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Shifting World Power and the Future

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I was in The Economist building in London when the planes struck. Sadly, but symbolically, the damage was done by explosions caused by vast quantities of petroleum.

Power is shifting. Over the next few decades, the balance of influence in the world is going to move away from the Western nations towards those in the Middle East. The reason is simple: our half of the world is running out of petroleum. It is important, for our own safety, that the western nations respond by weaning themselves off what is currently an astonishing dependence on imported oil.

Terrorism is about power. It is only in the short run, however, that power grows out of the barrel of a gun. In the long run, it comes from another kind of barrel – one that holds 159 litres of black liquid gold. Modern society turns on oil. And you can have the best army, navy and airforce in the world, but they are worthless without fuel to put in the tanks, aircraft carriers and jets.

Post September 11, there are three things to be understood.

First, the world was going into recession anyway. Second, oil money is central to the terrorism we have witnessed, its causes, and the repercussions yet to come. Third, most of the world's oil lies beneath the lands of the Middle East, and western civilization has not faced up to that harsh fact.

Even before the twin towers fell, a global downturn was arriving. Years from now, it will no doubt be forgotten, and the terrorism viewed as the trigger, but in fact Friday September 7 had already seen the largest monthly rise in US unemployment since the recession at the start of the 1990s. The dice of recession were already cast.

Oil is the Earth's largest source of energy, has a virtual monopoly in transport, and is a necessary ingredient in the plastics and chemicals and fertilizers that shape our lives. If you are reading this in a warm office, wearing normal modern clothes, listening to the traffic passing outside, while drinking coffee out of a plastic cup, say a quiet thank-you to oil.

In the infertile land of the Middle East, money stems predominantly from the sale of petroleum. Though Bin Laden's cash was reputedly made in construction, that was a highly profitable industry as a result of the region's oil wealth. Moreover, the reason that such diplomatic caution is necessary in how the West tackles the terrorism again revolves around oil -- small numbers of influential countries control all of the world's future petroleum supply and we need to keep some on our side.

Which country, today, is the single most important for the future of the world?
The answer is not the United States.

The country's population is only 20 million. Its GDP per capita is about half that of Switzerland's. It is not a parliamentary democracy, and women have almost no say in how the country is run. In 1970, expected length of life in this country was only 50, but today is nearly equal to that of Sweden, whose citizens currently have the longest life-span in the world.

The answer is Saudi Arabia. It is the fulcrum around which the world economy and Western society will gyrate, whether upwards for better or downwards for worse. It has extraordinary strategic significance.

Saudi Arabia lies above an ocean of petroleum. It has proven oil reserves of approximately 260 billion barrels, which is nearly double the next-largest source in the world. Saudi Arabia currently supplies approximately 10 % of the world's total oil consumption, and, more crucially, has easily the biggest ratio of petroleum exports to own-use. Compare that to the United States, which is the thirstiest petroleum consumer on Earth -- soaking up nearly 20 million barrels a day out of the 75 million barrels consumed by our entire planet. Once upon a time, the US was the biggest producer of oil. Yet today its land can muster an output of only 6 million barrels a day. Relative to the huge demand by Americans for petroleum, opening up Alaska will make no difference. American oil is running out. That is perilous for peace.

Even if the United States becomes better at conserving energy and switches to more efficient automobiles -- currently a remarkable one seventh of global oil consumption goes to the right feet of American drivers -- all of us who live in the industrialized West have a headache to come. Middle Eastern oil is needed just to keep western society in business. This is not just a US problem, but rather a threat for all industrial countries that do not have their own oil. If you are British or Norwegian, you can read this with an only fractionally less-furrowed brow. Any world conflict over oil will quickly draw in the citizens of those two nations.

Assuming unchanged global consumption, OPEC's reserves are due to run out in 80 years. Yet since 1960 the world has tripled its oil consumption. If that happens again over the next few decades, oil will be roughly exhausted, barring enormous luck in new discovery, before the middle of the twenty-first century.

The West's dependence on oil is too dangerous to be tolerated. Saudi Arabia will have oil when every other country has run out. Iraq, with proven reserves of about 110 billion barrels, will run dry second-from-last. If you do not find this worrying, you do not understand your grandchildren's future.

World's Largest Proven Oil Reserves

Saudi Arabia 263 billion barrels

Iraq 112 bb

United Arab Emirates 98 bb

Kuwait 96 bb

Iran 90 bb

Other Nations' Proven Oil Reserves

Venezuela 73 bb

Russia 49 bb

Libya 29 bb

Mexico 28 bb

China 24 bb

Nigeria 23 bb

USA 22 bb

Norway 11 bb

Brazil 7 bb

Oman 6 bb

United Kingdom 5 bb

Indonesia 5 bb

Canada 5 bb

Source: US Dept of Energy Estimates. See www.eia.doe.gov.

Note: These numbers do not tell us the actual remaining reserves of petroleum around the globe. New oil fields in the world will be discovered; measurement conventions differ across countries. Hence, in practice, these numbers will prove a severe underestimate. The so-called 'ultimate' reserve numbers are probably closer to 2000 billion barrels for the world, including 350 billion barrels for Saudi Arabia, and 300 billion barrels for the United States. However, US oil is long past its output peak, so in that country it is becoming increasingly expensive to retrieve the oil. The broad nature of the uneven distribution shown here across the world is unlikely to alter, and the chance of major complete-surprise discoveries in North America now appears negligible.