

Concerning The Geopolitical Implications of a Post-Oil Technological Stack

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Status: Partial working draft (*Historical Context* section only)

Abstract:

Declining prices for solar energy capture and storage technologies indicate the end of international petrochemical trade value within the next decade. This will usher in a brief period where petrochemicals are economically worthless while still strategically valuable for military purposes. This will lead to controlling interests in states whose revenues are dependant on petrochemical sales to be incentivized to cause regional or global conflict to maintain their sovereignty and quality of life. An extreme possible scenario is the use of nuclear blackmail to extract resources from governments robust to the transition away from petrochemical-based energy production in order to secure funding for states weak to the transition.

Historical Context:

Following the end of the Second World War, the Anglo-American sphere of influence pursued a strategy of incentivizing and forcing international economic interdependence. This strategy is exemplified initially by the Bretton Woods system establishing the United States Dollar as the default reserve currency, and was later continued by the many attempts by the United States and its allies to install and maintain governments amenable to free trade with their sphere of influence¹. While the actual motivations for all of these conflicts are certainly up for debate, the typically stated objective was an attack on communist powers in the name of the inherent benefits of free markets. It must be noted that there were certainly a great number of cynics among the ranks of America and her allies who did not take this justification seriously and simply used it as cover for darker intentions. However, as it was the verbally stated justification that unified the will of the factions attempting regime change, we must assume that it was forthrightly believed by a sufficient coalition to execute these operations in the first place. Without some amount of unironic volition, each individual push towards generalized market integration would never have taken place.

The fundamental stated assumption of the Anglo-American strategy was that market integration would provide economic opportunity as a financial incentive against further armed hostilities. Indeed, one can model the stated social—although hardly the physical—conflict

¹ Among them, Iran through the installation of the Shah Mohammad Reza Pahlevi, the Korean war of 1950 and Vietnam War of 1955, the Iraq War of 1990, and other more debatable or more clandestine examples such as the Bay of Pigs Invasion. I am intentionally not counting the Iraq War of 2003 or Afghan War of 2001 here, as it represents a meaningful departure from previous strategy.

between the Communist states and the Capitalist states during the Cold War as a philosophical debate between the merits of centralized coercion as a tactic of unification, and the merits of decentralized self-interest as a tactic of unification. It is certainly apologetic to describe the American strategy this way. The American state reliably collaborated with hereditary monarchs and other dictators—Syngman Rhee for instance ran a centralized coercive strategy internally to the Korean Peninsula. But, if one zooms out to the geopolitical view where only states with military capacity are relevant to the prevention of a totalizing war, the stated logic of decentralized market driven interdependence stands.

While the Western alliance during the Cold War was certainly dominated by the United States, it was certainly not limited to the United States alone. The establishment of the European Union is a clear example of the same strategy of interdependence being deployed in a contrasting peacetime context lacking US backed intervention. The EU was founded on the explicit claim that its establishment constituted a method of promoting political and economic interdependence to serve as a deterrent to intra-European aggression. The Schumann Declaration of 9 May, 1950 provides perhaps the clearest example text: “Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity. The coming together of the nations of Europe requires the elimination of the age-old opposition of France and Germany.” For those unfamiliar with the history of the treaties that eventually became the European Union, it was the statement of intention by the Alsace-Lorraine born French foreign minister to place West German and French steel and coal production under a single authority, eventually leading to the foundation of the the European Coal and Steel Community. The unification of these industries of military significance paved the initial steps towards the establishment of the European Economic Community, subsequently superseded by the modern European Union.

The modern Russian Federation has also used this strategy of interdependence-entrapment, exporting petrochemical products to various EU States, supplying a total of 30% of EU petrochemical demand in 2017.² Most notably, Russia supplies Germany, which consumed 53.4 bcm of Russian natural gas to in 2017³, Notably, Poland and Lithuania, formerly countries supplied heavily by Russia, are not renewing their contracts with Gazprom.⁴ However, it must be noted that the Russian model is more akin to the mercantilist strategies of the old European empires than the free-trade model of the post-Marshall Plan world.

Regardless of whether or not it is correct, it is widely accepted that the policy of total market penetration was the method by which the global economy entered the 1990s. Indeed, regardless of the cause, we have seen a notable absence of great power wars since the USA/PRC confrontations of the 1950-53 Korean War. However, it appears increasingly unlikely that the same narrative will be able to generate enough hope to maintain similar trends of growth into the 2020s. Enforced interdependence is in practice a method of maintaining an economic positional advantage. If a given power attempts to enforce the need for trade, one also must attempt to enforce the need

² From *EU imports of energy products - Recent Developments*, Statistics Explained, Eurostat. <http://ec.europa.eu/eurostat/statistics-explained/pdfcache/46126.pdf>

³ From Reuters, “Russian gas exports to Europe hits all-time high in 2017”, Jan. 3, 2018.

<https://af.reuters.com/article/africaTech/idAFL8N10Y2I2>

⁴ Ibid.

for local scarcity to drive demand, effectively requiring states participating in this strategy to prohibit independence.

The international movement of capital leads to significant dissatisfaction among outcompeted working classes that cannot migrate as fast as transnational currency. Populist economic nationalist movements driven by members of the dominant ethnic group in a given country have a propensity to emerge in such conditions. The dominant ethnic group has no clear hope for an increase in quality of life under these conditions, and thus develops a reactionary mindset that seeks to preserve present advantages by cutting itself off from the outside world. Disempowered minorities do have the possibility of benefitting from the transnational environment, and as such are almost never the driving force of economic nationalist policies. While it is unlikely that this economic nationalist strategy will work under most geographic conditions, it is certainly popular as of 2018. The most obvious examples of such movements depicted in the English-language press are, of course, Trumpian economic nationalism and Brexit, but equivalents are appearing in entirely culturally and physically heterogeneous environments such as Japan. Regardless of the actual economic conditions of these populations, these fears are sufficient to incentivize action by leading politicians to defect from existent treaties and other agreements that bind states together in a transnational order, at best moving back to a Mercantilist perspective, recalling the policies of the English and Dutch empires, and at worst dissociating from physical reality completely, ignoring resource constraints.

The primary factor that this paper seeks to address is the case of states who are potentially attempting to maintain integration into a global economy, either by pursuing free trade or a mercantilist policy, but whose governance structures are dependent on petrochemical based tax revenues. This naturally excludes the petrochemical giants of the United States, Canada, and the People's Republic of China, all of which have sufficiently diversified economies to withstand the shocks of the solar transition. Among these under-diversified states are most importantly Russia, Venezuela, Saudi Arabia, the United Arab Emirates, and Iran. Notably, Iraq would also be on this list if it were not a de facto U.S. Protectorate when it's not simply an anarchy, but given the strength of the Iraqi military after the Iran-Iraq war and the environmental conditions of Iraq by the 1990s, it is unlikely that the Iraq could serve as a primary destabilizing force in producing a regional war, given the already localized conditions of the Iraq War of 2003-present. Kuwait is also not terribly notable as it is securely in the United States sphere of influence. While not entirely obvious, the UAE's military is a fifth of the size of Saudi Arabia's by personnel, with one-third of the expenditure.

It is not a total defunding of the governments of these states that would lead to the possibility of a war breaking out, only a sufficient decline in the quality of life for its citizens. Such a decline would lead to conditions of public unrest. Such conditions could either directly threaten the ruling class or be exploited by potential rivals of the ruling class in question.

Among the countries mentioned, Venezuela's petrochemical exports account for more than half of GDP and over 98% of total exports.