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AN INTERNATIONAL PERSPECTIVE ON ENERGY

Rex J. Zedalis*

There are two pieces of statistical information that clearly suggest an answer to the question, "Why look at energy from an international trade and business perspective?" One piece of information has to do with the portion of annual Btu consumption attributed to the use of foreign energy products; the other with the part played by energy in total world trade in all non-energy and energy products.

As for Btus, the world can really be divided into three groups: the developed world, the resource-rich developing world, and the resource-poor developing world. The largest consumption obviously occurs in the developed world. In fact, approximately 170-180 quadrillion Btus were consumed in 1991 by the Organization for Economic Cooperation and Development (OECD) countries.¹ This represents about one-half of the total world consumption which ran in the neighborhood of 350 quads.² Focusing on the Big Three—oil, natural gas, and coal—close to twenty

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1. See ENERGY INFO. ADMIN., INTERNATIONAL ENERGY OUTLOOK 1991, at 15, fig. 7 (June 1991) [hereinafter OUTLOOK 1991]; see also *id.* at 31, tbl. 7. OECD countries include North America, Europe, Japan, Australia, and New Zealand.

2. *Id.* at 15, fig. 7; at 31, tbl. 7.

percent of the OECD's total Btu consumption came from imported energy resources.³ The major one, as you might imagine, given the wide dispersal of coal around the globe, and the fact natural gas tends to be used largely within the producing nation, happens to have been oil. Total world oil consumption in 1990 hovered in the 65-67 million barrels per day (mbpd) range,⁴ with about 37 mbpd being used by the OECD,⁵ just under one-third of that amount coming from importations.⁶ By the end of this century, projections suggest that figure may rise fractionally to around thirty-six to thirty-seven percent.⁷ As for the United States, the twenty percent foreign dependency factor of the OECD is replicated. In 1990, we consumed approximately 81 quadrillion Btus,⁸ with roughly 19 quads coming from imported energy sources, oil predominating.⁹

With regard to that other piece of statistical information—the part played by energy products in total world trade of all goods—it appears energy is indeed an important and integral component. The most recent trade statistics reported by the United Nations show the flow of goods

3. This represents a rough figure based on extrapolations from the following pieces of information:

(1.) Oil consumption was 37 mbpd \times 365 days = 13.5 billion barrels per year (bbpy) \times 5.8 million Btus per barrel, *see* ENERGY INFO. ADMIN., MONTHLY ENERGY REV. 136, tbl. A3 (Nov. 1991), = 78.3 quads. Total OECD consumption of 37 mbpd was reduced by 26 mbpd production, *see* OUTLOOK 1991, *supra* note 1, at 12, tbl. 2. Thus imports equalled 11 mbpd or \times 365 days = 40 bbpy \times 5.8 million Btus per barrel = 23-24 quads.

(2.) Coal consumption totalled roughly 1.8 billion short tons, *see* OUTLOOK 1991, *supra* note 1, at 33, tbl. 9, \times roughly 22 million Btus per short ton, MONTHLY ENERGY REV., *supra*, at 138-39, tbls. A7-8, = roughly 40 quadrillion Btus. Total OECD coal consumption was matched by roughly equivalent production (certainly true for 1987 totals in North America, Europe, Japan, Australia, and New Zealand), *see* ENERGY INFO. ADMIN., INTERNATIONAL ENERGY OUTLOOK 1989, at 57, tbl. C4 (1989) [hereinafter OUTLOOK 1989].

(3.) Natural gas consumption was 35 trillion cubic feet (Tcf), *see* OUTLOOK 1991, *supra* note 1, at 17, fig. 10, \times roughly 1,000 Btus per cubic foot, MONTHLY ENERGY REV., *supra*, at 137, tbl. A5, = 35 quadrillion Btus. The 35 Tcf of gas was reduced by production of roughly 28 Tcf, *see* OUTLOOK 1989, *supra*, at 56, tbl. C3 (North America, Western Europe, Japan, Australia, and New Zealand 1987 production), = roughly 7 Tcf of imports or 7 quads of Btus from imports. Thus, with natural gas imports equalling 7 quads, and oil equalling 23-24 quads, total quads attributed to imports equalled about 31 quads or slightly less than 20% of the 170-80 quads consumed.

4. *See* OUTLOOK 1991, *supra* note 1, at 14, tbl. 4.

5. MONTHLY ENERGY REV., *supra* note 3, at 127, tbl. 10.2 (37.534 mbpd in 1990).

6. This figure was arrived at by subtracting total production, 26.8 mbpd, *see* OUTLOOK 1991, *supra* note 1, at 12, tbl. 2, from total consumption. Admittedly there is some slippage here, since the difference between these two will not always exactly equal imports, due to stocks and exports. The same can be said about the figures appearing in *supra* note 3.

7. *Id.* (year 2000 basic projection at 26.8 mbpd production); *see id.* at 14, tbl. 4 (year 2000 base projection at 41.9 mbpd consumption).

8. MONTHLY ENERGY REV., *supra* note 3, at 3, tbl. 1.2 (81,370 quads in 1990).

9. *Id.* (18,995 quads from imports). For the first eight months of 1991, 54,219 quads were consumed, with 12,161 quads of that consumption coming from imports. *Id.*

between the members of the world community running at a level of approximately \$2.9 trillion for 1988.¹⁰ Of that, trade in energy resources totalled \$.3 trillion, or in the area of ten percent.¹¹ The only sector of the international trading economy with a larger share was manufactured goods, coming in at around \$1.4 trillion.¹²

While the figures of twenty percent foreign energy dependency within the OECD and ten percent of total world trade being based on flows of energy resources suggest the relevancy of considering energy from an international trade and business perspective, it is clear that policy makers in Washington, Riyadh, Brussels, Caracas, and Tokyo find it difficult to cast off the habiliments of parochial nationalism and look at trade and business in energy and other commodities through a wider lens. Undoubtedly because of pressures from self-centered constituencies seeking the advancement of their own narrow interests (pressures, I might add, that often seem to me to have been fanned for reelection or support purposes by the very political figures who must endure them), we struggle on in a somewhat haphazard way that seldom has, in the bright forefront of the mind, a vision for advancing the common good in a global sense. In a post-Cold War world, one would think that all of us—leaders and common-folk alike—would begin to break away from myopic patterns of thought that impede the development of what the philosopher Mortimer Adler described fifty years ago at the University of Chicago Law School as “the community of the world.”¹³ Yet talk of protectionism, whether through national action or regional trading blocs, as well as talk of protectionism’s close cousins, self-sufficiency and economic independence, resonates in trading circles. The members of the European Economic Community insisted at the Uruguay Round of the Multilateral Trade Negotiations on maintaining the protection of the Community’s comparatively disadvantaged agricultural producers.¹⁴

10. UNITED NATIONS, 1988 INTERNATIONAL TRADE STATISTICS YEARBOOK 1002, Special tbl.: B (\$2,829,095,000,000,000).

11. *Id.* at 1038 (\$266,845,000,000,000).

12. INTERNATIONAL MONETARY FUND, INTERNATIONAL FINANCIAL STATISTICS YEARBOOK 1991, 221, tbl. A.18 (1991) (machinery & transportation and other manufactured totalled \$1.4 trillion). By way of contrast with energy, total trade in food and agricultural raw materials, areas of the trading economy that remain very controversial, ran at \$.2 trillion and \$.1 trillion dollars, respectively.

13. See Mortimer J. Adler, *War and the Rule of Law* in WAR AND THE LAW 178, 198 (Ernst W. Puttkamer ed., 1944).

14. See EC Commissioner Andriessen *Downplays Consequences of Possible GATT Failure*, 9 INT’L TRADE REP. (BNA) 159 (Jan. 22, 1992).

The Japanese in discussions with American counterparts insisted on insulating the traditional rice farmers of that island nation against competition from abroad.¹⁵ The Americans insisted on a national energy plan that will accord us the kind of foreign policy flexibility that is incident to energy independence.¹⁶ The OPEC ministers insisted on getting every cent the market will bear for their finite resource in order to advance ambitions of national development and autonomy.¹⁷ Everyone wants to go his or her own way without owing up to either the hand nature has dealt them or, of even greater significance, the constraints that living on one planet, in association with others, necessarily forces us to accept.

In this vein, let me offer for your consideration a possibility that is completely out of line with mainstream thought, one that is sure to be characterized as naive and incredulous. The possibility is that we should temper notions of national self-sufficiency and economic independence in all areas of the international economy. When one surveys the history of world economic development over the past 150 years, it is clear that following the internal integration of the economies of the nation-states in the eighteenth and early nineteenth centuries, two great periods of development have been separated by a period of stagnation and decline. The first of the periods of development paralleled the advances in transportation and mass production that stimulated international trade until World War I. The second of the periods of development, and the one we are still in, began following World War II. The inter-war years, exemplified by the Great Depression, economic nationalism, and protectionism, witnessed the stagnation and decline.¹⁸ Perhaps it is with interdependence, and not independence, that a "better standard of living" resides. And that should not strike any of us as odd. After all, whether one thinks about a family, a city, a state, a nation, or a global community, the quality of life is raised much higher by cooperative allocations of tasks to those equipped by nature or disposition to most efficiently perform them,

15. See *Rice Import Barriers Will Stay*, 9 INT'L TRADE REP. (BNA) 4 (Jan. 1, 1992).

16. Since former President Nixon's "Project Independence," a series of proposals have been advanced to deal with the matter of foreign dependence. The motivation always seems to have been either the goal of foreign policy flexibility or the securing of a more acceptable crude oil price for domestic producers. See, e.g., Jim Myers, *Tax Breaks Introduced for Oil, Gas Industry*, TULSA WORLD, Feb. 8, 1992, at B5 (import oil fee to prevent per barrel price from falling below \$25 floor).

17. See, e.g., Youssef M. Ibrahim, *OPEC Meets, Already in Agreement on Cutbacks*, N.Y. TIMES, Feb. 13, 1992, at D6 (positions taken by Venezuela's and Algeria's ministers at the February 1992 OPEC meeting).

18. See WILLIAM ASHWORTH, *A SHORT HISTORY OF THE INTERNATIONAL ECONOMY SINCE 1850*, 191-303 (3d ed. 1975).

than by insistence that everyone must do everything by themselves. Notice that I said it is the "quality" of life that is raised much higher. Efficiencies of advantage contribute to raising the quality from a material standpoint. Cooperative allocations add the even more valuable component of raising it from the inter-personal/inter-nation standpoint.

To my humble way of seeing, this is the real challenge, not only of energy viewed from an international trade and business perspective, but of all international economic development. Is it better to continue to entertain ambitions of independence and persist in efforts that are inwardly focused? Or should we evince less apprehension about foreign dependence and move forward to forge the new world order based on a principled consideration of the interests of all? Is it better to accede to nationalist sentiment for self sufficiency and face once again the potential threat of world-wide stagnation and decline? Or should we become globally engaged and endeavor to understand how the true individual good is inextricably linked to the good of the family of nations? I entertain no illusions about the difficulty of getting to the changed perspective just intimated. But I suspect that in the end such a change is inevitable and will be to the greater advantage of all of us.

Each of the papers presented in conjunction with this symposium reflects a sensitivity to the growing awareness of an international perspective on energy. Though there may be variations regarding the level of emphasis of that theme, the contributions add momentum to the ever increasing entreaty to shift to a vantage providing a more panoramic view of this clearly important subject. As a unit, I know you will find the papers incredibly informative, and I trust you will find them provoking you to rethink the scope of your own perspective on energy law.

