Interpretation in Foreign Energy Policy

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Competing Frameworks, Hybrid Logics: The Role of Interpretation in Foreign Energy Policy

A state's foreign energy policy aims to assure energy security, yet definitions of energy security are rooted in the interpretations of energy resources themselves. In this sense, the interpretation of energy resources is the foundation of a given energy policy's political logic, shaping both foreign energy policy at the state level and international energy relations at the international level.

Though the ultimate goal of states' energy policy, energy security has no agreed-upon definition. Different geographical, political, and economic factors shape a state's outlook, with the most notable divide occurring between energy importers (who desire security of supply at low prices) and exporters (who desire security of demand at maximum profit). This paper will focus on importing states' interpretations of energy resources, for whom energy security has two fundamental functions: ensuring sufficient supply levels to meet core needs, and then smooth delivery from producer to consumer.[1] Just how the state intends to achieve these dual functions depends on how the energy resources themselves are perceived.

Energy resources are ambivalent goods, always containing both strategic and commercial dimensions: while commercial commodities traded on the market, they are at the same time of foundational importance to states' economies and military capabilities (as German and Japanese energy shortages in World War II demonstrate).[2]

Whether the commercial or strategic dimension takes priority provides the basis of a nation's energy policy: in defining the nature of the object to be secured, interpretation of energy resources frames both the problem of 'energy security' and its solution, which further dictates the tools which may be used to attain desired ends. Different interpretations of energy resources will yield very different foreign energy policy frameworks, determining the referent object, environment/frame of analysis, and perception of actors (and expectations for their strategies). This, in turn, produces divergent objectives, strategy, and tactics: in other words, divergent political logics.

While all states must incorporate a blend of political logics into their foreign energy policies (as described later in further detail), the 'ideal types' can be classified into strategic logic, stemming from an interpretation of energy as a strategic good, and commercial logic, which stems from an interpretation of energy as a commercial good.

Defined as "a good of military or quasi-military value,"[3] a strategic good demands a strategic political logic, with the state as referent object of energy security. Given energy's crucial role in the functioning of a national economy, the securitization of energy as a strategic good is founded in the securitization of a state's economy. In what Klare calls the 'econocentric approach', national security is portrayed as dependent upon 'successful engagement in the global economy." [4] With economic strength as both the basis of military strength and societal wellbeing, economics becomes, as in the Clinton administration, the "central defining element of [a] national security policy," [5] reframed as a 'national security interest to be defended with the use of force."[6] The military value of energy resources is thus established, with the solution framed as a matter of physical possession or claim to the resources in question. The state, meanwhile, views itself as the appropriate agent to secure these resources for its population, adopting a biopolitical role as nurturer of its economy: a shortage of energy becomes an existential threat to the economic organism.

With this mission in mind, strategic logic frames energy security as a competitive, zero-sum game for finite resources. Though markets are taken into account, the political context in which they are embedded dominates calculations: markets are seen as dependent upon underlying political dynamics, with energy a 'powerful tool in the political and economic relations among countries'[7] rather than an independent commodity freely traded. The agency of actors/market participants, therefore, matters, under the assumption that each state will be pursuing its own particular self-interests as both a market participant and a political actor.

This zero-sum political logic shapes the objectives, strategy, and tactics of a state's foreign energy policy. With the objective of physically securing energy resources for its economy, consumer states seek to eliminate supply disruptions through the strategies of prevention, deterrence, and containment. Given the securitization outlined above, tactics will often include the mobilization of force. Prevention may be achieved through protectionist policies to shield national supplies and transport routes, operating through state companies, non-transparent bilateral contracts and strategic alliances, and controlling 'zones of influence' to physically protect assets or trade routes[8] (often through stabilization operations in producer countries). Deterrence tactics, meanwhile, include zones of influence (in this case through political, economic, or military means), the redirection of defense systems towards energy interests, the clear role of energy resources in a national security strategy, and power projection—making clear one's ability to engage in unilateral political and economic sanctions is hoped to be sufficient to deter producers who would engage in supply disruptions for political or economic gain. If a supply disruption does occur, strategic logic hopes to contain its impact through diversifying supply sources and types, stand-by contacts, storage, energy system flexibility, and energy saving.[9] These standby contracts—emergency supply schemes—are particularly illustrative of strategic logic, as they depend upon strategic/political rather than commercial/market alliances.

Strategic logic is typically employed by states that anticipate structural undersupply: in a prisoner's dilemma framework, they perceive it is in their interests to 'defect' (actively pursue self-interest) rather than 'cooperate' (rely on the market). China's ongoing development, for instance, has led to a spike in demand for energy resources—it is expected to quadruple its energy imports by 2030.[10] Furthermore, there is a national perception that interstate competition for resources will become 'an increasing trend."[11] As energy security is perceived as crucial for both economic health and survival of the regime, the CCP's foreign energy policy is rooted in the interpretation of energy resources as strategic goods, and takes active measures to secure them. While Beijing participates in international commodity markets, it does not fully trust them; instead, it hedges against supply and price disruptions through strategic alliances (prevention) and military protection of supply routes (deterrence).

For instance, China purses direct bilateral deals (often government-to-government) with producer countries, aggressively expanding into Africa, Central Asia, and other producers not controlled by the United States. Instead of purchasing the oil on the global market at market prices, it "increasingly enters into negotiations with oil-rich states over the price of a set amount of oil, or over the rates to explore for, extract and directly repatriate reserves."[12] That China did not even have diplomatic relations with many of these countries until the early 1990s[13]–the same time it became an importer—reflects the strategic imperative in place.

Economic and political dimensions bolster these strategic alliances. A two-way trade between Africa and China, for instance, increased from less than $1 billion in 2000 to $110 billion in 2011.[14] Meanwhile, China began opposing UN Security Council Sanctions on Iran shortly after Iran agreed to supply China with a stake in the Yadavaran oil field and 25 years of LNG supply for $100 billion[15]. It further turns a 'blind eye' to its allies' human rights violations, as its relationship with Sudan shows.[16]

Military protection of supply routes, meanwhile, (especially the Malacca Straits, through which 80% of Chinese oil imports must pass[17]), is accomplished through the aggressive expansion of its navy (deterrence). Further hedging takes place through diversification in overland oil sources in Central Asia[18] (containment). While China does make concessions to commercial logic through its cooperation with the OECD and IEA regime, its foreign energy policy's objective, tactics, and strategy are shaped by Beijing's interpretation of energy resources as strategic rather than commercial goods.

An interpretation of energy resources as commercial goods, on the other hand, cultivates a commercial political logic.

The market becomes the referent object, with energy security a matter of efficient transactions within a smoothly functioning global market. On a national level, the economy remains abstracted as a separate dimension of management. Rather than deploying military force to secure resources, the state adopts the role of architect-facilitating capital flows through creation of desired market conditions.

With the market as referent object, energy security is framed in terms of market logic: there is a trust in market forces' ability to produce equilibrium of supply and demand, dependent upon the mobilization of capital rather than force. The market becomes abstracted from its political context, as do the actors: all states are presumed to be rational actor units driven by profit, with the interests of producers and consumers compatible (e.g. smoothly functioning markets) rather than conflicting.

This market logic creates its own distinct set of objectives, strategies, and tactics. With the objective of ensuring the smooth functioning of global markets, the market logic's strategy focuses primarily on prevention of supply disruptions through the creation of a cooperative political and economic environment. Rather than mobilization of force, tactics favor the creation of interdependencies between states and the mobilization of capital to ensure political and economic cooperation. States aim to prevent disruptions through the creation of interdependencies between rational actors, multilateral governance structures, and the opening up of trade and investment to the market as a whole. Global institutions are expected to create a level playing field by coordinating global action, with global challenges met through the pooling of expertise. In place of military power to actively protect assets and trade routes, foreign direct investment is seen as the key to developing production and transportation.

This perception of energy resources as commercial goods typically rests on the belief that the 'market mechanism' will maximize economic benefit (e.g. greater efficiency and lower costs) by encouraging competition[19]. Though liberalization reforms and deregulation gained traction in the US and EU during the 1990s when oil prices were stable, market liberalization continues to be advocated as the key to supply security even with increased international demand and politicization of markets.

Although the EU relies on imports for over half of its supply, its foreign energy policy has been guided by the logic of market liberalization over twenty years. Competition, in particular, is recommended as a means of keeping prices low.[20] In addition to liberalization of its internal energy market, which aims to increase interconnection and availability of resources between member states, its external energy relations are characterized by the strategy of 'preventing' disruptions through energy diplomacy and multilateral energy agreements.

The Energy Charter Treaty (ECT) is the most notable of the EU's multilateral efforts. Establishing a framework for cross-border cooperation (especially in trade, transit, and investment), it has been signed or acceded by fifty-one countries and the European Union since it was first signed in 1991. Further policy efforts to create interdependencies, particularly in the aftermath of the Russian-Ukrainian gas disputes, reflect the EU's commercial logic: a 2006 European Council and Commission report proposes the EU extend its energy market to include neighbors "within a common regulatory area." This regulatory area would encompass shared trade, transit, and environmental rules, with "reciprocity in market opening" and respect for market norms.[21] The 2006 Green Paper on energy security further urged "an intensified dialogue with major energy producers," along with "other energy consuming countries and advocates for cooperation and consultation in multilateral forums, such as the UN, the G8, and the IEA."[22] Its energy diplomacy efforts in producer countries such as Russia and Turkey, meanwhile, aim to open up access to markets and liberalize investment conditions.

However, as described later in further detail, the commercial logic has its limits in the international sphere. The EU has had to adapt accordingly, especially as "state-controlled companies in resource-rich countries have replaced Western international private companies as the owners of the shrinking supply of energy resources",[23] with over 90% of the world's oil reserves now in the hands of national governments.[24] A EU green paper on security of supply, for instance, recognizes that its import dependence requires an improvement of economic relations with key producer countries[25] rather than rely on market forces alone.

At the international level, there will always be tension between the commercial approach, which aims for cooperation

and interdependency, and the strategic approach, which aims for pursuit of self-interest and exclusivity. However, the presence of competing logics means each state must always incorporate the alternative logic into its own calculations. Given strategic reflexivity, commercial logic's cooperation is only successful if all actors abide by the rules, while strategic logic's pessimism (and subsequent 'defection') tends to become a self-fulfilling prophecy. Furthermore, the need for legitimacy on the international stage encourages states to adapt their foreign energy policies in accordance with international norms, as overly aggressive resource acquisitions (say, a military intervention blatantly for control of a given resource) may provoke tensions. The presence of competing logics has also led to duality within the international energy system: it contains markets that are both liberalized and regulated/monopolized, and prices that are both 'market-rate' and regulated/subsidized.[26]

In response to these competing interpretations of energy resources, hybrid logics have emerged. A hybrid logic develops when a state adapts its own interpretation to the competing logic, utilizing the alternative's strategy and tactics to attain its own logic's ends. The United States, for instance, appears to be using strategic strategy and tactics for commercial logic objectives. In both West Africa and the Middle East, it has repeatedly used force to 'stabilize' key energy producers, both preventing and deterring supply threats. However, rather than seeking exclusive claims to the resources in question, the United States has sought to integrate the producer countries into the global economy, opening up the resources to transnational investment. For example, although the US has taken great pains to expand its strategic presence in West Africa through the 2007 establishment of AFRICOM, foreign direct investment has been global: US, Dutch, French, Italian, Chinese, Danish, and Norwegian companies are all found in Nigeria and Angola alone[27]. So long as these companies release their oil onto world markets, they are perceived to "contribute as much to US energy security as do the activities of US companies themselves"[28] Here, military force serves markets.

Different interpretations of energy resources are thus the foundations of different political logics. At the state level, they shape the framework for foreign energy policy through determination of objectives, strategy, and tactics. At the international level, the presence of competing logics compels each state to adapt its own interpretation to the alternative logic. These hybrid logics increasingly guide international energy relations, producing both duality in markets and a paradoxical policy environment whereby states are both interdependent teammates and competitors.

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[1] Klare, 2008, p. 485.

[2] Orttung and Perovic, 2012

[3] Brito, 1966, p. 17.

[4] Klare, 2002, p. 8.

[5] Ibid.

[6] Peters, 2004, p. 204.

[7] Orttung, p. 211

[8] Lesage, 2010, p. 5.

[9] Correlje and Van der Linde, 2006, p. 540.

[10] Raphael and Stokes, 2011, p. 912.

[11] Howell, 2009.

[12] Raphael and Stokes, 2011, p. 913.

[13] Ibid.

[14] ibid.

[15] Howell, 2009.

[16] Victor and Yueh, 2010, p. 61.

[17] Howell, 2009.

[18] Ibid.

[19] Koyama, 2013.

[20] Westphal, 2006, p. 47.

[21] McGowan, 2008, p. 97.

[22] Westphal, 2006, p. 57.

[23] Orttung and Perovic, 2012.

[24] Howell, 2009.

[25] Van der Linde, 2004.

[26] Lesage, 2010, p. 5

[27] Raphael and Stokes, 2011, p. 917.

[28] Ibid.

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