

# BY DESTABILISING REGIONS THAT SUPPLY OIL AND GAS, US IS KEEPING RISING ASIA OFF-BALANCE

Relevant for: International Relations | Topic: India - Middle East

© 2019 The Indian Express Ltd.  
All Rights Reserved

The writer is Distinguished Fellow, Institute for Defence Studies and Analysis, New Delhi.

The geography, politics, security and stability of West Asia over the past century have always been about oil. Nations were created, regimes were changed and wars have been waged in the name of oil. From the First World War till the Second Gulf War, it was about Western powers securing access to oil. Over the past decade, with the US becoming self-reliant on the energy front, the focus of US policy has shifted to retaining control over the sources of supply, and not just ensuring its supply. This is by now a commonplace observation. But it is an observation that merits repetition. Renewed tension in the Persian Gulf is not about over-powering Iran-sponsored terrorism. It is about securing control over Iran-produced oil.

Structural changes in the market for energy have, in particular, reduced US dependence on imported oil and, in general, Western dependence on hydrocarbons. While the trans-Atlantic nations, especially the US, no longer depend on Gulf oil, Asian economies, including China, Japan, South Korea and India, depend critically on Gulf oil. India's dependence on imported oil has risen sharply over the past decade, and now exceeds 90 per cent of its domestic consumption. By destabilising regions of the world that supply oil and gas, the US is throwing sand into the engine of Asian economic growth, keeping Rising Asia off-balance.

Consider the fact that US hostility towards Venezuela and Iran is having the effect of imposing constraints on the supply side at a time the market for oil was shifting from being a sellers' market into becoming a buyers' market. Decline in oil consumption and the increased use of renewables had begun to ease demand pressures, but geopolitics has intervened to once again destabilise the market. The countries most hurt are India, China and several developing countries.

Having reinforced US influence within the Arab Sunni world, the US has been seeking to secure control of the Shia Islamic world — including Iraq, Syria and Iran. Saudi Arabia, the United Arab Emirates, Iraq, Iran and Kuwait are the major oil exporting nations that increasingly sell their oil to Asian economies, including China, India, Japan, Korea and the [ASEAN](#) economies. Regime change in Venezuela is also impacting the supply of oil.

That President Trump seeks the geo-economic containment of China is no secret. In an influential treatise, *The Rise of China vs The Logic of Strategy* (2012), Harvard scholar Edward Luttwak made the point convincingly that the only way the US could deal with a rising China would be through its geo-economic containment, applying “the logic of strategy in the grammar of commerce”, by restricting Chinese exports into (US) markets, denying raw materials to China insofar as possible, and stopping whatever technology transfers China would still need for the future. Luttwak suggested that US policy goal ought to be to slow down China's economic growth so as to ensure adverse domestic economic and political consequences that would exert pressure on China's leadership to act more in accordance with Western interests.

Many countries, including India, may appreciate Trump's trade policy action against China

because they have all been saddled with a persistent imbalance in their trade with China. However, bringing energy into play will not be acceptable to most economies, especially those like India that are now excessively dependent on imported Gulf oil. Nor, indeed, can India afford to support any policy of containment against China that would also end up hurting India.

That the military threat to Iran could in fact be part of such a geo-economic containment is a point that another Harvard scholar has more recently made. William R Polk, a professor of history at the universities of Harvard and Chicago, views Iran as “the missing pillar in an American policy of imperium in imperio toward China. One way or another — threat, surrender, regime change or war — Trump believes that Iran must be brought into line.” The “Trump Doctrine”, suggests Polk, is that the US should be able to dictate the pace of Chinese economic growth by controlling the price and supply of oil.

The use of access to energy as a neo-imperialist tool in a strategy of restraining the rise of emerging economies is an argument that has long been made even in the discourse on climate change. The former chief economic advisor to the government of India, Arvind Subramanian, had dubbed it “carbon imperialism” — the strategy of denying access to coal and other hydrocarbons in the name of climate change and thereby, hurting developing country growth prospects.

Be it hydrocarbons or nuclear, any denial of access to new sources of energy or any increase in the cost of energy can only hurt India’s growth prospects as much as it would hurt China. India could suffer collateral damage as a consequence of US policy of the geo-economic containment of China. Indian diplomacy will, therefore, have to ensure that economic actions being taken by the US aimed at hurting China do not end up hurting India also. Hence, India has a stake in ensuring peace and stability in the Persian Gulf.

Sure, India can diversify its sourcing of oil and reduce its dependence on Iranian oil, as it has done before, but the problem of rising cost will remain. The destabilisation of the Persian Gulf will impact prices even before it impacts supply. That is already happening. If President Trump is insensitive to India’s concerns, New Delhi will have to seriously rethink its foreign policy options since sustaining high economic growth with low inflation is a fundamental developmental priority and a key strategic objective.

Turmoil in Persian Gulf will hurt India’s economy. Delhi must rethink policy options if US ignores its concerns.

*This article first appeared in the print edition on May 18, 2019 under the title ‘Gulf crisis, India’s stakes’. The writer is Distinguished Fellow, Institute for Defence Studies and Analysis, New Delhi.*

Download the Indian Express apps for iPhone, iPad or Android

© 2019 The Indian Express Ltd. All Rights Reserved

**END**

Downloaded from [crackIAS.com](http://crackIAS.com)

© **Zuccess App** by crackIAS.com