

# OIL AS POLITICAL WEAPON

Mariana, Buican<sup>1</sup>

## **Abstract:**

*Oil (called by some black gold) has not always been as coveted and used, but only in the last hundred years has established itself as a highly sought after as an indispensable proper functioning of modern economic activity that an important factor in international politics.*

*International oil regime has changed in the last decades. In 1960, oil regime was a private oligopol which had links with governments main consuming countries.*

*By then the price of a barrel of oil was two U.S. dollars and seven major transnational oil companies decided the amount of oil that will be produced. Meanwhile the world region with the largest oil exports were more strongly expressed nationalism and decolonization.*

*Result, it was so in the late 60s in the region occur independent states. They have created an organization aim of this resource to their advantage - OPEC (Organization of Petroleum Exporting Countries).*

*Thus since 1973 there have been changes in the international regime governing oil field, namely producing countries were fixed production rate and price. After this time the oil weapon has become increasingly important in the management of international relations.*

*Oil influenced the great powers to Middle East conflicts that occurred in the last century, but their attitude about the emergence of new sources of oil outside OPEC. In the late 90's, Russia has become a major supplier of oil to the West.*

*Today when the economic interdependencies increasingly manifest, oil continues to play an important role in the system of international relations.*

**Key words:** *oil feedstock, a political weapon, energy security.*

## **Introduction**

The oil or petroleum (named the black gold) has not been as coveted and used all the time, but only in the last hundred years has imposed itself as highly sought after, as an indispensable element of modern business the proper functioning of and an important factor in international politics.

## **Oil as political weapon**

International oil production after the Second World War, was controlled by seven major transnational oil companies that were owned by Americans, British and French. They decided the amount of oil that would be produced, and its retail price.

Transnational companies were willing to keep the price low because they only produce crude oil and sells it to the main businesses in turn sold it to the world market price, ie the price of U.S. high.

In this way the companies were making large profits, while producing countries had to settle for very low fees. For example American company Exxon, decided on two occasions in February 1959 and August 1960, by unilaterally and without consulting anyone, to reduce the price of crude oil.

Decisions were motivated by the influx of Russian, Libyan and Algerian oil threatening to disturb the market. So that, the development of the producing countries was blocked. (Jacques de Launay, Jean-Michel Charlier, 1989).

These decisions led to the creation of the Organization of Petroleum Exporting Countries (OPEC) in September 1960 in Baghdad.

After 1973 there has been a major change in the international regime governing oil field. By then the major powers in the international system, occasionally intervened to keep the system running.

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<sup>1</sup> Lecturer PhD, Constantin Brâncoveanu University, Pitești.

For example, in 1953 a nationalist movement was in Iran, whereby the Prime Minister decided to nationalise Iranian oil. At the same time, a removal action started the ruling Shah. United Kingdom intervenes indirectly in this action, so that the Labourite Party has banned AIOC Company longer pay royalties Iranians, even those they owe and suppresses and suppresses exchange benefits they provide Iran, which led to the outbreak a crisis of currencies. In fact British have offered to provide the Iranians a third of royalties instead of a fifth while on Teheran streets people spoke only a fifty percents.

Immediately Prime Minister created the National Iranian Oil Company (NIOC), which had to replace the English (AIOC), but English staff went on strike refusing to work for the Iranians.

On July 5th 1953, The Court of The Hague announced by AIOC gave a provisory verdict: the exploitation should continue with English personnel up to settlement. Two days later Prime Minister Mossadegh announced withdrawal from The Hague Conventions.

In these circumstances the U.S. President Truman intervened to unblock conflict.

After long talks in 1954 an agreement was signed which stipulated inter alia that all oil facilities becoming property of Iranian and oil export had to do by British Company AIOC.

Another example is from 1967, when Egyptian president Nasser closed port of Akaba between Saudi Arabia and Sinai peninsula for ship carrying goods including oil for Israel. The reasons for this action were related to the existence of the Hebrew state in area and Palestinian refugees' issues. In this circumstances the oil were seen a political weapon by Egyptians. Immediately, Israeli Army attacked Egyptian airfields destroying aircrafts and tanks.

This conflict is known as „The seven days war”, ended with a successful Hebrew.

Nasser immediately launched a call for oil embargo on Israel and its friends countries. OPEC agreed with this. Western countries have found a solution that non-Arab countries to produce more. This reality is the further fact that Jordan has abandoned Egyptian action. And the other producing countries in the region have shown weaknesses (Saudi Arabia, Kuwait, Iraq ) on the grounds that they found their territory Egyptian team that sabotaged oil wells.

Thus Egyptian embargo has no effect, because Iran has oil delivered Israel, Germany and Britain considered accomplices of the Jews, and they owned the stock for over 5 or 6 months. In fact, Libya and Algeria, loaded oil on German tankers to send to Europe. Regarding the Americans, they asked for deliveries to be made in Asia, and for their own needs sourced from Venezuela or North Africa.

In the early 70s the role of great powers in the Middle East began to change, and scientists have more explanations.

One is about the relationship between American and British powers that affected the balance of power in the Persian Gulf. When OPEC was created, and in the period before United Kingdom was considered policeman Persian Gulf and the early 70's it was going through a period of economic problems. Therefore the United Kingdom government tried to reduce the increasingly international commitments. Some compare this to 1947, when United Kingdom was unable to maintain its role as major power in the Eastern Mediterranean. At that time the United States intervened to help Greece and Turkey, and formulated the Truman Doctrine. But in 1971, the United States were not in a position to intervene to replace Britain as they did in 1947. The United States were involved in the Vietnam War, and no longer able to take another military role in the Persian Gulf. Following President Nixon and Henry Kissinger security advisor devised a strategy which relied heavily on American regional powers. Iran zonal leader was seen by that they thought they could replace British police left the area.

Another explanation is related to changes in oil production in the United States. For a long time this country was the largest oil producer in the world, but U.S. production peaked in 1971. U.S. imports started to increase thereafter.

During the Middle East conflicts in 1956 and 1967, the Arab countries tried to impose an oil embargo, but their efforts were thwarted because the United States produces enough oil to supply Europe when he was interrupted by the Arab countries. Thereafter, the United States could no longer keep in balance the market, the role fell the task of Saudi Arabia and Iran.

A third explanation is the fact that during the 60's in the area manifested a phenomenon where multinational corporations have gradually lost power. When a corporation enters into a country rich in resources, it comes with large investments. At first this is beneficial for poor country even if it receives a small percentage of profit resource exploitation, as in time corporations unwittingly resources and technology transfer to the country of adoption. They also train local people, teaches them how to manage oil fields, pumping stations and loading terminals. Local residents improve their knowledge of marketing, etc.

With time resource rich state desires a more equitable distribution of profits. Under these conditions even corporations threaten withdrawal, poor country no longer feels vulnerable because it is able to manage the business itself. So while multinational power, especially in commodity transactions diminishes on the host country.

At the same time with other large companies have entered less who began to wrap their transactions oil producing countries. Thus, when producing country wanted to drop the large corporations may enter into transactions with them. (Joseph S. Nye, Deciphering international conflicts, pp. 193-194).

Oil producing countries began to worry more and more control over that material, so in turn they began to nationalize this resource: Iran a nationalized since 1954 , Algeria did so on 24 February 1971, in the proportion of 51 % , and Iraq 100 % , and Saudi Arabia and Kuwait Qatar in successive stages from 25 % in 1973 to 51 % in 1982. In 1973 Libya has done the same, the entire capital gain such status has been integrated into the Libyan National Oil Corporation, which thus became the owner of two-thirds of Libyan oil.

From an institutional perspective in this period an increase in the role of OPEC as a cartel in the oil. Cartels work better when there is shortage of oil, but they are surplus, people want to sell their production and tend to reduce the price set by the cartel.

At first OPEC had trouble exercising authority as it was quite oil. As long as oil was surplus producing countries tended to cheat in order to grab a larger share of the market. OPEC failed thus impose financial discipline it, since it was founded in 1960, and early 70s. But when the low bid, OPEC role in coordinating power trading increased.

The 1973 Middle East war spurred OPEC.

Arab countries have called on Israel to evacuate the territories occupied in 1967, as planned at the end of the conflict. The Israelis have refused to do so, citing the United Nations Declaration 242, but a fact that this ambiguity was not saying that the Israelis had to withdraw from the Occupied Territories, but from Occupied Territory , which could mean as well the all occupied territories (Arabic interpretation, Soviet and French), or from some occupied territories ( Israeli and American interpretation).

In early September 1973, around Egypt has been an Arab reconciliation. Saddat Egyptian head of state received the sovereigns of Saudi Arabia, Kuwait and Qatar, and President Assad of Syria and President Gaddafi of Libya, also visited Egypt and King Hussein of Jordan.

In these circumstances the Israeli-Arab conflict broke (6 to 24 October 1973) immediately OPEC member states have decided to cut production by 5% per month until Israeli withdrawal from the occupied territories. On the same occasion, and prices increased.

The Arab oil turned into a political weapon, they put an embargo on all supplies to its allies with Israel: U.S., Netherlands, Portugal and South Africa.

This has been a shock to Western states that after the Second World War have continuously increased oil consumption of 773 million tons 530-2.

As I said Arab states have decided to turn oil into a weapon, so in a few months, from October 1973 to December 1974, the price of oil has increased fivefold.

In the medium term this shock resulted in the fact that crude oil price has increased more and more, so consuming countries have begun to act on their own to conclude bilateral agreements with OPEC countries.

Arab-Israeli war ended on November 11, 1973 by the signing of a ceasefire at km 101 on the Cairo-Suez road.

Israel won militarily, but Arab states have joined a political victory for the United States played a conciliatory role in regulating commitments Arab-Israeli conflict.

But oil weapon had no power to radically change U.S. foreign policy in an alliance with Israel to support the Arab cause.

Why this? The answer is related to U.S. relations with Saudi Arabia.

Saudi Arabia has become an important state in the oil market, and have large investments in the United States. If the Saudis would bring great damage the U.S. economy. They would harm their economic interests. In addition, the State was dependent on U.S. security. In the long term, the United States was the only country able to maintain a stable balance of power in the Persian Gulf region. Saudis know this, so they were careful how much can go with gun oil.

What was the role of labor as a source of power in the oil crisis of 1973? There was no military intervention by the great powers of the world. Moreover, Saudis benefits guarantee long-term security provided by the United States. Thus the force played an underground. There was an indirect link between interdependence and interdependence oil security. Force was too expensive to be used openly, but has played a role as power resource fund. (Joseph S. Nye, Deciphering international conflicts, 2005).

In the coming years more and more shares were in favor of OPEC producing countries.

OPEC met in Vienna in September 1975, and the radical organization (Libya, Iran and Algeria), requested a 20% price increase, but received only 10%. Follow consuming countries reduced their imports, while producing an average rate of 11% (17% Saudi, 20% Nigeria and Venezuela).

In December 1977, at Caracas held another meeting of OPEC member states, he decided a price freeze, thus maintaining the status quo.

At that time there was a slump in Western countries has affected the oil market. In May 1978, at Taif (Saudi), OPEC decided to explore new reality, to develop a common strategy that would be implemented in terms of production, this has turned to a special committee.

But they came contradictory news from Iran, where the Shah triggered a process of modernization of society. Opponents of this process were actually Shia clergy, who claimed that it was a work against faith. Criticism of these clergy became stronger when the state has expropriated lands, and they have been undertaken for the emancipation of Iranian women.

Since June 1963, the church's highest authority, Ayatollah Khomeini expressed views on land reform and the emancipation of women, which he criticizes. Things calmed down after the Ayatollah was expelled from the country. Disputes were rekindled in 1977, when the state decided to completely suppress subsidies clergy. Since that time the 11 000 mosques in the country were held jobs as state policy and the Shah was increasingly criticized. The opposition in the Jewish clergy throughout the country switch- riot actions of the authorities. Authorities declared martial law as a result of oil industry workers have introduced a general strike , after which production dropped from 5 million to 100 000 barrels per day. That while only state consumption was 700 000 barrels, so the oil industry was paralyzed.

On 3 January 1979, the Shah after he appointed a new Prime Minister, announced he was leaving the country for a short holiday actually has never returned to Iran by setting up an Islamic republic.

The area has sparked a rivalry between Iran and Iraq which has resulted in open conflict. Iraqi Army entered Iran, the main targets were oil refineries and tanker port Khorramshar near Abadan.

The question would be what triggered a conflict between the two Muslim states? One reason was the Islamic revolution that overthrew the shah of Iran. In fact in political and religious appearances pursuing economic aspects. During the Shah, Iran claimed the whole sea between Iran and Iraq (in the northern Persian Gulf at the mouth of the Tigris and Euphrates rivers).

Following a partial disruption of oil supplies of Iran and Iraq, but also a diplomatic rift between Iraq on one hand, and Syria, Libya, on the other hand, accused Iranian weapons supplies.

The oil market was in turmoil. Meanwhile Britain and Norway were prospecting in the North Sea, where they found oil, which was launched at a fairly high price \$ 15.85 a barrel. OPEC reaction was that every price increased at will.

In October 1980, Libya, Algeria and Nigeria, who claimed to have a better oil (less sulfur), put a barrel of crude oil price of \$ 26.27, others were more balanced expression: Iran - \$ 23.50, Iraq and Kuwait - \$ 22; Arabia - \$ 18.

The oil price has been impressive in the 17 months from December 1978 to May 1980, prices have increased by 120% in Saudi light oil with 140 % in other Gulf countries, Venezuela and Indonesia, with 160 % in Iran and 165 % in African countries.

Iran began to sell part of their production on the open market, the example was followed by other states. It foreshadowed danger of collapse in oil prices since autumn 1980 or later than the spring of 1981. (Jacques de Launay, Jean - Michel Charlier, 1989).

Under these conditions there was an OPEC meeting (June 1980) in Algiers, the representatives of the Member States decided: study indexing develop a plan based on the impact of global inflation, fluctuations in currencies strengths and development OPEC member states. Despite talks between the countries, the price was fixed at \$ 32, while in October 1981 in Vienna, OPEC increased to \$ 34 per barrel.

Following the oil shocks of the event, we can draw some conclusions:

- The oil companies have lost control of the global market;
- Have lost ownership of the land with fields in OPEC countries;
- Companies only had technical activities (production, transport, distribution);
- OPEC will continue to lead the market, despite the differences among Member States;
- oil consumption has doubled every 10 years at the end of World War until 1973;
- Policy measures have taken In Europe to use energy more efficiently. It was a law of general average fuel efficiency, so car manufacturers began to produce cars that still have lower fuel consumption.

- On the supply side, appeared outside OPEC oil resources, this having the effect of increasing competition on the world market;

After 1982, there is a reverse trend on the price of this raw material for several reasons: some economic, others need money to finance the economic or military, others to seize market etc.

During bipolarity, Middle East conflicts were short-lived, because each superpower supported its allies, then things have changed.

In 1990 in the Persian Gulf has sparked a new crisis when on August 2 Iraq invaded Kuwait. In fact Iraq has always claimed that the emirate of Kuwait is a creation of the colonialists and should not exist as a separate state. In 1961, after independence by Kuwait, Iraq attempted to take over this country, but Britain opposed. The crisis of 1990 was based on economic reasons primarily because Iraq was in trouble because of the period of conflict with the Iranians. He had a foreign debt of 80 billion dollars, which grew by 10 billion annually. Meanwhile, the border is an important financial source, Kuwait, with large oil resources and low population. Iraq also claimed that last OPEC agreement to reduce the price of a barrel of

oil, it costs a billion dollars a year. The annexation of Kuwait seemed a solution to the economic problems of the Iraqi state. Saddam Hussein, said that given the location of Kuwaiti deposits, it extracts and actually sell Iraqi oil. Therefore conquest emirate could result in a drop in economic output and therefore higher prices, so an increase in revenue.

Iraq has made several mistakes, including one that covers relations with the United States. With the Islamic revolution in Iran, Americans have lost an important ally in the region, so turned to Saddam Hussein. It was known that this is based on the Soviet Union, and since has acquired supreme power in 1979, the country imposed a bloody dictatorship. But that wage war against Iran, which silence monarchies of the Arabian Peninsula and agreed western states. The two states perturbing, the Middle East neutralize each other. Therefore Saddam Hussein, believes it will be left to act of his own.

Things did not go in this direction, however, the United States did immediately call the UN. After annexation, Saudi Arabia an ally of the Americans in the area feel threatened, which aggravated the instability in the region. Therefore Security Council adopted Resolution 660, which called for the immediate withdrawal of Iraqi troops. A coalition of States was formed against Iraq. Thus, on August 10 Saddam Hussein launched the Arab states a call to holy war, but had no results.

Meanwhile, the Security Council adopted resolutions above resolutions. The number 661 of August 6 provide stopping all commercial transactions with Iraq, including oil imports. Resolution 662 of August 9 declare null and void the annexation of Kuwait, following established maritime blockade. Resolution 678 of November 29, Iraq launched an ultimatum: if by January 15 shall not apply to previous resolutions, all necessary means will be used against him.

War broke out on January 17, 1991, Operation Desert Storm. On February 26, Saddam Hussein announced that he would withdraw troops from Kuwait and accept UN resolutions.

Why the United States and other countries answered this way? One answer would be when the oil. Oil exports have made this region an important one. Another answer would be that the conflict was a preventive great powers and realized that Iraq develop a nuclear weapons program, if in addition she possesses and Kuwaiti oil revenues, it will become stronger. Some experts said that if all will be no conflict, better then than later. Technological developments have made to reach oil geologists that arrived before it was impossible.

In the late 90's, Russia has become a major supplier of oil to the West. Oil and gas are now pillars of economic growth for the state.

Other states will influence the future energy markets such as China and India. The two have a population of large, growing quite rapidly, so will increase their demand for energy, because it modernized and industrialized. China has large reserves of coal and natural gas in Xinjiang province in the west of the country, however, will depend increasingly on oil imports to meet domestic needs.

The United States will likely continue to rely on oil imports to meet their energy needs, and this means that large oil producing regions such as the Persian Gulf, will play a key role in geopolitics.

Despite the emergence of new sources, such as Russia, experts anticipate that Saudi Arabia and its neighbors will meet two-thirds of global demand continues. As a major producer of oil, any regime change in Saudi Arabia, will have an effect on the oil market.

Worldwide distribution of natural energy resources is uneven. We speak more than one energy diplomacy. It has become a foreign policy priority in all Chancellery and security experts and analysts take into account.

Great actors of the world (U.S., China, Japan) were drawn of national energy security strategy.

China, for example, speaks of the need for more and more use in developing their relations with African and Latin American concept of energy diplomacy. China believes that its energy security in the years to learn the three variables: economic growth, energy security

and environmental protection. Japan has adopted a strategy focused on two strategic axes, one of which relates to maintaining acceptable price of oil on the world market. (Constantin Hlihor, Security policy in the contemporary international: Energy, 2008).

In recent years put more problems securing the oil fields because of the conflicts that occur in areas where some fields there. In fact many of them derive from the existence of these resources. For example: the conflict in East Timor, Aceh province in Indonesia, Russia's breakaway republic Chechnya conflict not to lose control of a major energy corridor linking Central Asia to the West.

All this shows that the problem of securing energy resources is no longer a peripheral on the agenda of governments, and increasingly in the coming years it is claimed that the U.S. military will increasingly turn into a Global Oil -Protection Service.

More and more NATO official believes that the organization should be involved in addressing energy security missions of the Member States. Therefore the last Strategic Concept adopted in Lisbon in December Organization 2010 expressly provides that NATO wants to contribute to energy security, including the protection of energy infrastructure and transit areas and major routes.

While raw materials are less essential than the computer was industrial economies, oil still matters.

### **Conclusion**

Energy has become a highly disputed geopolitical field after the big oil shocks of the last century, but also an important factor in assessing the security state of contemporary society both domestically and internationally. For the first time in the human history, the energy divided political space in friends and enemies, and oil replaced with more success the conventional weapons in confrontation between states and other type of the actors in the international arena. These aspects have fundamentally modified traditional relationships of the market. In this circumstances, consumers and energy suppliers are not longer solely to the rules and principles of market economy, but also in political understandings/constraints. For this, energy security become today a priority for all actors on the international arena, but especially for those with poor energy resources. Therefore they need to develop elastic security strategy, able to adapt quickly to the global and even local changes. They must be aware of the threats against them in an effort to secure from energy point of view.

The scientists consider that the development of efficient and credible security policy, the first step would be to design the scenarios as tools to anticipate and identify potential developments in this type of security.

Today no state, irrespective of its economic power, it can't built an effective security policy based only on its own resources and considering only internal developments.

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