

## **The Politics of Oil and the Arab Spring**

### **Shri RS Kalha, IFS (Retd)\***

The recent popular uprisings in some countries in the Arab world that have been euphemistically characterised as the 'Arab Spring', have once again brought to the fore the cold cynical calculations that prevail under the surface when dealing with such historic upheavals. While most liberals in the world rejoiced that the battle for democracy in the Arab Street was at last truly joined and that the end of odious dictators was in sight, yet the undercurrent within various Foreign Chancelleries was very different. While paying lip service to the need for 'democracy', most countries have tempered their response based on their own defined 'national interest'. This dichotomy is most glaring when we see the reactions of Western governments to the case of Syria, Saudi Arabia and Libya.

The uprisings in both Libya and Syria have a common denominator in that a large number of people of both countries took to the streets to show their disgust at the existing state of affairs and sought to overthrow their respective dictators. These demonstrations took place in the face of harsh repressive measures in the full knowledge that the lives of most would be at risk. The demonstrators fervently hoped to usher in an era of democracy, whereby they would be able to choose their own leaders and live in peace and harmony. Most people were fed up with the long serving coterie that ruled their countries based on brutal suppression, often with the sole purpose of self aggrandisement and perpetuation of their rule.

The question that therefore comes in the open ever so vividly is, should the reaction of the International Community not be the same in the case of both the countries? Should the yearnings for democracy in both the countries not be supported by the International Community with the same zeal and intensity? Should the UN Security Council not take up the case of Syria as it has in the case of Libya? For most people the answers to such vital questions must be in the affirmative, but that is not so as we have discovered. The reason is conveyed in the short answer —Oil!

Syria has practically no oil or very little of it. But it is strategically located, for the Iraqi pipeline bringing Kurdish oil goes through Syria to the Mediterranean Sea and terminates at the Syrian port of Baniyas. Syria also has powerful friends such as Russia and Iran, and a strong motivated army that is capable of creating disturbances along the border against another important Western ally- Israel. It is also capable of infiltrating trouble makers into another Western soft-spot, the yet to be fully pacified Iraq. The Syrian government of President Assad demonstrated its trouble making capabilities when at the height of the anti-Assad demonstrations, it sent Palestinian refugees not only to the Israeli border along the sensitive Golan Heights, but also along the Gaza-Israeli border. The intentions were clear and so was the message. Western governments well understood the message. Thus when the crackdown took place and several hundreds of peaceful demonstrators were brutally beaten and some even murdered by the Syrian regime, protests by Western governments were, to say the obvious, rather muted. The Syrian army had no hesitation in opening fire on its own people. No UN Security Council meeting has yet taken place and only very limited bilateral sanctions are in place. Even the G-8 Communiqué issued recently has no reference to any 'desire' of the G-8 countries to take the Syrian issue to the UN Security Council. It only vaguely talks of 'further measures' if the Syrian government crackdown on its own people does not stop. Although the Western governments blamed Russian insistence for watering down any references to Syrian repression, these shenanigans are hardly likely to have any impact on the Syrian regime.

Everyone knows that Saudi Arabia is flushed with oil. Everyone also knows that the Saudi regime is one of the most repressive Arab regimes and that there is little to choose when it comes to repression as compared to what occurs in some other Arab countries. The Saudis are a key US ally and maintaining the stability of the Saudi government is a core US foreign policy objective. When the Saudis decided to intervene in Bahrain, Western reaction was muted, practically non-existent. There are reports that Saudi army snipers enforcing order against civilian demonstrators in Bahrain were trained for the task by the British forces.<sup>1</sup> The fact that Bahrain is the home-base to the US 5th Fleet and is also a major oil producer, was perhaps instrumental in President Obama completely glossing over, in a speech billed as the defining moment for the US policy in the Middle-East, any reference to the Saudi action to put down with brute force demonstrations for democracy in Bahrain or to make any reference to Saudi internal repression. Similarly, demonstrations in Yemen are usually downplayed as its long time ruler is considered to be pro-West.

Why then is Libya singled out? Why is a regime change being insisted upon, even though this aspect was never part of any UN mandate? The short answer again is – Oil. According to the International Energy Agency (IEA) Libya a member of OPEC has the largest oil reserves in Africa, with an annual production of some 1.69 million barrels/day of oil (crude and natural gas liquids). Of these volumes, nearly 1.49 mb/d are exported. Europe receives over 85 per cent of Libya's crude exports and southern European countries are particularly dependent on Libyan oil. One very noticeable fact is that those Western powers that are most active in opposing the Gaddafi regime, namely the US, the UK and France import only about 0.5 per cent and 8.5 per cent of Libyan oil as compared to their total imports. The inescapable conclusion would be that even if the turmoil in Libya continued for any length of time, economic turbulence in these countries would be minimal. The action initiated by them for regime change is for long term strategic advantages and not for any short term gain. In any case, Saudi Arabia has promised to make up the shortfall, if any, by increasing its own production so as to keep oil prices stable.

Although by any standards Libya is not in the league of major oil producers such as Saudi Arabia, Iraq, UAE or for that matter Russia, yet its reserves of crude oil are about 3 per cent of the world's total. Libyan gas reserves are even more important with large areas of the country still to be surveyed. Nevertheless, Libyan crude is much in demand. Firstly, it is of very high quality with low sulphur content. Secondly, situated far away from the Gulf region, Libyan oil exports are not subject to the vicissitudes of Gulf region politics. With the threat of a confrontation looming between the West/Israel and Iran over the latter's nuclear ambitions; the control of Libyan oil assets becomes a strategic necessity. The Persian Gulf produces about 27 per cent of the world's oil, while holding about 57 per cent of the total world's crude oil reserves. It also holds about 45 per cent of the total world gas reserves. Any confrontation with Iran will of necessity involve a possible disruption of oil exports through the Straits of Hormuz. It is through this area that the bulk of the West's oil imports pass.

The importance of oil in any economy cannot but be stressed. Oil is the engine for economic growth. Oil provides nearly all the energy for transportation, heating for buildings and is the essential feedstock for the plastics, paints, fertiliser and pharmaceutical industries. Oil has a 40 per cent share in the US National Energy budget. Modern warfare depends on oil. Virtually all modern weapon systems rely on oil based fuel, be it tanks, trucks and transportation systems, fighter aircraft or naval vessels. No nation can project power abroad, if it cannot be assured of uninterrupted fuel supplies. It is for this reason that governments go to considerable lengths to secure oil supplies. Conversely, it becomes a viable strategic option if potential adversaries are either denied access to oil production centres or their supply routes be interdicted, if necessary. China, a major importer of Libyan oil, thus has a cause for worry. On the other hand, continued unrest in Libya suits the Russians, for it pushes up the price of oil and its earnings from oil exports would consequently go up.

The Chinese role in the evolving situation in the Arab world has, to say the least, been perplexing. Whilst on the one hand it has gone along with the Western countries in the UN Security Council (China abstained) thereby giving them a free hand in interfering in the internal affairs of Libya, yet it must be rather worried at the turn of events. About 13 per cent of Libya's oil exports head east of Suez mainly to China, accounting for some 3 per cent of the total Chinese crude imports. In addition, as China's thirst for energy increases with an ever growing economy, the bulk of her oil imports are likely to continue to be from the Middle-East. Thus nearly 80 per cent of China's energy imports cross the Malacca Strait on their way to China. It is for this reason that China has started building bridges with the oil rich Central Asian countries so that it can develop overland oil pipelines that are not hostage to the politics of the Middle-East. It would be interesting to watch Chinese reactions to the developments and its attitude to the Arab Spring and whether it will go along with the West or chart an independent course. The choice for China is not an easy one, for it cannot be seen as an ardent supporter of democracy abroad, whilst denying the same to its own people at home. On the other hand, not supporting the 'Arab Spring' is also going against the tide in the Arab world.

Thus as the battle for change and democracy evolves, the calculations of major powers are also likely to undergo subtle change. Much of the Arab world is ruled by hereditary monarchies, long serving military regimes and autocrats. A recent trend has been that even autocracies have become hereditary, as in the case of Syria. There is hardly any functioning democracy anywhere. This is particularly so in oil rich Arab countries. Even where democratic elections are held, the inconvenient winners were soon overthrown or not allowed to assume power due to significant external intervention, as in the case of Hamas or with the connivance of multi-national oil companies, as in the case of Algeria. In most Arab countries there is no tradition of democracy. In the case of Syria, Saudi Arabia and Libya there has never been any such tradition, for they are still largely tribal societies. The battle for votes in a democracy can easily fracture into warring factions based on tribal affiliations. Even if democracy were to be introduced, voting patterns will largely be along tribal groupings. To succeed, the 'Arab Spring' will need substantial outside help to foster democracy. In this respect the role of the multi - national oil companies will be crucial.

In the past the role of multi-national oil companies has not been very helpful. Looking at the situation from their own perspectives, they have tended to favour an autocratic form of government. The 'big five' major oil companies in the world earned a healthy US \$35 billion in profits in the first quarter this year and are very influential when it comes to determining policies of home governments. Democracies can sometimes be very stubborn and inconvenient. For the 'big five' it is much easier to deal with an autocratic ruler, where laws can be enacted, amended or changed at will and without much debate, public knowledge or rancour. A neat 'profit-sharing' arrangement is often negotiated and this has in most cases suited both, the ruler and the multi-national oil companies. Major oil consuming nations, with large economies, too do not wish to see any disruption in the smooth flow of oil. Most countries would prefer a system that ensures price stability. Any convulsions whether for political or other reasons are not contemplated with any relish.

Thus while enthusiasm for ushering in democracy under the auspices of the 'Arab Spring' might remain high, there is little expectation that it will ever succeed in the Arab world. We should never make the mistake of underestimating Western resolve when it comes to their core strategic interests, all else will be set aside. The core western strategic interests in this region are two-fold. Firstly, to ensure that oil producing centres are in 'safe-hands' and that the transportation of oil to western markets continues without any let or hindrance, and secondly to make certain the safety and well-being of Israel. While it may be hazardous to predict the future course of events, the prognosis is that while lip service will continue to be paid to democracy, a new set of autocratic rulers suitably attired as democrats are likely to emerge. Their long term survival in office will, as in the past, depend on how they interact with multi-national oil companies!

**\*Shri RS Kalha** joined Indian Foreign Service in 1965 and retired as a Secretary in the Ministry of External Affairs in 2002. He has also been a Member of the National Human Rights Commission. He has authored a book titled "The Ultimate Prize - Saddam and Oil" that was published in 2008.

Journal of the United Service Institution of India, Vol. CXLI, No. 584, April-June 2011.