

The United States and Latin American Oil

A Case Study in Normative International Economic Policy

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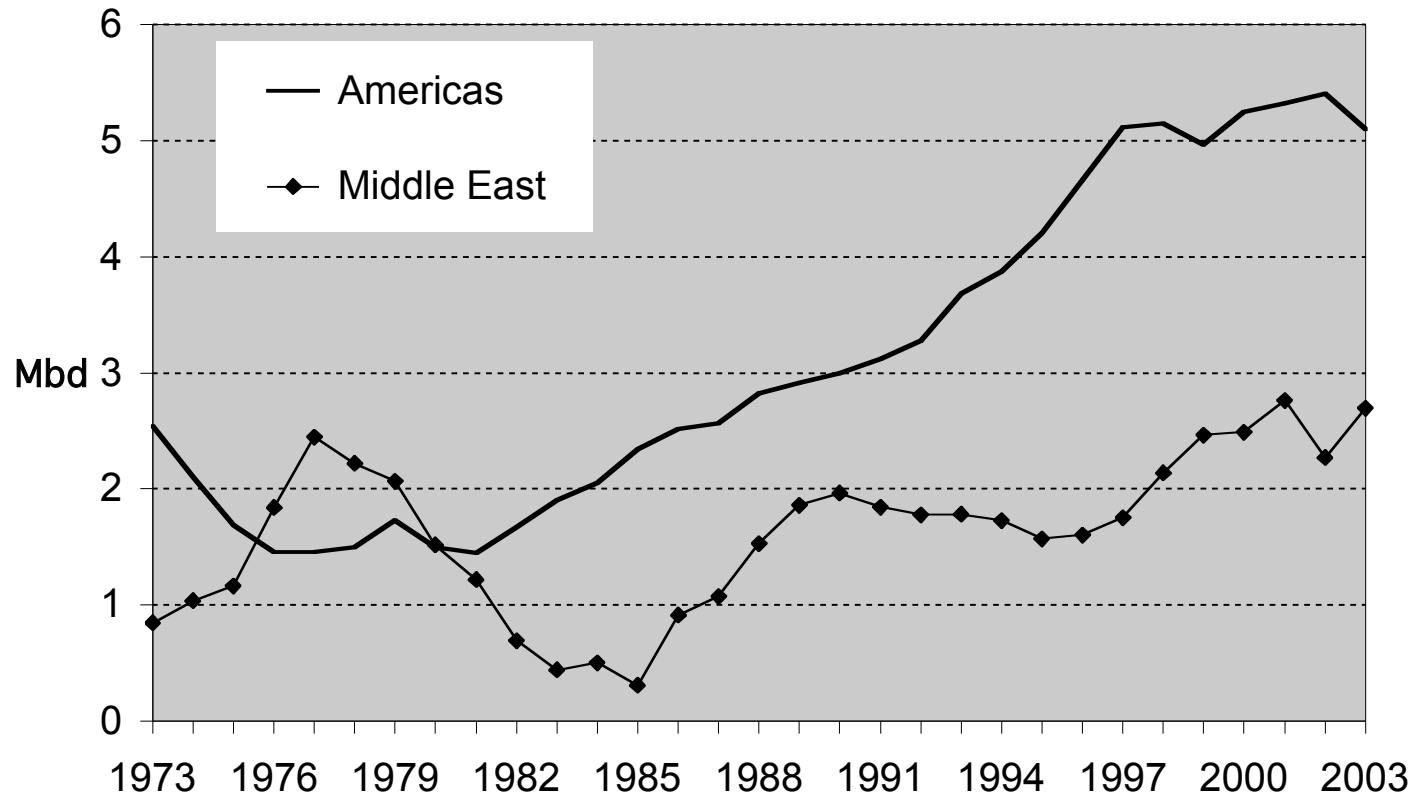
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- What is at stake for the United States?
- The US international energy policy: principles
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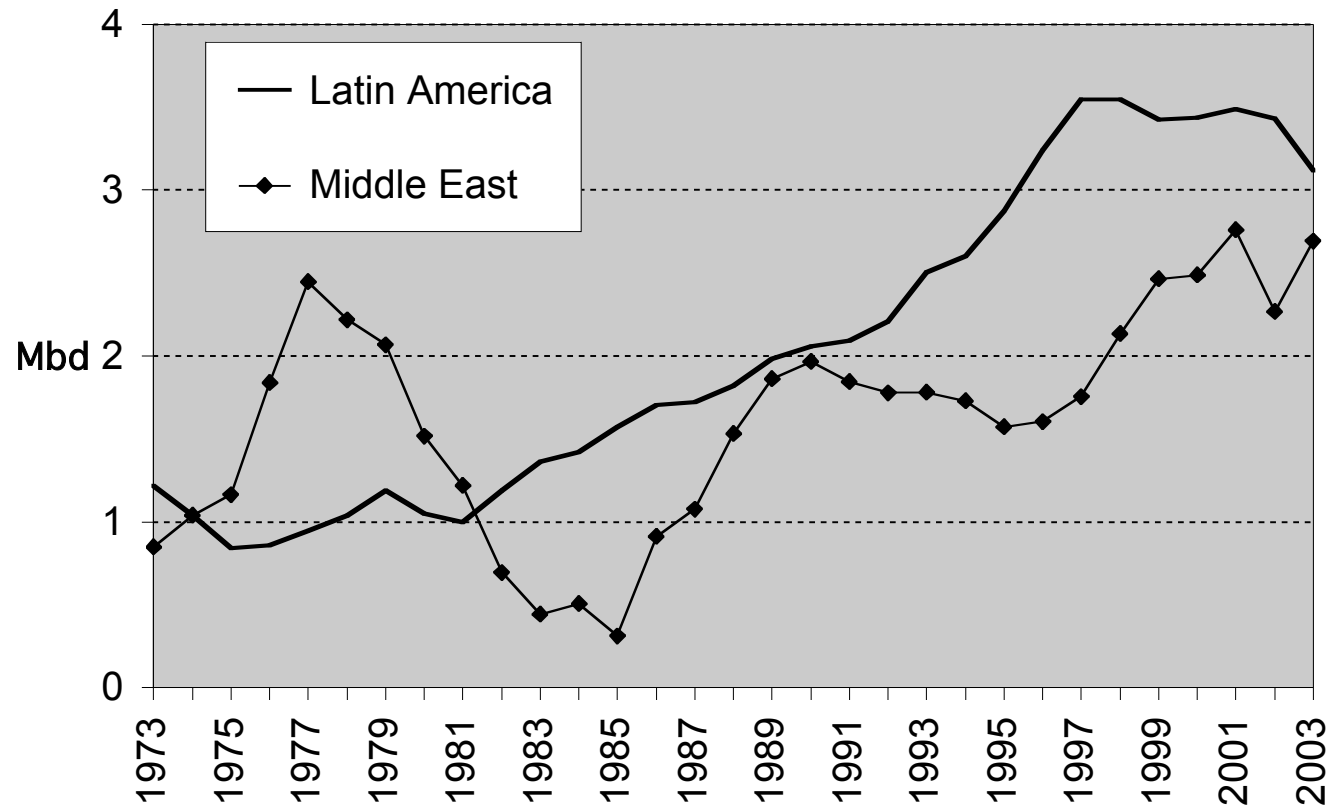
The US imports twice as more oil from the “Western Hemisphere” than from the Middle East



Source: DOE/EIA, AER Historical Database; DOE/EIA, MER Sept. 03

Note: 2003 data estimated

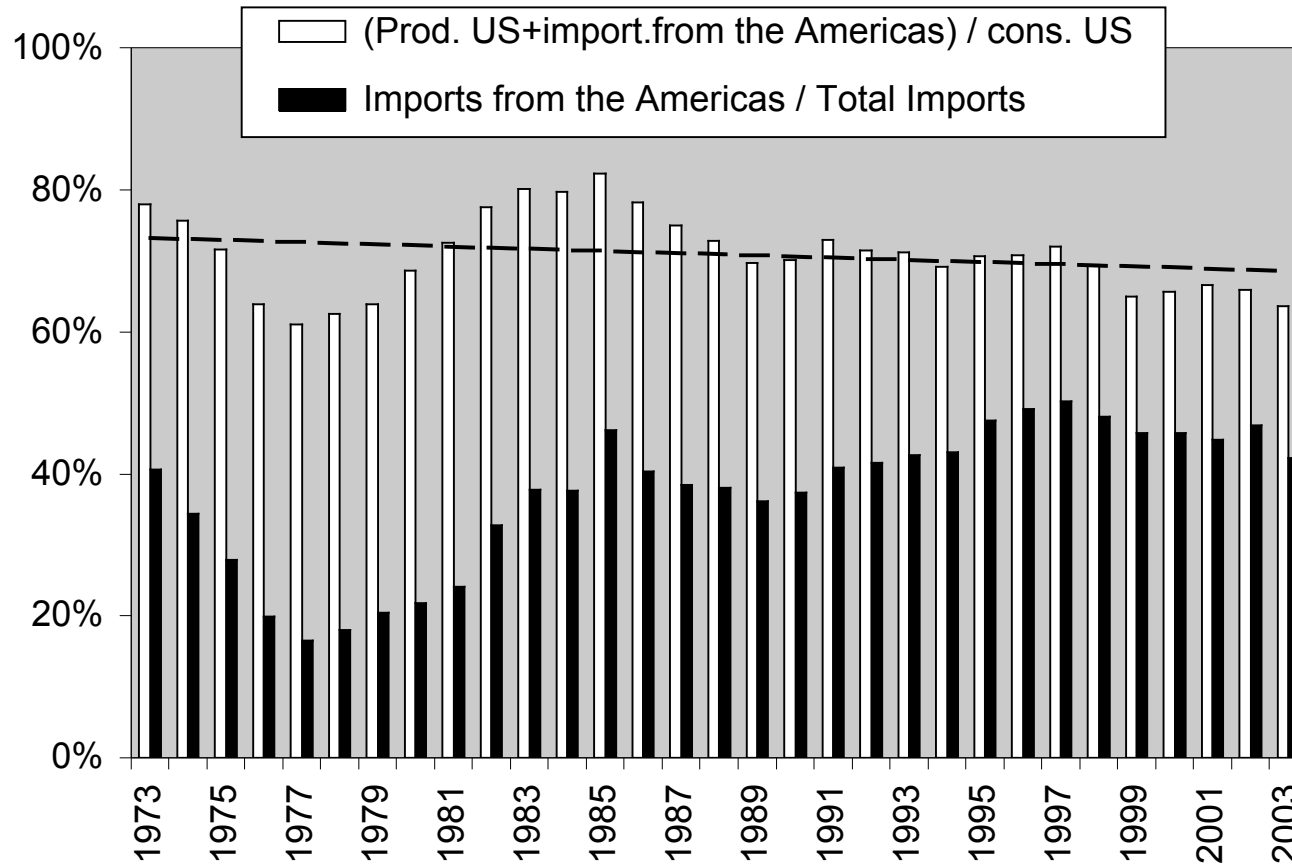
The Competition between Latin America and the Middle East for the US Oil Market



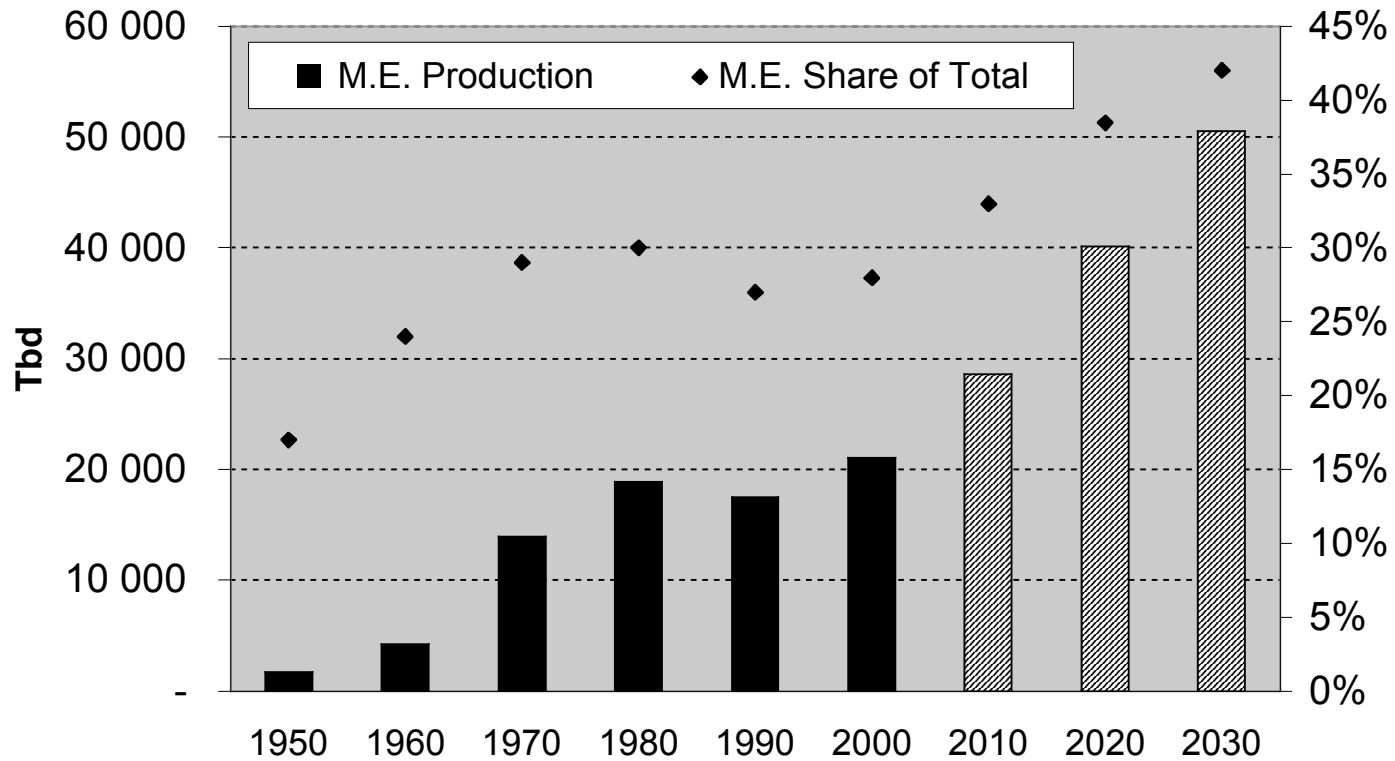
Source: DOE/EIA, AER Historical Database; DOE/EIA, MER Sept. 03

Note: 2003 estimated

Despite declining US production, “regionalization” of the US oil supply is more or less maintained

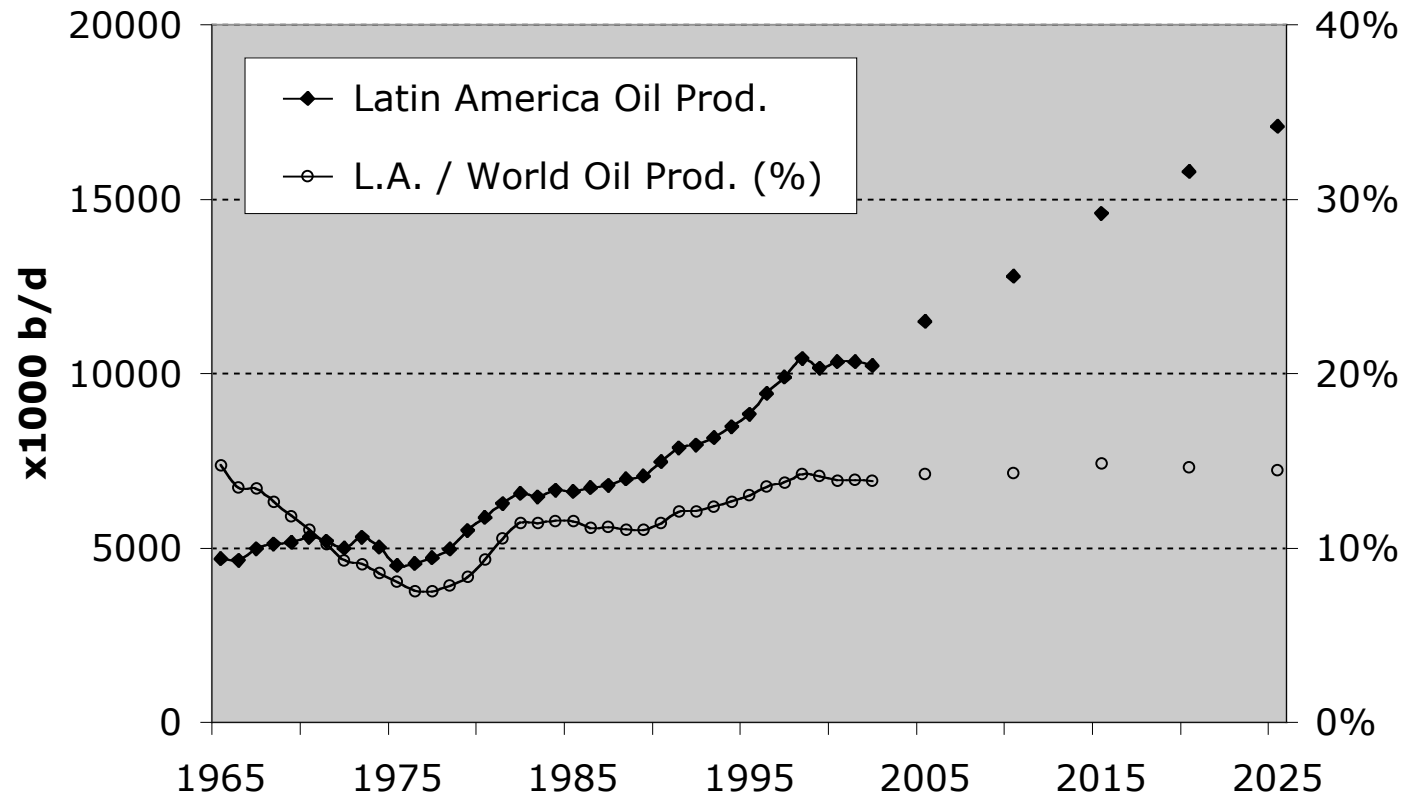


The “containment” of the Middle East would not be sustainable; World oil supply concentration would rise



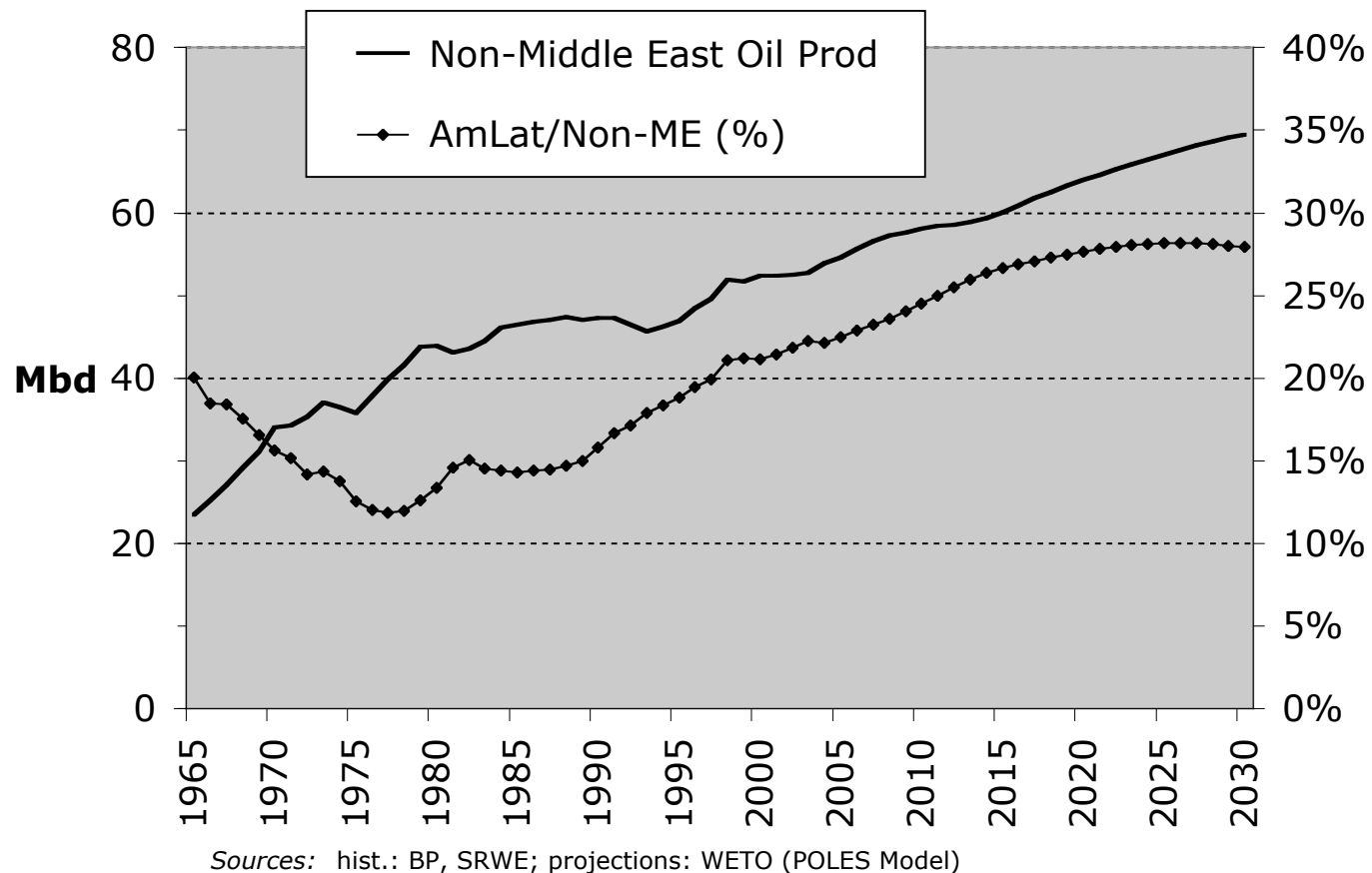
Sources: history: API, BP; projections: WETO (POLES Model)

Latin American oil production would reach 17 Mbd by 2025, keeping a 15% market share



Sources: history: BP SRWE 2003; projection: EIA IEO 2003 (reference case)

Latin America has been a key contributor to the growth in non-Middle East oil supply—and should remain so



The US International Energy Policy

- Securing world energy markets: SPR; military forces in the Middle East; relationship with Saudi Arabia
- Building and extending world energy markets, or: *“Making the world safe for energy investment”*.
Normative aspect
- No special status for Latin America on principles, but...

The 1990s: *“Making Latin America Safe for Energy Investment”*

- NAFTA Chapter 11
- Bilateral investment treaties with the US: Argentina, Bolivia, Equator
- Dozens of BITs between LA countries and “capital exporting” countries
- Numerous BITs between LA countries
- Mercosur investment protocols

International investment treaties signed by LA countries in the 1990s

<i>States</i>	ICSID Convention	BITs signed since 1990	Colonia & Buenos Aires Protocols
Argentina	1994	47	1994
Bolivia	1995	19	-
Brazil	-	11	1994
Chile	1991	36	-
Colombia	1997	4	-
Equator	1986	17	-
Peru	1993	25	-
Venezuela	1995	21	-

Sources: ICSID (World Bank); UNCTAD; OAS; US Dpt of State

A dense network of modern bilateral investment treaties relevant for energy investment

Argentina	Bolivia	Brazil	Chile	Colombia	Equator	Peru	Venezuela
Allemagne	Allemagne	Allemagne	Allemagne	Espagne	Allemagne	Allemagne	Allemagne
Australie	Argentine	Finlande	Australie	Roy.-Uni	Argentine	Argentine	Argentine
Belg./Lux.	Chine	France	Belg./Lux.		Canada	Australie	Brésil
Canada	Espagne	Italie	Brésil		Chine	Chine	Canada
Chine	États-Unis	Roy.-Uni	Chine		Espagne	Espagne	Espagne
Espagne	France	Venezuela	Espagne		États-Unis	Finlande	Italie
États-Unis	Italie		Finlande		France	France	Pays-Bas
Finlande	Pays-Bas		France		Roy.-Uni	Italie	Roy.-Uni
France	Roy.-Uni		Italie		Russie	Norvège	
Indonésie			Norvège		Venezuela	Pays-Bas	
Italie			Roy.-Uni			Roy.-Uni	
Pays-Bas			Venezuela			Venezuela	
Roy.-Uni							
Venezuela							

How Effective Really is the Normative Policy?

- Powerful normative impact on the treatment of foreign investment (*Sovereignty at Bay?*)
- But no treaty is in itself a driver of policy change
- Even the most demanding treaties cannot fix political/governance issues (*ex. of Bolivia*)

A Policy in Crisis?

- No change in Washington's "vision", clearly reaffirmed by the NEP 2001 and numerous speeches by administration's officials
- But a clear change in foreign policy priorities after 9/11/2001
- International economic policy *and* Latin America are victims of the "war on terrorism"

The other face of the crisis

- A certain Mr. Chavez...
- Political troubles in Colombia, Bolivia, uncertainty in Equator
- Lack of consensus re: energy reforms in most countries of the region
- Still macroeconomic uncertainties

*Most of these problems are beyond
Washington's reach*