



**THE GEOSTRATEGIC IMPLICATIONS OF THE
COMPETITION FOR NATURAL RESOURCES
THE TRANSATLANTIC DIMENSION**

François Heisbourg

© 2012 Transatlantic Academy. All rights reserved.

No part of this publication may be reproduced or transmitted in any form or by any means without permission in writing from the Transatlantic Academy. Please direct inquiries to:

Transatlantic Academy
1744 R Street, NW
Washington, DC 20009
T 1 202 745 3886
F 1 202 265 1662
E TA@gmfus.org

This publication can be downloaded for free at www.transatlanticacademy.org.



Transatlantic Academy Paper Series

The Transatlantic Academy Paper Series presents research on a variety of transatlantic topics by staff, fellows, and partners of the Transatlantic Academy. The views expressed here are those of the author and do not necessarily represent the views of the Transatlantic Academy. Comments from readers are welcome; reply to the mailing address above or by e-mail to TA@gmfus.org.

About the Transatlantic Academy

The Transatlantic Academy was created in 2007 as a partnership between the German Marshall Fund of the United States (GMF) and the ZEIT-Stiftung Ebelin und Gerd Bucerius. The Robert Bosch Stiftung and the Lynde and Harry Bradley Foundation joined as full partners beginning in 2008, and the Fritz Thyssen Foundation joined as a full partner in 2011. The Compagnia di San Paolo joined in providing additional support in May 2009, as did the Joachim Herz Stiftung and the Volkswagen Stiftung in 2011. In addition, the Academy received startup funding from the Transatlantic Program of the Government of the Federal Republic of Germany through funds of the European Recovery Program (ERP) of the Federal Ministry of Economics and Technology.

On the cover: An oil barrel in Qatar. © Klaas Lingbeek-van Kranen

THE GEOSTRATEGIC IMPLICATIONS OF THE COMPETITION
FOR NATURAL RESOURCES
THE TRANSATLANTIC DIMENSION

TRANSATLANTIC ACADEMY PAPER SERIES

MARCH 2012

François Heisbourg¹

Executive Summary	1
Lessons from History	3
New Features in the Resources Landscape	5
Strategic Shifts	8
Transatlantic Takes.	10
Conclusion	13

¹ François Heisbourg is one of Europe's leading strategic thinkers. He is chairman of the Geneva Centre for Security Policy and the London-based International Institute for Strategic Studies. He is a special advisor to the Fondation pour la Recherche Stratégique, Paris. His career has included positions in government (member of the French mission to the UN, international security adviser to the minister of defence), in the defense industry (vice-president of Thomson-CSF, i.e. the present-day Thales; senior vice president for strategy at Matra Défense Espace, today part of EADS) and in academia (professor of world politics at Sciences-Po Paris, director of the IISS). He is also a member of the international commission on nuclear nonproliferation and disarmament, and has sat on a number of national and international blue-ribbon bodies.

EXECUTIVE SUMMARY

After recalling some of the historical precedents, this paper describes the salient characteristics of the contemporary competition for natural resources: the rapid rise of Chinese and Indian demand; the changing role of the United States as an energy supplier; the growing importance of climate change in moving from the traditional interaction between the territorial nature of raw materials; and the laws of supply and demand to a more complex, systemic approach. Some of the corresponding strategic implications, both global and regional, are outlined along with their potential consequences in terms of U.S.-European relations, and transatlantic policy recommendations are flagged. Although nonenergy minerals will be alluded to, the main focus is on nonrenewable energy resources.

1 LESSONS FROM HISTORY

History provides us with a set of reminders in terms of the links between natural resources and geostrategic consequences.

First, this is not only one of the oldest topics in the history of organized human societies, it is also a recurring one, with characteristics that are carried from one cycle of resource dominance to the next. The Bronze Age saw competition for access to copper and tin mines, and the corresponding need to control sea-lines of communication (SLOCs), in the Mediterranean and beyond (e.g. Greek and Phoenician incursions as far-flung as the tin mines of Cornwall). Spanish control of the silver mines of Potosi and the need to secure both transatlantic SLOCs and intra-European land-routes from hostile states and nonstate actors (pirates and guerrilla bands) were essential to the economy of the world's first global empire, as well as to its ability to pay for its conduct of the Thirty Years War.¹ During the Industrial Revolution, unfettered access to raw-materials was a significant driver of colonization, with the British Royal Navy providing the global public good of freedom of the seas. There is nothing essentially different here from contemporary concerns about the availability of oil, natural gas, rare earths, or indeed perennials such as gold or copper.

Furthermore, in the past as today, booms and busts occurred as a consequence of market forces, political decisions, or the combination of both. Because of their territorial nature, natural resources lend themselves, by definition, to political management, which interacts with the play of market forces. Price-setting (such as the attempt to freeze the dollar-gold rate at \$35/oz. from the 1930s to the 1970s, or the cartelization of the price of rubber during the 1920s) pre-date OPEC's price-hikes. Attempts to withhold the export of

raw materials are nothing new, even if one confines oneself to the Age of Oil: the Arab state's decision to cease oil exports to the United States and the Netherlands in 1973 had been preceded in 1940-41 by the Allied decision to curtail oil sales to then-neutral Japan.

It must be added that such political management is not necessarily driven by strategic or foreign policy concerns. They may just as well seek to extract maximum economic advantage from a monopoly position (which explains in part China's approach to the production and export of rare earths) or conversely from a will to buffer market-driven gyrations in price, a concern that may unite producers and consumers. And more often than not, motives are mixed.

This interaction between state power and market power is an intrinsic feature of natural resources: in this respect, natural resources are somewhat different from dedicated weapons of war, which can be used as pure strategic tools. A situation such as that of the Western Allies in 1940-41, with their full control of all oil exports toward Japan is an extreme and historically unusual case, which was itself preceded by the quasi-disappearance of a global marketplace as a consequence of the Great Depression and the beginning of a World War. That extreme case also underscores the difficulties of using oil as a straightforward strategic instrument: for the Americans, the restrictions on allied oil exports to Japan were an alternative to war; from the Japanese standpoint, they were a coercive tool, calling for decisive military counter-action.²

Last but not least, in the long run, the price and availability of natural resources have always responded to market signals, whether or not the states holding (or seeking to hold) the resources

¹ Paul Kennedy, "The Rise and Fall of the Great Powers 1500-2000," (Random House, 1988)

² see Akira Iriye, "The Origins of the Second World War in Asia and the Pacific," (Longman, 1987)

exerted their influence one way or another. The long run can be very long indeed, for both political and economic reasons. For instance, the United States and the international financial institutions kept a lid on the price of officially traded gold for decades. The “Seven Sisters” (the major U.S. and European oil companies) in consort with their governments kept a firm lid on oil prices until OPEC turned the tables of control in 1973. Signals also take time to register because the exploration and extraction of mineral resources is in itself a time-consuming (and high-capital cost) enterprise. Decades are a standard temporal yardstick for mining and oil investors: unlike ordinary mortals, they are not dead in the long run, to paraphrase John Maynard Keynes. But they eventually respond, as OPEC learnt at its expense during the 1990s, when post-oil shock investments came on stream and drove the price of oil down to close to \$10 a barrel.

On the demand side, the response is usually much quicker, through a range of diversification and optimization measures. The bottom-line is clear enough: eventually, the monopoly-holder or seeker is often not only cut down to size, but eventually ends up worse off because a slow but capital-intensive market response will tend to overshoot by virtue of its momentum. Such a process appears to be in train vis à vis China’s exercise of monopoly power on rare earths.

These lessons of history tell us three things when facing a resource crisis.

- *Don’t act as if it was without precedent, and take a look at how previous crises unfolded* (for instance, this author has had personal experience of four major energy crises: Suez 1956-57, the Yom Kippur war 1973-74, Iran revolution (1979 and after), the Boom before the Bust (2007-2008).

- *Think strategically by all means but you will get badly hurt if you think ONLY strategically.* An illustration of this is Vladimir Putin’s speech in Munich in 2007, in which he rashly assumed that Russia’s position in the energy market could be used as a pure strategic tool, followed in his mistaken view by a bevy of Western analysts and politicians who reacted as if the Russian president were in a position to actually do so.³
- Last, but not least, *it is important to remember that the market is the ultimate (if slow and ponderous) arbiter in the energy and minerals game, including in its strategic dimension.* However, this factor is being remolded and complicated by a force that does not have a historical precedent, i.e. coping with the global externality known as climate change.

³ Munich Security Conference, February 11, 2007, www.securityconference.de

2 NEW FEATURES IN THE RESOURCES LANDSCAPE

The changes described below are both current and already substantial. Therefore, they do not include potentially major shifts, such as the possible replacement of gasoline and kerosene as the preponderant propellants for automobiles and aircraft by other energy sources.

Climate Change

Ever since human beings started to trade natural resources beyond their immediate neighborhood, the exploitation of natural resources has been unfettered by the need to take into account externalities other than those of a local nature. Coal mining has killed and maimed countless miners and caused ground subsidence or damaged the landscape; oil spills have destroyed entire coastlines. And the combustion of both coal and oil produce distinctly unpleasant, or even deadly, atmospheric pollution, such as London's Great Fog in December 1952 or the advent of Los Angeles smog, and their contemporary equivalents in China or India. But such activities linked to the extraction or use of hydrocarbons were not perceived until the late 1970s as having the potential to pose a global threat to the future well-being of humanity.⁴

Without entering here into the specifics of global warming and the responses that it produces (or doesn't produce), climate change adds a new parameter into the management of natural resources. Access to, and transportation of, raw materials by virtue of political and market forces are no longer the sole basic factors at play: the equation now includes another variable, which is also both political (quota- and standard-setting) and market-determined, as in the American concept of "Cap and Trade." However, the novelty and complexity flows from the global nature of the challenge and in the resulting, widespread assumption that this issue

is calling for worldwide governance as opposed to the inherently territorial focus of natural resources production. Whatever the mix of regulatory and market approaches, limiting greenhouse gases (GHG) calls for an international framework, as is the case for the preservation of the ozone layer in the corresponding 1987 Montreal Protocol. This need for a global approach can cut both ways in strategic terms. Its acknowledgement would lead to greater cooperation with potential spill-over effects on global energy resource management; it's continued denial in words and in deeds would have a divisive effect.

In practical terms, concern about GHG is already weighing on policy decisions concerning changes in energy production and consumption patterns, with the United States and Europe's emphasis on renewable and gas, not to mention the mandatory reductions undertaken by the signatories of the Kyoto Protocol. Climate change is one of the factors in the ongoing move from the supremacy of oil towards a smorgasbord of energy sources. The share of oil in the energy balance is forecast to drop from some 40 percent in 1990 and a third today to just 27 percent in 2035.⁵ Oil's position is challenged both by the shift to lower-carbon natural gas and renewables, and by lower-cost, high-carbon coal.

The Rise of the Rest

For close to five centuries, during which globally connected states and markets have developed, demand for, access to, and trade in natural resources have all been dominated by the Western powers. This was true for mineral and energy resources. Partial exceptions existed — after all, China and India were economically more important than Western Europe until the late

For close to five centuries, during which globally connected states and markets have developed, demand for, access to, and trade in natural resources have all been dominated by the Western powers.

⁴ Chancellor Helmut Schmidt's statement of May 1979 on this score in "William C. Clark, "Learning to Manage Global Environmental Risks," vol.1, page 289, (MIT Press, 2001)

⁵ BP Energy Outlook 2030, on www.bp.com

In energy terms, as in so many other respects, this is not going to be a world in which Western leadership will shape the energy marketplace as it did in the British 19th century and the American 20th century.

18th century,⁶ and closer in time, the USSR was a substantial player in both strategic and raw material terms — but the global marketplace for the natural resources was shaped by the Europeans and, eventually, the Americans.

Physical, political, or capitalistic control of sources of supply, military control of the sea lanes (by the Royal Navy first, the U.S. Navy subsequently) and the sheer volume of demand, were Western-centered. Thirty years ago, this dominance was obvious, with the member states of OECD consuming two-thirds of the world's oil. This share has now fallen to less than 40 percent and the US Energy Information Agency predicts a drop to some 30 percent by 2035. Together, Brazil, Russia, India, and China already consume one-fourth of the world's oil, while China has become the world's largest energy consumer and emitter of GHG.⁷ The picture in the area of minerals is not substantially different: China's appetite for raw materials has made it the number one customer of Australia, Brazil, and a host of African states.

However, this rise of the emerging world as a source of demand, and not simply of supply, does not in itself structure the international system. Not only do the rising powers compete for access to scarce resources between themselves as well as with the West, but their own individual situations stand in deep contrast to each other. There is little in common in terms of oil and gas between Russia (and increasingly Brazil) on one hand, and China and India on the other. Similar discrepancies apply for other resources. In other words, in energy terms, as in so many other respects, this is not going to be a world in which Western leadership

will shape the energy marketplace as it did in the British 19th century and the American 20th century. What we do not yet know is if it will also be a leaderless world.⁸

Unconventional Natural Gas

A third, and largely unforeseen trend of great importance, has been the recent development of economically viable means, known as “fracking,” to extract natural gas from unconventional bedrock. Although it comes with substantial environmental drawbacks, this turn of events has already had a three-part effect. It has encouraged the shift from oil to gas in the United States, with petroleum being increasingly confined to transportation and chemical feedstock roles, along with a corresponding reduction of forecast oil imports. From more than two-thirds of U.S. oil consumption, imports have dropped to 49 percent of consumption in 2010 are projected to fall to 42 percent in 2035 (see projections on www.eia.gov). More than a third of U.S. oil imports come from Canadian and Mexican NAFTA partners, with only 18 percent hailing from the Persian Gulf.

More broadly, it has opened the perspective of an energy-sufficient North America: US energy imports fell from close to one-third in 2004 to 24 percent in 2009, and the IEA projects them at 17 percent in 2035.

After the recession of 2009, shale gas has helped prevent natural gas prices from following the bounce of oil prices back to levels close to their pre-crisis levels. While oil and gas spot-prices (NYMEX Futures Prices) advanced in lockstep until 2006, gas is now trading at around one-fourth of the price of oil for an equivalent amount of energy (toe). This

⁶ Angus Addison, “The Contours of the World Economy 1-2030 AD” (Oxford University Press, 2007)

⁷ All figures derived from the annual energy outlook publications of the American Energy Information Agency, www.eia.gov, and of the OECD's International Energy Agency, www.iea.org

⁸ On this score, see “2012: calls for global leadership will go unheeded,” Kishore Mahbubani, Today Online, December 29, 2011. For a compelling treatment of the rise of China, see Arvind Subramaniam, “Eclipse: Living in the Shadow of China's Economic Dominance.”

has, in turn, subjected Russia to a double-whammy, with limited demand from low-growth Europe on the one hand, and the weakening of gas revenue on the other, as long-term contracts gradually come to an end. In terms of energy delivered, Russia exports as much gas as it does oil (with a combined total of 550 Mtoe), hence a high vulnerability to the decoupling of oil and gas prices. Finally, unconventional natural gas may also be recovered in countries that have a substantial dependency on Russian and Central Asian energy supplies, such as Poland or Ukraine, or, in the future, China.

In parallel, the discovery of very substantial quantities of off-shore oil by Brazil will have the effect of making that rising power a net exporter of energy, further accentuating the trend towards energy sufficiency in the New World as a whole.

3 STRATEGIC SHIFTS

The combination of new trends in the resources scene with these long-standing features will produce strategic shifts of varying amplitude.

These new trends will interact powerfully with other major and longer standing features of the energy market, such as:

1. The continued importance of oil produced in the Persian Gulf, representing a third of internationally traded oil, in an area that remains a geostrategic powder keg of the first order.
2. The enduring, indeed growing, dependency of Europe and Japan on energy imports, as a result of declining oil production in the North Sea and the forced or voluntary reduction of nuclear power after the 2011 earthquake and tsunami in Japan. The EU imports twice as much primary energy as it produces and the ratio is of close to seven to one for Japan.
3. The persistent and deep dependency of Russia's state revenue and trade balance on hydrocarbon exports, as had been the case for the USSR. Oil and gas sales constitute some 70 percent of Russia's export earnings.
4. The co-existence of deeply diverse energy markets, with a truly global crude oil marketplace at one end, and much narrower and shallower international markets for natural gas (with most of cross-border trade still being locked into regional pipeline systems) or electricity (with at best limited interconnection of regional grids, even in Europe or North America) at the other end. From a technical/operational standpoint, the markets for nonenergy raw materials are closer to the situation of oil (and coal) than to that of gas or electricity.

The combination of new trends in the resources scene with these long-standing features will produce strategic shifts of varying amplitude. We have singled out four such shifts, ranging them

from "limited" to "powerful" in terms of their strategic impact:

1. The existence of China's current monopoly on rare earths (with some 96 percent of these increasingly important materials being produced in China in 2010) will have limited and short-term strategic consequences. The reduction of Chinese export quotas of rare earths to Japan in the wake of a naval incident between the two countries involving contested islands gave rise to speculation linking the two events. In the geo-economic realm, China also appears to have pressured Western firms to move sensitive research and development (R&D) facilities to China in exchange for ready access to specialist metals involved in the development of electric or hybrid cars, as was the case of General Motor's micro-magnets R&D center in 2006.⁹
2. Even if China's conduct in these and other cases was strategically motivated, their effect was economically marginal or politically counterproductive. (The Senkaku/Diaoyu islands incident in 2010 has contributed to, not detracted from, Tokyo's "rediscovery" of the virtues of the U.S.-Japanese defense alliance). Most importantly, China's rare earth monopoly is subject to price and availability signals: the reopening of an important mine in the United States, and the opening of others, along with hitherto uneconomical recycling of rare earths will kick in during this decade. Like most other natural resources, "rare" earths are not actually rare. If the price becomes right, known deposits in Australia, India, Brazil, the United States, and Central Asia will eventually come on stream. The

⁹ See "Rapport sur les enjeux des métaux stratégiques: le cas des terres rares," Office des choix scientifiques et techniques, août 23, 2011, www.assemblée-nationale.fr/13/rap-off/i3716.asp, English language synthesis at www.assemblee-nationale.fr/13/cr-oesct/4pages-terres-rares-uk.pdf)

Chinese monopoly will probably be curtailed before 2020.

3. Despite appearances, the “hemispheric autonomy” of North (and South) America’s energy scene will not automatically produce a global strategic transformation despite its real and possibly enduring nature. As we have noted, the U.S. will continue to substantially reduce its dependence on extra-American energy imports. In theory, this could lead to strategic indifference towards the fate of Persian Gulf oil and gas. This indifference could in turn produce strategic decoupling vis à vis the United States’ Atlantic and Pacific allies in the face of events such as a repeat of the Iraqi invasion of Kuwait in 1990. While it is possible that U.S. policymakers may talk themselves into such stance, the forces of reality will continue to militate in favor of a strong U.S. profile in the fate of the Persian Gulf’s energy resources. The underlying reason is and will remain the global nature of the oil market (and of the liquid natural gas market), of which the Gulf is a key international supplier (see above) and therefore, essential to the global pricing of oil. Prices of Canadian, Mexican, and indeed U.S.-originated oil would track whatever effect events in the Persian Gulf would have on the global oil market. In other words, the United States will continue to have a vital interest in the ready availability of Gulf oil.

4. Conversely, the looming appetite for reasonably priced oil in general, and therefore in the fate of the Persian Gulf in particular, will lead China and India to progressively increase their strategic involvement in the Middle East, jockeying for position in the process. Aided in the case of India by the presence of a large diaspora in the Gulf (there are more Indian nationals than Qatari or Emirati citizens in Qatar and the UAE), and backed by rapidly growing blue-water navies, this new assertiveness will represent a major strategic

shift for the countries of the region as for their long-standing U.S., French, and British partners. The management of this shift calls for innovative U.S. and European approaches.

This trend towards Chinese and Indian involvement will occur in other areas, such as Central Asia or Africa (it is interesting to note that Chinese and Indian businesses have both been core shareholders in the Greater Nile Petroleum Company in Sudan), with the potential of upsetting pre-existing political and economic interests, notably Russia in Central Asia and France in Africa.

5. If America’s “hemispheric energy re-centering” may not upset the strategic relationship between the United States and its allies, it already has a powerful effect on Russia’s position as an energy supplier. Given its dependence on oil and gas revenues and the constraints imposed by the reliance on gas (and oil) pipelines with Europe, Russia is negatively affected in its overall correlation of forces with its European but also Chinese, Japanese, and Korean neighbors. This trend may intensify as more U.S. and eventually Chinese and East European shale gas is produced. Even if Europe’s growth rate were to return to pre-crisis levels, Russia has lost its brief moment of energy dominance, when it sought (as in President Putin’s 2007 Munich speech) to equate energy exports with raw strategic power. Russia, as the world’s largest producer of gas and oil, will remain noncircumventible, but it does not have the power to shape the energy market globally or even regionally. Moscow can forget about creating an OPEC for gas.

If America’s “hemispheric energy re-centering” may not upset the strategic relationship between the United States and its allies, it already has a powerful effect on Russia’s position as an energy supplier.

4 TRANSATLANTIC TAKES

In most cases, however, strategic frameworks will tend either to be broader than the Atlantic partnership or of an ad hoc nature.

In this context, the transatlantic dimension has varying degrees of relevance. In some cases, the transatlantic partnership will be a key policy framework, for instance in dealing with Russia, or in the exercise of influence or power in the Gulf. In most cases, however, strategic frameworks will tend either to be broader than the Atlantic partnership (the International Energy Agency is a broad Western club, including Pacific partners) or of an ad hoc nature (as has been the case for the international management of GHG). In all cases, however, generic approaches will inform downstream specific policies. It is with such guidelines that we will begin, before moving to area-specific recommendations.

Strategic Guidelines

Our basic guidelines can be summarized by the following don'ts and dos:

1. Do not consider as an act of war the unpleasant but lawful refusal of any given state to sell or purchase a natural resource. When Russia shuts off its pipelines, it may be engaging in economic or political pressure to be met by countervailing pressure, but not by NATO's article V. When the West stops its purchases of Iranian oil, it is not waging war...
2. ...But, when contemplating the political use of energy, do prepare for the reactions of protagonists who may not share the previous recommendation. Pearl Harbor and the fall of Singapore did happen, and all the more painfully for not having been prepared for. The war with Japan, a second-rate power, lasted until August 1945. Iran may respond equally belligerently to the West's lawful energy decisions.
3. Do not talk oneself into positions of perceived weakness by presenting short-term initiatives by others (e.g. Putin's 2007 speech, China's withholding of rare earth exports) as having permanent and irreversible consequences. At best, this makes one look feckless, at worst it can lead to needlessly provocative behavior...
4. ...But do use the ensuing price signals to turn the tables on those who have taken actions detrimental to one's interests. Here the key words are:
 - diversification of sources of supply and of transport (e.g., in the field of natural gas: multiplying pipelines, increasing the share of LNG, extracting unconventional gas when ecologically acceptable);
 - favoring the emergence of broader and deeper international (ideally global) marketplaces for energy sources that are today regionally segmented and quantitatively limited: for instance, plan the construction of more intra-EU pipelines in order to increase the fungibility of gas whether it comes from Russia, Norway, or the Middle East; and
 - development of higher-capacity electricity grids on a continental and intercontinental scale (see plans for trans-Mediterranean electricity transfer between Europe and Africa). Such action makes good sense economically, but it also has the strategic virtue of making the management of energy issues a global, cooperative concern, not a national or bilateral problem.
5. Do not assume that managing global warming will lead to transatlantic cooperation in the future any more than it has in the past. Unbearable levels of GHG emissions will not be tackled in the absence of a global compromise. But the nature of the coalitions that will broker such a compromise is no more predetermined than, for instance, the manner in which global deals are in the World Trade Organization. The

United States and Europe will sometimes operate in concert, but figure on occasion in separate coalitions (as was the case for the climate change summit in Copenhagen in December 2009)...

6. ...But, dear American friends, do bear in mind the potential for damage caused by deep divisions on global warming before blithely sidelining the Europeans in this arena. The stakes involved for humanity by runaway global warming are widely perceived in Europe as being of an existential nature. In that respect, climate change must not be handled like WTO issues when it comes to U.S.-European relations.

Regional Applications

From a transatlantic standpoint, Russia and the Persian Gulf are the two regions in which the United States and Europe will continue to have cause to cooperate on the strategic dimensions of energy, albeit with very different institutional solutions. By contrast, other natural resources do not call for deliberate, region-specific cooperation, beyond the normal dialogue on issues of common interest. Thus, Chinese or Indian interest in African resources, while being of substantial importance, is best left to the combination of market forces and of habitual bilateral and multilateral diplomatic intercourse. Conversely, the United States and Europe need to have a high degree of convergence on Russia and the Gulf.

1. Russia. The strands of a U.S.-European policy toward Russia could be:

- The upgrading of the “reset” from an essentially U.S. posture flowing from Vice President Joe Biden’s February 2009 speech in Munich to a broader and deeper partnership, somewhat akin to the suggestion for a Euro-Atlantic Security Initiative made by Sam Nunn, Wolfgang Ischinger, and Igor Ivanov

in February 2012,¹⁰ but with an energy dimension. At worst, such a suggestion will still be politically flattering for those who attempt to act on it; at best, Russia may actually take it seriously, given its energy situation and its growing nervousness vis à vis the power of its Chinese neighbor.

- The following-through of the EU Commission’s energy strategy by major infrastructure initiatives. Although sometimes belittled, the EU’s energy strategy has made major strides to creating a well-developed continental-scale marketplace for energy. If and when the EU engages in the massive issuance of European bonds as part of an attempt to inject economic stimulus, a substantial share of such investments should support the infrastructure necessary to give a physical substance to that regulatory framework. At present, pipeline and electrical links between the members of the EU are under-dimensioned for the purposes of a fully integrated physical European and Mediterranean energy network. The rationale here is one that Americans and Canadians will be familiar with, although the complexities in the European case are greater. In institutional terms, the U.S.-EU interface and the nation-to-nation interfaces would be crucial, with NATO serving as the discussion forum for potential security implications.

2. Persian Gulf. Up to now, and no less in the future, the United States and key European partners — notably France and Britain — have had cause to work together on security of energy supplies originating from the Gulf: the response to Iran’s “tanker war” in 1988, the Gulf War of 1990-1991, and the maritime task

¹⁰ www.carnegieendowment.org/2012/02/04/munich-security-conference

From a transatlantic standpoint, Russia and the Persian Gulf are the two regions in which the United States and Europe will continue to have cause to cooperate on the strategic dimensions of energy, albeit with very different institutional solutions.

forces set-up after 9/11 to counter terrorism. Al Qaeda terrorists have attacked oil tankers (the Limburg in 2001, the M-Star in 2010) and oil facilities (the critical Abqaiq processing plant in 2006). Proliferation and more recently piracy are examples of this paradigm. For the reasons mentioned above, the United States will continue to have powerful reasons to play a leadership role in the Gulf.

However, a new dimension should be considered, that of U.S. and European cooperation with India and China in avoiding the disruption of the flow of oil in the Gulf. This will call for political dialogue but also for maritime cooperation between Western and Asian navies and between these outside forces and the gravely deficient interoperability between the maritime forces of the Gulf Cooperation Council. The GCC has yet to develop the sort of joint control of their territorial waters that has been successfully set up between the no-less energy-critical Malacca Straits in East Asia (Indonesia, Singapore, Malaysia). The time may be ripe for a more formal U.S.-French-British joint program for the support of GCC maritime sea-control, paving the way, over time, for Western cooperation with India and China.

5 CONCLUSION

The disruption of the flow of critical supplies is one area in which citizens' concerns and politicians' initiatives enter readily into resonance, prompting the cranking up of the political volume, as the hot buttons of strategic interest, economic prosperity, and individual freedom are hit simultaneously. Think live TV coverage of carrier operations in the Straits of Hormuz and the recycling of images of endless queues of cars waiting for their quota of gasoline at the pump. This inherent potential for a rapid rise to major crisis level provides fodder for instrumentalization (e.g. Iran generating extra-oil revenue by merely hinting at the — entirely suicidal — closing of the Strait of Hormuz), miscalculation, and self-fulfilling escalatory outcomes.

Precisely for this reason, competition for resources and particularly for energy needs to be approached with the somewhat jaded calm of veteran troops: there is actually little that we do not yet already know about the next “unprecedented” resource crisis (and the one after that, and so on). There are few moves in this arena that do not, in the space of a few years, trigger actionable signals setting into motion powerful countervailing market forces. The greatest risk is often that resulting from the temptation of considering the manipulation of resource flows, and particularly energy supply, as an extension of, or an alternative to, war by other means (which is what occurred in the Pacific in 1941). This general observation also applies to the Atlantic alliance. In the face of real or potential resource crises, an ultimate piece of advice (borrowed from the Britain of the Blitz) will be given here: “Keep Calm and Carry On.”

1744 R STREET NW

WASHINGTON, DC 20009

T: 1 202 745 3886

F: 1 202 265 1662

E: TA@GMFUS.ORG

WWW.TRANSATLANTICACADEMY.ORG