

**Stephen J. Randall. United States Foreign Oil Policy Since World War I: For Profits and Security, Second Edition. McGill - Queen's University Press, 2005.**

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Security of oil and (now also, in particular for Europe and perhaps also Asian countries) gas supplies is again high on the policy agenda. It, naturally, lies dormant in periods of low prices, thus oversupply and weak bargaining power of producers, but it raises its head in situations of war, insecurity and high oil (and gas/energy) prices (with the bargaining advantage with producers and even more so the sovereign owners of reserves). It is comforting to read that the United States had been worried over lack of security and diversification of supplies, impending depletion of oil, insecurity, and foreign and domestic politics in producing countries for at least a century. Is the situation now different? Arguably it is: US import dependence and depletion of US oil wells is higher than ever before and "safe countries" in the Western hemisphere, such as in particular Venezuela, do not look as safe any longer. In the core period covered by this book, 1919 to 1945, the US was substantially self-sufficient in oil and coal was more important to the US in that time than it is now. On the world oil market, which essentially is (different from gas) a global market, there is now not only competition with the other industrialized countries (Europe and Japan), but in particularly with the most dynamically growing import requirements for China and India. The Middle East is volatile as ever and arguably more volatile and less amenable to influence as US identification with Israel makes the US and American oil companies a direct target for

the much more vigorous resentment of the West in general and the US in specific throughout the region, encapsulated most vigorously by Islamic fundamentalism. Nor have US policies, in or against Iraq and in Iran in particular, shown any capacity to influence these key oil countries in the way US policy has been able to exercise an influence in the past. A question mark hangs over the US relationship with Saudi Arabia, largely dependent on the internal security situation in this country, the world's foremost oil producer. With Russia possibly regressing politically, developing a strategy of energy resource leverage between Europe and Asia, and with the role of the Muslim Middle East growing into the world's dominant oil production and reserves region, US oil dependence may be more at risk than ever before. Internal US energy policy has, so far, not been able to get a handle on internal demand, basically because of the political difficulty in getting US consumers to accept tax-induced high oil (and gas) prices which are the first step towards an incentive-based energy savings and efficiency policy. Hope is pinned, and has been pinned for a while, on technological innovation, which, though, is unlikely to work if not coming hand in hand with economic incentives, that is essentially a sufficiently high petroleum price. In this situation, it is most welcome that Stephen Randall, a historian in Calgary, Canada's oil capital, published recently the second edition of his study on US foreign oil policy. History, while not an automatic predictor of the future, always helps to understand new situations, to identify possible policy reactions and policy debates, to design policies in light of historical experience and to take a more detached view on issues that appear new and urgent, but indeed are relatively regular re-occurrences.

Randall's book covers US foreign oil policy from the end of WW I to the aftermath of the second Gulf war. It focuses on the international dimension of US oil policy; the economy of study probably requires such a focus, though the interaction of domestic and US foreign oil policy is (perhaps at present more than ever) is a key determinant for foreign oil policy. Foreign oil policy is the result of the domestic oil policy, in particular if there are domestic oil policy failures. The fact that the US is one of the highest consumers of oil per capita with one of the highest intensities in oil demand among the developed societies could well be described as a domestic oil policy failure. There is no good reason why the US with its technological leadership in most areas should also be the most energy-intensive country among the highly developed economies.

The most detailed investigation is probably on the Roosevelt years and World War II. The core of the book is 1919-1945; it looks as if the book has grown out of a detailed study (or thesis) focusing on that period. As time moves more to the present, the coverage gets less profound. Perhaps that is the bias of historians wishing to detach themselves from the too close present or perhaps it is the result of a historical study that has got extended in the second edition to the very near past. The relatively near past is covered only in a very general way. Queries I have - e.g. on the US role with respect to the Energy Charter Treaty (see more below), the US opposition against OPEC including non-governmentally initiated repeat antitrust litigation against OPEC in the 1980s and 1990s are not covered. The historian of "foreign oil policy" perhaps sees "foreign policy" as the exclusive domain of the state and is therefore blind against domestic initiatives with a foreign-policy objective, though the modern view of globalization and the state would want to give full effect to the initiatives of non-state actors and their interaction

with the formal machinery of government. But perhaps that is too modern for the discipline of contemporary history. I would also have liked a closer coverage on the quite close informal relationship between the US oil industry, US government and US politicians (most conspicuously the two Bush presidents) with Saudi Arabia where, arguably, much of US oil security is effectively arranged behind the veil, often possibly countermanding formal OPEC countries' conduct. Finally, the EU, a (for a historian) relatively new major international actor with a security of supply interest as large as the US' (arguably, in particular with respect to oil a much larger supply concern), does not show up as partner and competitor with the US. The Energy Charter fiasco, for the US, may be explained over institutional competition between the US and the EU, but it has no place in this book. On the other hand, and understandably, Canada-US oil relations play a major role, though I find nothing on the NAFTA, i.e. one of the major US international economic agreements with quite a bearing on both investment security and energy trade. The overall impression therefore is that this is mainly a Roosevelt/WW II years study of great depth, with the aftermath (say in particular 1970 to 2005) rather as a rapid overview appendix.

The book's strength is not its contemporary, but rather its inter-war and WW II part. The inter-war period includes many issues that re-occurred in the 1970s and which may re-occur in the first decade of this millennium: unstable Latin American governments, with pendula swinging from investment promotion to investment restriction and US efforts to secure a steady supply of oil, protecting US companies' foreign investment without giving up suppleness in pursuing rather longer-term security of supply goals over very immediate commercial and financial objectives of politically

often myopic companies. The book refers to the powers of the Texas Railroad Commission (on which OPEC was largely modeled), the establishment of the Naval Reserve (itself, with its policy of oil stocks and draw down a model for the International Energy Agency's oil emergency facilities). OPEC's conservation policies are not that dissimilar from the US Conservation Board. Conservation does not seem to be high on the US policy agenda at the moment, neither in the domestic nor international context. It recounts investment disputes, in particular with Mexico, which are reminiscent of the current investment-treaty based and arbitrated disputes. The ultimately aborted US-UK oil agreement of 1944 can be viewed as the seed for the 30 years' later, and more comprehensive, International Energy Programme of the IEA. US calls to producing countries to respect the mineral rights of US investors recall today's NAFTA (North American Free Trade Agreement) disputes where foreign companies have similar complaints over US regulatory behaviour, and the US, now, over Argentine, Venezuelan, Ecuadorean, Bolivian and in the future perhaps other countries' conduct. The tension between antitrust and government-corporate coordination, solved for oil emergency crisis in the IEA agreement, can be observed from the late 1930s in legal constraints for US companies' war-focused concertation efforts. The book is useful for a historical background for US relationships with sensitive producing countries, e.g. Iran and Venezuela. The author did evidently not see Bernard Mommer's 2002 book on *Global Oil and the Nation State*; Mommer's study – he is currently the Vice-Minister of Oil in Venezuela - would have helped the author to appreciate that a "foreign oil policy" is a dance for at least two; the producer has its own interest and perspective at heart and is not exclusively concerned over providing US consumers' voracious appetite with

secure and cheap oil. That issue occurs in most large countries' security of supply policies and is as characteristic for the EU as it is for the US. There are aspects of narcissism: they see the satisfaction of their own needs as overwhelmingly important, and give little thought to other societies' constraints and desires even if those other economies are expected to satisfy the energy import needs. Issues of confiscatory tax in Mexico can be seen as precursors to current attempts to re-arrange the tax regime when producer country bargaining power is on the ascendant.

Randall tries to conceptualize the relationship between US industry and the government under concepts such as the "associative state" and other political science concepts. In his study, the US government is rarely just the "servant" of its oil industry; generally, there is a relationship where oil companies, major and independent in usually quite divided positions, pursue their own direct, short-term commercial interests and the US government tries to work with and for them, but rather taking a wider and longer-term view of its national interest. National interest led the US at times (in particular in WW II) to measures such as a US state oil company (the US petroleum reserves corporation), but generally the dominant philosophy of leaving international operations to private companies, albeit with the support of the US government has prevailed over such statist solutions considered at times. The US, while generally supporting corporate interest, usually has taken a more flexible approach to relations with governments. It did not take radical steps against foreign governments when a nationalizing policy there did not imperil the flow of petroleum to the US, a lesson President Chavez of Venezuela might want to ponder. It also tried to temper antagonistic relations of US companies with foreign governments and tried to make companies understand some of the constraints

and interests of the producing countries. That function is now operated by treaty-based investor-state arbitration. One will question if the current approach, privatizing the solution of oil/energy investment disputes by treaty-based arbitration combined with a de-politicisation of such disputes on the intergovernmental level, will survive the next - and in fact just as it seems to be starting - wave of state-investor disputes as the neo-liberal model is challenged by neo-statist, neo-nationalist and ethnic emancipation policies in producing countries.

It is interesting to note that US officials have always sympathized with an international regime for energy, based on US priorities of free access to resources, security of investment and free trade. These general principles, embodied in the WW II Atlantic Charter and subsequently the Havana Charter (never legally effective), have been searching for an institutional home since 1945: free trade has been institutionally secured by the GATT/WTO and the NAFTA, with energy playing a role, though not a very articulate one. Investment protection has led to the (ultimately failed) 1998 OECD Multilateral Agreement on Investment (MAI), the 1965 ICSID and the 1986 MIGA Convention of the World Bank. Both trade and investment protection have been secured for the US, Mexico and Canada by the NAFTA. Trade and investment have also been the main drivers for the Energy Charter Treaty of 1994, which now includes more than 50 countries as members, an EU initiative which the US curiously gate-crashed and from which it again, more or less at the signature ceremony, departed. The IEA institutionalizes policy and technical dialogue and emergency sharing, OPEC producing country association. US initiatives at one time (p. 209) aimed at an UN-based international petroleum agency, something that could be seen as having splintered off

into the IEA, OPEC (and the Riyadh-based producer-consumer dialogue secretariat) and the Energy Charter Treaty<sup>[1]</sup>. Company opposition, opposition to international arrangements of a governmental character frequently underlying US exit from multilateral solutions and the difficulty of bringing widely divergent interests into one boat have not allowed that initiative to prosper. The most extensive institutional success was Henry Kissinger's International Energy Agency of 1974; that success is severely limited as it does not bring in the producing countries and leaves out gas, by now an increasingly significant energy resource twin of oil.

Randall's book describes well various WW II attempts, mainly led by Harold Ickes, to develop something akin to a US "National Oil Company." All these attempts in the end floundered on the opposition of the privately owned oil industry and the economic philosophy of US politics. One needs to bear in mind that such absence of a national oil company makes one instrument of state-led security of supply non-existent in the policy designer's toolbox. That absence may become again more acute as the large international oil companies, still seen as "Big Oil" but in fact locked out of most of the world's productive oil and gas acreage, may mutate from owners of productive acreage to specialized service, project management, trading and financial companies. In this case, close relationship of the US government with, for example, EXXON may bring less for national security of supply policies than it did in the pre-World Wars and immediate post-World War II context. The issue appeared starkly in US domestic political opposition against a foreign state oil company with a powerful national security of supply mission: the thwarted takeover of US oil companies by China's CNOOC.



Randall's book is not perfect. Leaving out gas, the domestic-foreign oil policy interaction, the role of significant non-state actors (in modern life to include vociferous anti-globalisation NGOs) and a different level of depth of inquiry for contemporary developments as compared to the deep investigation of WW II US oil policy - the New Deal's international energy policy - is something I would have liked to see in greater detail. But it is hard for a book to be exhaustive on every aspect and perfect. If one bears these limitations in mind, Randall's book is in my view a necessary reading for any serious student of international oil history and governmental policy.

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<sup>[1]</sup> I have recently co-authored three profiles - the IEA, the ECT and OPC - for publication in the ENI Encyclopaedia of International Energy Law, edited by Piero Bernardini and forthcoming in 2006.