
Security of oil (and now also, in particular for Europe and perhaps also Asian countries) and gas supplies is now 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 with the sovereign owners of reserves). It is comforting to read that the USA 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 the US import dependence and depletion of the US oil wells is higher than ever before; ‘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 – 1919–45, the USA was substantially self-sufficient in oil; also coal was more important to the USA at that time than it is now. On the world oil market – which essentially is (different from gas) a global market, now there is not only competition with the other industrialized countries (Europe and Japan), but also in particular 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 the US identification with Israel makes the USA and the US oil companies a direct target for the much more vigorous resentment of the West in general and the USA in specific throughout the Middle East, encapsulated most vigorously by Islamic fundamentalism. Nor have the US policies – in or against Iraq and in Iran in particular – shown any capacity to influence these key oil countries in the way the 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 regression 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, the 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 to get the US consumers accept tax-induced high oil (and gas) prices, which is 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 the 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 the 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 the US ‘foreign’ oil policy from the end of World War II (WW II) to the aftermath of the second Gulf war. It focuses on the international dimension of the US oil policy; the economy of study probably requires such a focus, though the interaction of domestic and the US foreign oil policy is (perhaps at present more than ever) 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 USA is one of the largest 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 USA 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 period of the book is 1919–45; 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. The queries I have – eg on the US role with respect to the Energy Charter Treaty (for further details see below), the US opposition against Organization of the Petroleum Exporting Countries (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 to 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 the 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, the US government and the US politicians (most conspicuously the two Bush presidents) with Saudi Arabia where, arguably, much of the 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 that of the USA (arguably, in particular with respect to oil – much larger supply concern), does not show up as a partner and a competitor with the USA. The Energy Charter fiasco, for the USA, may be explained over institutional competition between the USA 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 North-American Free Trade Agreement (NAFTA), ie 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 1970–2005) 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 have 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. The US efforts to secure a steady supply of oil, protect the 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 modelled) and the establishment of the Naval Reserve (itself, with its policy of oil stocks and draw down a model for the International Energy Agency’s (IEA) oil emergency facilities). OPEC’s conservation policies are not that dissimilar from that of the US Conservation Board. Conservation does not seem to be high on the US policy agenda at the moment – either in the domestic or in the 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. The US calls to producing countries to respect the mineral rights of the US investors recall today’s NAFTA disputes where foreign companies have similar complaints over the US regulatory behaviour – and the USA, 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 the US companies’ war-focused concertation efforts. The book is useful for a historical background for the US relationships with sensitive producing countries – eg Iran and Venezuela. The author did evidently not see Bernard Mommer’s 2002 book on Global Oil and the Nation State; Mommer’s study – 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 the US consumers’ voracious appetite with secure and cheap oil. This issue occurs in most large countries’ security of supply policies (and is as characteristic for the EU as it is for the USA). There are aspects of autism: 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 the producer country’s bargaining power is on the ascendant.

Randall tries to conceptualize the relationship between the 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 USA 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 USA, while generally supporting corporate interest, usually has taken a more flexible approach to relations with the governments. It did not take radical steps against foreign governments when a nationalizing policy there did not imperil the flow of petroleum to the USA – a lesson President Chavez of Venezuela might want to ponder. It also tried to temper antagonistic relations of the US companies with the foreign governments and tried to make companies understand some of the constraints and interests of the producing countries. This 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-politicization of such disputes on the intergovernmental level – will survive the next – and in fact just it seems starting – wave of state–investor disputes as the ‘neo-liberal’ model is challenged by neo-statist, neo-nationalist and ethnic emancipation policies in the producing countries.

It is interesting to note that the US officials have always sympathized with an international regime for energy, based on the US priorities – free access to resources, security of investment and free trade. These general principles – embodied in the WW II ‘Atlantic Charter’ and subsequently in the Havana Charter (never legally effective) – have been searching for an institutional home since 1945. Free trade has been institutionally secured by the General Agreement on Tariffs and Trade/World Trade Organization (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 (International Centre for Settlement of Investment Disputes) and the 1986 MIGA (Multilateral Investment Guarantee Agency) Convention of the World Bank. Both trade and investment protection have been secured for the USA, Mexico and Canada by the NAFTA. Trade and investment have also been the main drivers for the Energy Charter Treaty of 1994 (now including more than 50 countries as members), a EU initiative which the USA 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. The US initiatives at one time (p 209) aimed at a 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. Company opposition, opposition to international arrangements of a governmental character frequently underlying the US exit from multilateral solutions and the difficulty of bringing widely divergent interests into one boat have not allowed that initiative

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1 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 (forthcoming, 2008).
to prosper – the most extensive institutional success was Henry Kissinger’s International Energy Agency of 1974; this 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 well describes the 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 the 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 tool-box. This 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 of productive oil and gas acreage 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 the US domestic political opposition against a foreign state oil company with a powerful national security of supply mission: The – thwarted – takeover of the US oil companies by China’s CNOOC (China National Offshore Oil Corporation).

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-globalization 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 the fact is that 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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