

Nov 04, 2016 by [Joshua Kurlantzick](#)

Can Public Diplomacy Counter Resource Nationalism? ^[1]

Earlier this year, Iranian President Mahmoud Ahmadinejad arrived in China -- and quickly made himself at home. The occasion was a meeting of the Shanghai Cooperation Organization (SCO), a regional group linking China, Russia, and Central Asia. During the summit, Ahmadinejad seemed to be everywhere. He posed, arms linked, with Russian and Chinese officials, who said nothing as he called for "impartial and independent experts" to investigate whether the Holocaust happened. He delivered a major address broadcast on Chinese state television. He touted Moscow, Tehran, and Beijing's "identical" views on world issues. And he proposed making "the SCO into a strong and influential economic, political, and trade institution [to] thwart the threat of domineering powers." One can guess which domineering power he had in mind.

Ahmadinejad's Shanghai strategy signals a potentially momentous change in the international system--a change overshadowed by the war on terrorism. In four key regions of the globe-- East Asia, the former Soviet Union, the Middle East, and Latin America--a toxic combination of factors has created a new, fluid alliance of nations that could potentially oppose the United States and other democracies. In the past five years, each of these regions have witnessed rising nationalism and anti-Americanism, the result of greater domestic confidence and clumsy U.S. foreign policy. In all four regions, countries that have flirted with democracy since 1989 have begun to turn their backs on it. And, in all four regions, authoritarian governments have a new weapon, one potentially more powerful than nukes or suicide bombers: oil.

Three of these regions contain major oil exporters, while China, thanks to its powerhouse economy, is now the world's second-largest oil consumer, behind the United States. China's appetite gives these countries an alternative to the United States and other democratic oil-guzzling customers--and thereby holds this loose alliance together.

As Middle East experts Flynt Leverett and Pierre Noel note in a fascinating recent *National Interest* article, with their power, confidence, and common interest in oil, the members of this new alliance probably will ensure that Iran obtains nuclear capacity. And Iran could be only the beginning. This alliance of authoritarian regimes -- Leverett and Noel, along with others like economist Irwin Stelzer, call it an "axis of oil" -- could pose the most serious threat to the United States and its democratic allies since the collapse of the Soviet empire.

Unlike the Soviet Union, however, this axis does not offer a comprehensive ideological alternative to the United States comparable to communism; indeed, many of its member countries have embraced elements of capitalism, while using very different political models. Instead, the world has returned to an earlier system, one reminiscent of the early twentieth century, when ideology was not paramount but new powers like Germany and Japan developed flexible alliances to win resources and to weaken Great Britain, the world's

strongest country at the time. Welcome to a new era of resource nationalism.

Less than a decade ago, most policymakers thought oil's viability as a weapon had gone out with skinny ties and the Electric Light Orchestra. In 1999, when oil prices hovered around \$15 per barrel, The Economist headlined one article, "drowning in oil." Its prediction--that "[t]he world is awash with the stuff, and it is likely to remain so" -- was wrong. Illustration by David Cowles Today, energy industry analysts worry that production won't be able to keep up with growing demand. The International Energy Agency believes global energy demand will grow between 37 and 50 percent by 2030. Already, the inflation-adjusted price of oil has quadrupled in the past five years. And even the fabled Saudi oil reserves are under stress.

The demand for oil -- and gas, too -- is skyrocketing largely because of rising consumption in China and India, which have vast populations only beginning to climb the economic ladder. China alone accounted for 30 percent of the increase in world demand in 2004 and will eventually overtake the United States as the world's biggest oil consumer -- marking a change at the top of the world oil market for the first time in decades.

Increasingly, this oil and gas will be concentrated in the hands of producers from the Middle East, the former Soviet Union, and Latin America--not in democracies like Norway, the United Kingdom, or the United States. The output of the North Sea is believed to have peaked, and America's domestic oil production has been declining for over 20 years. Russia and Iran possess the world's largest natural gas reserves.

Five years ago--before Hu Jintao took over, Vladimir Putin consolidated control, and many of Latin America's leaders came to power--Western nations at least could hope that these oil producers and China, the major oil consumer, were slowly becoming like Norway: stable, pro-American democracies. Only a willfully blind person could say the same today. In China, stunning economic growth since the introduction of market reforms in the early '80s has failed to produce the politically free society that many scholars once foresaw. In Russia, Putin has gutted the Duma, tightened control over the electoral process, and eviscerated Russian non-governmental organizations. Democracy is faltering in Latin America, the Middle East, and many former Soviet republics as well. Despite the color revolutions in Ukraine and Georgia, the past year has been a good one for Central Asian and Caucasian autocrats. The pseudo-authoritarian ruling party in Azerbaijan remains in power after winning a rigged election last year. Kazakhstan's president, Nursultan Nazarbayev, has further tightened his authoritarian grip. Liberalism has also faced recent setbacks in Kyrgyzstan, Uzbekistan, and even Ukraine. In the Middle East, recent glimmers of greater freedom in Egypt and Syria have disappeared. And populist leaders -- some with minimal commitment to democracy -- now run Venezuela, Bolivia, and other Latin American countries.

In some cases, public opinion -- at least as far as we can measure -- seems to tolerate these rulers. According to a 2005 Pew poll, more than 70 percent of Chinese say they are satisfied with conditions in their nation. Putin boasts favorable ratings of over 70 percent in independent polling. In Latin America, many citizens seem disillusioned with liberal democracy. The neoliberal economic model touted by the United States failed to deliver growth in the region during the 1990s, a time when much of Latin America also democratized. As a result, many Latin Americans came to associate both democracy and economic liberalization with rising poverty. It's no surprise, then, that one recent study showed lukewarm support for democracy, with over 50 percent of Latin Americans surveyed agreeing with the statement, "I wouldn't mind if a nondemocratic government came to power if it could solve

economic problems."

Public opinion in these countries doesn't just support autocracy. It also opposes the United States. And since authoritarian leaders have their own reasons to fear the United States -- namely the threat to their rule posed by Washington's democratization push -- they are more than happy to encourage anti-American sentiments and to act on them. The numbers tell the story. A recent Program on International Policy Attitudes (pipa) survey revealed that only 25 percent of Russians think the United States is having a positive impact on the world, while a similar pipa study found that only 22 percent of Chinese have a positive view of the United States. One Zogby International study of Latin Americans found that more than 80 percent dislike how the United States handles international relations. Another Zogby study reported that people in nearly every Arab nation lowered their opinion of the United States between 2002 and 2005.

Much of this is likely attributable to anger surrounding Bush's controversial foreign policy and U.S.-led globalization. But specific geopolitical grievances have also exacerbated these resentments, fostering nationalism and pushing countries to look for relationships that do not involve Washington. Russians fear the expansion of nato and the work of U.S.-funded pro-democracy NGOs in former Soviet republics. "The U.S. has created a circle around Russia," Russian Defense Minister Sergei Ivanov complained to foreign journalists. In China, scholars with close government links told me that Beijing fears that the U.S. presence in Afghanistan -- combined with America's closer ties to Singapore, India, and Japan -- is part of a strategy to ring China with military forces. In Latin America, many people remain angry that Bush, who when first elected vowed to make the region his top priority, has almost completely ignored his southern neighbors. And, in the Middle East, where Iraq dominates the news, one study by Mamoun Fandy of Rice University found that "Arabs seem frightened by the prospect of a unipolar [world] led by the United States."

As public opinion toward the United States has turned sour, China's popularity has shown strength. One pipa poll found that Russians have a broadly positive view of China's economic system, government, and worldwide influence. Meanwhile, Fandy's study showed that Arabs "find in Beijing a counter-weight" to American power.

With oil becoming increasingly valuable, these authoritarian-leaning, anti-American states have taken a mercantilist view of the world. They do not follow the classic mercantilism of the eighteenth century, when nations believed power rested solely on amassing state resources and protecting their economies. China's economy, after all, is open, and Russia seeks to become a full member of the World Trade Organization. But like early-twentieth-century Germany and Japan -- two states that also had embraced liberalism and begun to turn back toward authoritarian rule -- today's autocrats have decided that the state must take control of vital resources like oil and gas, locking them up rather than leaving them to the market.

Putin's plans to develop oil as a state weapon have long been clear. As director of the Federal Security Service (successor to the KGB) in St. Petersburg in the '90s, he authored an article arguing that the state should use natural resources to wield power. Since then, Putin has surrounded himself with former colleagues from St. Petersburg who share his views. In 2004, Putin and friends dismantled oil giant Yukos, a private company, and sold many of its assets to Rosneft, a state company. They boosted the power of state gas firm Gazprom; as Putin bluntly announced, "Gazprom is a powerful political and economic lever of influence over the rest of the world." This week--in a move widely interpreted as an attempt to assert more

control over its resources--Russia revoked an environmental permit for a Royal Dutch Shell oil and gas project off the country's Pacific coast. Russians likely approved: A recent poll revealed strong Russian popular support for energy nationalization.

Other autocrats have followed a similar path. In Venezuela, Hugo Chavez took over the formerly independent Petroleos de Venezuela. Chavez ally Evo Morales has sent the army into Bolivian gas fields and nationalized Bolivia's industry. Ecuador's government has assumed control of U.S. oil company Occidental's holdings. And, in Iran, Ahmadinejad has tightened state control over the oil industry, promising to favor domestic investors and placing close allies -- and former Revolutionary Guards -- in key positions.

Today, these state oil companies sit atop unrivaled fortunes--a trend that, until recently, few policymakers seemed to notice. As The Wall Street Journal recently reported, "Ninety percent of the world's untapped conventional oil reserves are in the hands of governments or state-owned oil companies, far more than was the case several decades ago." Last year, Iran earned \$45 billion in oil profits, the biggest take-home since 1974. Russia's gross domestic product has grown from some \$200 billion in 1999 to nearly \$1 trillion today. Venezuela has posted some of the highest economic growth rates in the world--over 9 percent in 2005.

So autocratic nations, with China increasingly as their main consumer, now have a potent weapon to wield against the West for the first time since the fall of the Soviet Union. Sure, North Korea has missiles and, probably, nuclear weapons; but it is unclear if its missiles can even reach Alaska. Al Qaeda can manage vicious attacks all over the world; but it cannot truly harm developed economies, as the rebound from September 11 and the London bombings showed. China, by itself, could eventually become a true military powerhouse; but, currently, its military is at least 20 years from posing such a threat. Working together, however, this axis of autocrats can hamstring the world economy and, by extension, the United States and its democratic allies. And they have set about doing exactly that.

Over the past five years -- as American policymakers focused on the war on terrorism -- these countries have begun to feel one another out. At first, many autocratic leaders were drawn to China, the major oil consumer. The Saudi royal family's anger with America's war on Islamic radicalism pushed Riyadh toward Beijing. King Abdullah became the first Saudi ruler to visit the Chinese capital, and the Saudis recently allowed Hu Jintao to address the shura council, the royal circle, a privilege Bush has never been granted. Other Arab oil producers, from Algeria to Syria, also started reaching out to China. Venezuela and China have made similar moves, as Chavez pushed for a closer partnership and China has supported Venezuela's bid for a U.N. Security Council seat.

Some of these embraces, to be fair, may be only short-term marriages of convenience. For instance, Russia fears that closer ties with China will lead to an influx of cheap Chinese goods, while Chinese officials worry about the instability of Chavez and Ahmadinejad. Moreover, for China, Saudi Arabia, and Venezuela, trade with the United States still dwarfs trade with fellow autocrats; and the United States remains, for now, the biggest consumer in the world oil market.

Still, in the last two years, the axis has begun to solidify. The autocrats are building more lasting relationships, and, while many first developed ties to China, they are now crafting bilateral ties to one another as well. For example, Venezuela has begun cultivating a close diplomatic and commercial relationship with Iran, which has pledged to invest \$9 billion in

Venezuela in return. The autocrats are also collaborating to control natural resources. According to the Financial Times, Chavez enlisted Iranian advisers to help him figure out how to ship more oil to China. Learning from his Venezuelan mentor, Morales of Bolivia took one of his first state trips to Beijing, where he invited China to access his state's resources. Meanwhile, Moscow recently inked a new deal to provide China with billions of dollars in gas, even as it refused to negotiate gas deals with many Western nations. And Tehran's mullahs have persuaded Beijing to develop a \$100 billion oilfield in Iran. Already, Iran supplies some 14 percent of China's oil.

Now, with a vast new market in China, the petroleum producers can consider reducing deliveries to the West, a far greater weapon today than during the 1970s oil embargo, when oil producers did not have an alternative consumer. Chavez has threatened to cut off all oil shipments to the United States and recently cut off supplies to some Citgo gas stations here. (Venezuela owns Citgo.) As energy scholars Gal Luft and Anne Korin note, Saudi officials also have begun speaking openly about cutting off oil to the United States -- presumably if America's image in the Muslim world declines so much that Riyadh cannot afford an alliance with Washington. Russia has gone further, using its resources to punish enemies that lean toward the West. This winter, state-controlled Gazprom temporarily cut off gas supplies to pro-Western Ukraine. Russia also cut off gas supplies to Moldova, and explosions in Russian pipelines to Georgia shut down gas deliveries to that nation, a close U.S. friend. (Though Moscow blamed the explosions on sabotage, the Georgian president claimed it was a deliberate Russian ploy.) With these moves, Moscow reminded Europe how dependent it is on Russia, which will supply nearly two-thirds of the continent's gas in the future.

Of course, reorienting oil infrastructure to export to China takes time -- at least five to ten years, according to most petroleum experts. But, if that happens, the results could be disastrous for the United States. A disturbing recent study by the Government Accountability Office provided a sign of the dangers to the U.S. economy. The study examined the impact of a potential Venezuelan oil embargo on exports to the United States. It found that an embargo could add \$11 to the global price of a barrel of oil and shave up to \$23 billion off America's gross domestic product. It also admitted that the U.S. government has few options to handle a long-term shut-off of Venezuelan oil. And Venezuela is only the world's eighth-largest exporter of crude -- a minnow in the global gas and oil market compared with Russia or Iran.

To make matters worse, the axis has also worked to prevent the construction of pipelines that the United States covets. Putin seems to have convinced Kazakh leaders not to back any transport routes that avoid Russia. He has pushed for a gas pipeline under the Baltic Sea that bypasses Ukraine and Poland--two democracies that have poor relations with Moscow. Beijing, meanwhile, has sought to convince Central Asian nations to ship their oil and gas through new pipelines heading east to China.

Moving beyond initial trade and diplomatic ties, the autocrats have built military relationships, too. Russia and China held their largest joint military exercises last year, showing how two armed forces that once detested each other have put aside past mistrust. Russia has become China's biggest arms supplier, and Moscow also has made winning back its military influence in Central Asia a priority, regaining basing rights in countries like Tajikistan. For his part, Chavez has reportedly offered to sell Tehran F-16 fighters, while Russia has provided the mullahs with civilian nuclear technology. In addition, China, Russia, and other Central Asian nations are considering turning the SCO into a full-fledged alliance, which would make it one of Asia's premier security groups. SCO is the "most dangerous organization that Americans

have never heard of," argues Christopher Brown, a Central Asia expert. Or, as David Wall of Cambridge's East Asia Institute told The Washington Times, if the Shanghai group added Iran, "it would essentially be an opec with bombs."

For the United States and its allies, the consequences of these military relationships are ominous. Protected by their new arrangements with Russian forces, Central Asian nations can think twice about allowing the United States to use their valuable bases. Uzbekistan has already evicted U.S. troops, while Kyrgyzstan has demanded vast increases in the rent paid by the Pentagon for bases. Venezuela's growing military strength has apparently allowed it to menace neighboring Colombia, a crucial U.S. ally, by providing support to the Revolutionary Armed Forces of Colombia, a terrorist group that has hijacked planes, murdered American missionaries, and assassinated Colombian ministers.

In July, Israel felt the effects of these growing military links firsthand. Steaming back to Haifa, an Israeli ship was blasted apart by a Hezbollah missile. When rescue crews reached the boat, they found a floating, flaming wreck -- and two dead sailors. Even the sophisticated Israeli military appeared taken by surprise. The missile was powerful and accurate, a far cry from Hezbollah's normally scattershot katyusha rockets. When IDF commanders learned more about the weapon, though, they might not have been so shocked: It was an Iranian radar-guided C-802 cruise missile, a version of the Silkworm, an anti-ship missile sold to Tehran by Beijing.

Iran's defiance of the international community over its nuclear program has provided the best early test of the alliance's intentions. After Ahmadinejad became president in August 2005, he promised an "irreversible" path toward nuclear enrichment. Europe and the United States stepped up efforts to make Iran suspend its enrichment program, building a dossier of Iran's clandestine nuclear efforts to present at the International Atomic Energy Agency (iaea). In February, the iaea found Iran noncompliant and voted to report Tehran to the U.N. Security Council. Russia and China won Iran more time at Turtle Bay, then refused to join U.N. statements calling for sanctions. This summer, the United States and Europe offered Iran another chance, suggesting new economic incentives if Iran halts its nuclear activities. Tehran responded slyly, with a government spokesman telling reporters that the incentives were just a starting point for negotiations. He could afford to be sly. Less than a week after Russia suggested, in July, it might be open to future sanctions against Iran, Putin backpedaled, announcing, "To talk of sanctions is premature."

These machinations provide a window into the future. On Iran, North Korea, and many other issues, the U.N. Security Council now faces a long-term divide among its five permanent members. Russia and China increasingly may vote together to block U.S., British, and French action against oil and gas producers (like Sudan and Burma), or simply to stop action against fellow authoritarian states (like Belarus and North Korea) even if those countries do not possess petroleum.

What's more, in this coming era of resource nationalism, democratization and human rights could well go out the window. Russia, China, Iran, and other autocracies are not only forestalling democracy at home but increasingly preventing democracy abroad, whether by helping prop up the Uzbek regime, refusing to support tough action against the Burmese junta, or backing anti-democratic leaders in nations like Belarus and Armenia.

Moreover, to combat this axis, the Bush administration has had to reach out to some odious

leaders, badly compromising its stated commitment to democratization. After delivering a speech earlier this year in which he -- rightly -- blasted Putin for destroying democracy, Dick Cheney jetted off to Kazakhstan, a country whose oil production could triple by 2015 and where the United States wants to build a pipeline that would bypass Russia. Soon after, the administration made plans to have Kazakh leader Nursultan Nazarbayev visit the White House and the Bush family compound in Maine, though the State Department calls Nazarbayev's human rights record "poor." (The Kazakh government made substantial oil and gas promises to China and Russia anyway.) Shortly before Cheney's visit to the Kazakh steppes, Bush hosted another autocrat, Ilham Aliyev, president of Azerbaijan. Aliyev, who inherited the job from his father, had been refused a formal Washington visit for two years after allegedly rigging the 2003 presidential election. But, recently, Aliyev was welcomed to the United States with open arms; Azerbaijan is, like Kazakhstan, crucial to pipelines skirting Russia. Then there is Teodoro Obiang Nguema Mbasogo, the brutal longtime dictator of Equatorial Guinea, which can claim the third-highest oil exports in sub-Saharan Africa. Earlier this year, Obiang was treated to a private Washington audience with Secretary of State Condoleezza Rice, who lavished praise on Equatorial Guinea's big man. "You are a good friend," Rice gushed.

The White House does not seem to have a coherent strategy for handling the axis of oil and autocracy. Such a strategy would require several parts. First, the United States needs to use public diplomacy to undermine the legitimacy of autocratic regimes. Cheney, at least, seemed to grasp this when he denounced Russia's growing authoritarianism. But such rhetoric cannot be accompanied by a shift away from democratization in other parts of the world, such as Kazakhstan or even Equatorial Guinea. For now, backing leaders like Obiang may deliver oil to the United States, but America's long-term interests rely on its ability to woo foreign publics. To do so, U.S. values must be consistent. As studies by Julia Sweig of the Council on Foreign Relations show, when average people around the world perceive the United States as helping them achieve a free, rights-oriented system, America's appeal soars.

Yet, while taking a consistently hard line with autocratic regimes, the United States and other major oil consumers must make one strategic exception to this rule: They must engage with China in a bid to split it off from its oil-producing allies. Though a dictatorship, China is not an unreasonable, unmovable regime, and it clearly fears being at the mercy of unstable governments like Venezuela in the future. Bush or his successor should push China to create a kind of "consumers' cartel" that would cooperate to pressure big producers like Saudi Arabia into reducing oil prices.

Perhaps most importantly, the administration needs to have a coherent plan for achieving energy independence. Despite Bush's declaration that the United States is "addicted to oil," Republicans last year offered oil and other fuel companies some \$11 billion in tax breaks-- funds that will only encourage them to drill more rather than focus on alternative energies. Worse, the White House has refused to force U.S. car-makers to produce more efficient cars.

If the United States and other major democracies do not implement some version of this strategy, things could get much worse. As nations hold tighter to their oil and gas, they will also think more about how they can defend these crucial assets. According to China scholars David Zweig and Bi Jianhai, Beijing has started to consider a new naval strategy in which it would try to control sea lanes, construct a blue-water navy, and build chains of military bases around Asia. In April, two leading Chinese academics suggested, in a much-noted article, that

Beijing now might fight a war to secure its energy.

Other militaries already have begun to respond. In April, the United States created its first war game that fought an alliance of China, Iran, and Venezuela. Beijing and Tokyo both want to exploit the oil and gas resources in the East China Sea, which has already led to near-clashes. After Japan began drilling for gas in disputed waters last year, Chinese state media warned that conflict was "inevitable." Five Chinese warships, some armed with missiles, then appeared at a Chinese drilling platform in the sea near where Japan had staked its claim. According to Japan, the Chinese ships targeted a Japanese reconnaissance aircraft hovering overhead before choosing not to shoot it down. Tokyo did not back off; it fortified its claims in the sea and threatened military force against future Chinese actions. This "could lead to the kind of vicious cycle that descends into military conflict," leading Japanese politician Keizo Takemi warned in *The Economist*.

Sound familiar? In the 1930s and early '40s, the last age of resource nationalism, Japan had turned its back on previous liberal reforms and moved toward fascism. Its powerful economy was short on oil, gas, rubber, and other commodities. Insecure about British and U.S. alliances in Asia, Tokyo justified its invasions of the Dutch East Indies and other parts of Asia by claiming the West was preventing it from accessing supposedly free markets for resources. Japan also inked a loose alliance with Germany -- which itself invaded Russia partly to gain Soviet oil -- that ultimately became much more substantial. By August 1941, the United States had declared an oil embargo on Japan, heightening the tension over resources. In October 1941, Japan's leaders decided on total war if the embargo was not removed within a month. You know the rest.

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