around the world, to discussions of global warming, and even speculation over the fate of mankind, oil is usually lurking somewhere in the background.

To many, oil markets and their linkages to a whole spectrum of events remain something of a mystery. Unfortunately, most of the easily obtained information on oil is deeply flawed. Whole web-conspiracy sites depict ruthless insiders and reckless dictators manipulating energy markets at will. The 29 essays in this volume, written by the leading experts in the field, attempt to set the record straight. While their assessments may lack the sensationalism of many popular pundits, serious readers will find their insights invaluable in the years to come in providing a framework for understanding many of the events of the day.

The volume is divided into sections. Part I provides a broad overview of the political dimensions underlying the supply of oil. Some of the key questions addressed include: is the world running out of oil? And if so, is the cause physical scarcity or political/policy failure? Why are many of the oil-producing countries in the developing world so unstable? Can oil markets be made to provide more stability to the world system? Part II examines some of the political responses to oil-related developments. Here, the key questions concern the role of the political process in the development of alternative sources of energy. The various means through which countries approach their energy security are assessed, as is the problem of climate change. The section ends with the provocative question, do governments really need to go to war for oil?

Oil production, energy markets, and the political environment produce distinct regional patterns. Part III examines oil and political power in Africa, Latin America, the Middle East and Southeast Asia. Part IV expands some of the main regional themes through a series of case studies on specific countries: Iraq, Iran, Saudi Arabia, Egypt, Russia and Brazil. A final section looks to the future: will the oil curse continue for many countries? How will the growth and expansion of China affect oil prices and availabilities? Will oil-based sovereign wealth funds contribute to global stability or will they create increased political tensions between consuming and producing countries? Will volatile oil markets undermine the US dollar as well as the global financial system? Perhaps appropriately, the volume ends with an assessment of the future of oil in a carbon constrained world.

All in all, the essays in this volume cover the whole spectrum of the politics of oil. Hopefully they will help shed light on this vital, yet still often misunderstood topic. The book does not represent any particular political or ideological position. Instead, each author has sought to

objectively seek a deeper understanding as to the complexity and subtlety of forces that have all too often eluded policymakers around the world.

Clearly a book of this scope and sheer length could not have come to completion without the contributions of many individuals. In addition to the volume's many contributors, special thanks go to my colleagues at the Naval Postgraduate School – Bob Springborg, Daniel Moran, Jessica Piombo, James Russell and David Henderson, whose help and encouragement proved invaluable. Greta E. Marlatt of the Naval Postgraduate School Knox Library went far beyond the call of duty to keep me informed of the latest oil developments throughout the course of the manuscript – a task only she could perform. Most of all, thanks go to Cathy Hartley, Editor Europa New Projects who conceived of the original study, provided on-going guidance and most importantly provided good cheer and positive encouragement throughout.

Robert E. Looney

April 2011

The Editor and Contributors

Robert E. Looney is a Distinguished Professor at the Naval Postgraduate School, Monterey, California. He received his PhD in Economics from the University of California, Davis. He specializes in issues relating to economic development in the Middle East, East Asia, South Asia, and Latin America. He has published twenty-two books, including: *Economic Development in Saudi Arabia: Consequences of the Oil Price Decline* with a Foreword by Raymond Mikesell (Greenwich, CT: JAI Press, 1990); *The Economics of Third World Defense Expenditures* with a Foreword by Charles Wolf (Greenwich CT: JAI Press, 1995); *The Pakistani Economy: Economic Growth and Structural Reform* (Praeger Publishers, 1997); and *Iraq's Informal Economy: Reflections of War, Sanctions and Policy Failure* (Abu Dhabi: The Emirates Center for Strategic Studies and Research 2007); and as editor, *Handbook of US-Middle East Relations* (London: Routledge, 2009). He is currently working on a book assessing alternative futures for the Pakistani economy.

Dr Looney is on the board of editors of *International Journal on World Peace* and *Journal of Third World Studies*. In addition, he has over 250 articles appearing in numerous professional journals including: *World Economics*, *Journal of Development Economics*, *Middle East Policy*, *Middle Eastern Studies*, *Orient*, *OPEC Review*, *Middle East Journal*, *Economic Development and Cultural Change*, *Journal of Energy and Development*, *Development Policy Review*, *American-Arab Affairs*, *Iranian Studies*, *Challenge*, *World Development*, *Pakistan Development Review*, *Modern African Studies*, *Asian Survey*, *International Organization*, *Mediterranean Quarterly*, *South Asia*, *Economia Internazionale*, *Journal of Economic Development*, *Journal of South Asian and Middle Eastern Studies*, *The National Interest* and *Contemporary South Asia*. As an international consultant, Dr Looney has provided advice and assistance to the governments of Iran, Saudi Arabia, Japan, Mexico, Panama and Jamaica as well as the World Bank, International Labor Office, Inter-American Development Bank, Stanford Research Institute, Rand Organization and the International Monetary Fund.

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Philip Hanson is an Emeritus Professor of Birmingham University and was formerly Director of its Centre for Russian and East European Studies. He is currently an associate fellow of the Russia and Eurasia programme at Chatham House. He learnt Russian in the British army, has a BA in Economics from Cambridge University and a PhD from Birmingham University. He has worked at the UK Treasury, the UK Foreign and Commonwealth Office, the UN Economic Commission for Europe and Radio Liberty, and been a visiting professor at the universities of Michigan, Harvard, Kyoto and Sodertoerns (Stockholm). His books include *Trade and Technology in Soviet-Western Relations* (1981), *Economic Change in Russian Regions* (co-edited with Michael Bradshaw, 2000) and *The Rise and Fall of the Soviet Economy* (2003). He has published many papers in academic journals and occasional opinion-piece articles (including in *The Times* and the *Financial Times*).

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Dr Henderson has been on the faculty of the Naval Postgraduate School since 1984 and a research fellow with Hoover since 1990. He was the John M. Olin Visiting Professor with the Center for the Study of American Business at Washington University in St Louis in 1994; a senior economist for energy and health policy with the President's Council of Economic Advisers from 1982–84; a visiting professor at the University of Santa Clara from 1980–81; a senior policy analyst with the Cato Institute from 1979–80; and an assistant professor at the University of Rochester's Graduate School of Management from 1975–79.

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Abbreviations

bbpd	billion barrels per day
bn	billion
CEO	Chief Executive Officer
Edn	edition
EU	European Union
GCC	Gulf Co-operation Council
GDP	Gross Domestic Product
GNP	Gross National Product
IOC	International Oil Company
m.	million
mbpd	million barrels per day
MENA	Middle East and North Africa
NGO(s)	Non-governmental Organization(s)
NOC	National Oil Company
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
PhD	Doctor of Philosophy
TV	television
UAE	United Arab Emirates
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
US(A)	United States (of America)