DEN NORSKE ATLANTERHAVS KOMITE
THE NORWEGIAN ATLANTIC COMMITTEE

Security Brief **6-2007**

NEW ATLANTIC REALITIES: GEOPOLITICS AND PETROLEUM ENERGY SUPPLIES

By: Kai Lie

This is an attempt to shed light on recent changes in Atlantic relations and the role of petroleum energy resources in this connection.

Two events characterize the political changes that have taken place in the North Atlantic Community since the end of the Second World War: 1) the fall of the Berlin wall on Nov. 9. 1989. 2) the clear and definite German no to participation in the Iraqi operation – an operation that the US had defined as a primary and vital interest.

With the fall of the Berlin wall Germany reappeared as the major player on the European scene. This event triggered the collapse of the Soviet Empire and the rise of the US to the position of superpower.

Since then we have seen that the US has left Europe for the Middle East, and that Russia is re-emerging as a major power. A central factor in both of these geopolitical changes is petroleum energy.

During the cold war the focus was on military power. But now other factors also have a strong impact on security. Developments in weapons technology have reduced the importance of distance and location, while secure access to energy, especially petroleum energy, takes on increasing importance in the game for power and influence.

The areas where the interests of the powers confront each other have shifted accordingly – to the sources of petroleum energy.

The New Atlantic Realities

The main characteristics of the new political situation for the Atlantic World might be categorized under four headings:
1) The US shift of geopolitical focus
2) The German renaissance as a political player
3) The difference in perceptions of political realities in the West
4) The increasing power-political significance of petroleum energy sources

1 *The American geopolitical reorientation*
The most important geopolitical change since the collapse of the Soviet Empire is the shift of Washington's geopolitical focus from Europe towards the Middle East. Attempts are made to draw the North Atlantic Alliance in the same direction. In fact, Afghanistan is seen as a critical test for the Alliance. The Alliance that was meant to be a defense alliance limited to the defense of American European allies is now operating "out of area."

This policy was engineered by Wolfowitz, Cheney and others long before 9/11 and was laid down in the "Project for the New American Century" (PNAC) in 1997. The motive is of course elusive and disputed as such things always are.

Observers have suggested three main motives, two strategic and one political in character:

a) Desire for control of the flow and price of petroleum energy, both important for American economy and security (see: Allan Greenspan; „the Age of Turbulence" 07) (the Silk Road Act of 1999 lays down the strategy)
b) Increasing political and strategic importance of Central Asia as the back door of Russia and China – the next American challenge. (Already during the Carter administration did his advisor Brzezinski advocate the control of Central Asia as a primary US goal)

c) Influence of the Israel oriented lobby in Washington especially regarding American policy in the Middle East, i.e. the American Israel Public Affairs Committee (see: Carter, Fullbright and recently published; Mearsheimer/Walt "The Israel Lobby and U.S. Foreign Policy").

That these are interesting factors is indicated by the fact that Washington does not seem to want to leave the Iraqi problems to others, like the UN or to Iraq's neighbors, as suggested by the Baker/Hamilton report. Construction of military bases in the area and political comments also seem to indicate a long-term strategy. Judging from the utterances of the presidential candidates, no major change can be expected when it comes to this overall American focus on the Middle East.

2 *The German reemergence as a player*
The other main factor making for a new Atlantic reality is the reemergence of a reunited Germany as the strongest political element in Europe, free to pursue its own national interests. This was not immediately apparent. Germany had lost the war and since 1945 been trained to lie low and hide behind the EU and NATO when anybody asked what they thought.

Germany was different from France and Britain who had the nuclear bomb and a permanent seat in the Security Council in support of their status. Germany adjusted itself to American policy, oftentimes against German public opinion as in the case of intermediate range nuclear missiles in the 1980's or Afghanistan today.

In fact the NATO membership itself was not an easy matter. John Foster Dulles himself had to promise to help the Germans get their eastern territories back in return for membership. As the Hungarian uprising in 1956 showed, the promise of reunification could not be kept without the risk of nuclear war. When the Germans themselves secured in Moscow what Washington could not deliver, this must have changed the basis for Germany's relations with the Western Alliance.

First under chancellor Gerhard Schröder did we get clear signals. Only then did Germany dare talk about their national interests. In a speech in the Bundestag on Sept. 13. 2003 he declared that questions of importance for the German nation from now on should be decided in Berlin and nowhere else ("--- *in Berlin entschieden und nirgendwo anders*")

When Germany was reunited, there were plenty of fanciful speculations about where this would lead. Margaret Thatcher imagined that an economically powerful Germany might achieve what Hitler didn't. The French press was full of the same sort of suspicion.

The fears of a united Germany proved unfounded. Germany now has further European integration as a primary foreign policy objective. (This was elaborated upon in Fischer's Humbolt speech of May 12. 2002) Of course this means sharing power and on a mutual basis. We know how Paris and London like that idea. It is therefore hard to see how a common European foreign policy can be realized in the foreseeable future.

But regardless of the fate of the EU, Germany's power and influence will increase the more the role of NATO and the US in Europe is reduced. The Russians are out of Europe.

3) *The difference in perceptions*
The third characteristic of this new Atlantic Reality is the different perceptions of political realities on the two sides of the Atlantic, especially between Washington and Berlin. It concerns theoretical as well as practical issues:
A. In Washington the tendency has been to emphasize that its struggle is for the "good" against the "evil", making negotiations or compromise difficult. The old Europeans see struggles on the international scene to be caused by conflicts of interests. This might make negotiations and non-military solutions possible. This old realist or orthodox approach would reject a ("Skinnerian") approach tending to seek military solutions to political problems.
B. As to the concrete complex problem of the Middle East, Berlin as the rest of Europe, consider the Palestine-Israel conflict as the key problem that first has to be resolved. The US and Israel disagree with this perception.

C. There is also a formidable difference in perception regarding the issue of Weapons of Mass Destruction (WMD) in Iraq, or how Iraq or Iran for that matter are related to terrorism.
D. As to the feasibility of solving the problem by the introduction of democracy in the area, there are again differences in the assessment of reality. A truly free and democratic Iraq (unless it is carved up in three parts) would be Shia and inevitably in close touch with Iran and the Shia population in the oil rich areas of Saudi Arabia. This would give a formidable energy power concentration to a population group that can not be expected to make decisions in keeping with US interests.

4) *The geopolitical effect of the new petroleum energy situation*
The fourth and maybe most important factor shaping the new Atlantic Reality, is the new geopolitical role of access to petroleum energy. The situation is characterized by increasing demand, diminishing reserves and increasing prices. The IEA estimates that global energy demand will increase by 50% by 2030.

The US consumes 25% of the World's petroleum production and is the world's largest oil importer, depending on imports for 60% of its oil consumption. Over the next 20 years, US oil consumption is expected to increase by more than 30% and natural gas needs by more than 50%. The US has only 2-3% of global reserves and is thus vulnerable.

Russia is in a very different position as the largest petroleum producer in the world. But it is critically dependent on export of petroleum products that account for 30% of GDP. The country is therefore very vulnerable when it comes to price reductions of these products (the sudden price reduction before the collapse of the Soviet regime serves as a reminder).

The most important petroleum producing area in the world is the Middle East with 60% of proven global oil reserves and 45% of gas reserves. The focus of energy hungry capitals has therefore always been on this area.
Now however these traditional and important American sources of oil here, like Saudi Arabia, might become less stable and reliable. The United States in seeking other sources did therefore focus on Iraq. But this source does not seem too secure either now.

American interests are also adversely affected by other changes:
a) The western oil companies' share of the market has been drastically reduced. They now control no more than 3% of global reserves and produce only 10% of oil and gas.
b) China with a record economic growth and financial strength is rapidly emerging as a challenge and a competitor in the energy market. It is the second biggest consumer of oil after the United States and relies on the Middle East for 45% of its oil imports.
c) A challenge to US interests, not least in the petroleum sector, is the cooperation between China and Russia in the newly created Shanghai Cooperation Organization (SCO). Russia has suggested Iran as a member.

It is these developments that introduce a new energy-political map with influence also on Trans-Atlantic relations.

A central factor in this context is the political effect of the Russian energy resources. This effect will increase in step with the energy needs of the consumers. The Russian petroleum resources are of crucial importance to the European economy.

China's needs however might by 2010 exceed more than half of the Russian gas production. Russia made an agreement last year about the construction of a gas pipeline from Altai to Zinkiang. An oil pipeline is planned from Irkutsk to the Pacific with a branch southward to China from Skovorodino. This will be giving Russia more choice of customers and thereby political influence.

The other important factor is the energy needs of Germany. Germany is Russia's largest customer and most important partner in the petroleum sector. By 2020 Germany might import 60-70% of its energy from Russia. Today Norwegian and Russian exports account for 21% and 31% respectively of German oil needs, and 40% and 31% of its natural gas imports.

B
NORGE
P.P.
Returadresse:
Den Norske Atlanterhavskomité
Fr. Nansens pl. 8
0160 Oslo

There is however no common EU energy policy. Germany has therefore had to take care of its own interests in securing its future power supplies.

The former chancellor Schröder focused on that task. During the Hannover trade fair in April 2005, when Putin was present, it was announced that the Germans (BASF branch Wintershall) was to be involved in the development of a large West Siberian gas field (Juzjno Russkoje) and in the construction of a gas pipeline through the Baltic Sea from Viborg to Greifswald. This would avoid transit through Poland and the Baltic States as well as the problematic transit through Belarus and Ukraine. The pipeline is to be completed by 2010 and will increase capacity for Russian export. The former German chancellor is the director of this project.

The pipeline took on further importance when Moscow earlier this year decided that gas from the enormous newly discovered gas field in the Arctic Ocean, the Stockman field, will be channeled to Greifswald through this pipeline instead of being converted to liquid natural gas (LNG).

In return for the deal with Wintershall, Gazprom, who now controls practically all energy distribution of Eastern Europe, would get a larger share (49%) in their joint distribution venture (Wingas). This gives Gazprom greater direct access to the European gas market.

Conclusions

Washington has called attention to the increasing European dependence on Russian energy supplies. American concerns about German-Russian energy cooperation is not of recent origin, however. It started already in the 60's with the German delivery of steel pipes for the Russian gas production and with Willy Brandt's (and Egon Bahr's) Ostpolitik, officially hailed as a contribution to Détente.

It does not seem that the present government in Germany considers German national interest in this sort of cooperation much differently than the previous one. The new chancellor in her inaugural address promised to continue the strategic energy partnership with Russia.

The Germans did not initiate the changes we now see in Atlantic relations. They were initiated when the authors of the PNAC (the "neocons") succeeded in realizing their plans about changing the American foreign policy in a Middle Eastern and unilateral direction at the expense of international cooperation in NATO and the UN etc.
NATO's role as a consultative forum is now much reduced.

This trend in the relationship between the Anglo-American world and the continental Europeans, especially between Washington and Berlin, might not be a temporary phenomenon reversible by shifting leadership in the capitals. It seems to be a shift in the direction of geopolitical interests, based on serious assessments of national power and interests. Such interests don't change with the change of regime neither in Moscow nor in Washington or Berlin.

This publication is printed with the financial support of NATO PDD.

www.heglandtrykk.no

DNAK Security Brief:

The DNAK Security Brief series aims to present current topics in foreign and security policy in a succinct way.
The series was firs published in June 2001.

Editor: Marit Rye Ramberg
ISSN: 1502-6361