Discussion 11: The Interconnection of Energy Policy in the Western Hemisphere

Western Hemisphere
- Really important for energy security for the US
- Top 3 exporters to US
  - Canada
  - Mexico
  - Venezuela

Canada
- Oil from Tar Sands
  - Makes sense economically when prices are really high
- What are the implications for politics based on the oil distribution in Canada?
  - Power has historically been in the east, but as the oil and gas are in the west, there has been a large push by people in the west for more regionalization/decentralization of the government so that all of their money is not going east
- Canada is the ideal supplier for the United States
  - Safe transportation
  - Stable government
  - Close

Mexico
- First to nationalize (late 1930s)
  - As a result, the majors really cracked down on them
- Become a larger player in the 1970s when the US became worried about supply diversity as a response to high prices, and thus turned back to Mexico for oil
- Pemex
  - Not a happy story
  - Corruption
  - Inefficiency
  - Production capacity problems
  - Government interference
    - Used as a political tool for most of it’s history
  - Hard for Pemex to invest into the future because the government has historically taken all of the revenue generated to invest into other things
    - As a result, infrastructure has not been maintained, and various other problems have arisen

Venezuela
- 50/50 deal with private oil companies in the 1940s
- Nationalization in the 1970s
- Hugo Chavez comes to power in 1998
  - Latin American populism, and anti-imperial sentiment, and pseudo-nationalism
  - Uses oil sector as a political tool to help out constituents and gain influence in the international playing filed
- Recent news
  - Venezuela is probably going to be nationalizing all of its up- and down-stream oil production
• How much oil does Venezuela have?
  o Substantial holdings
  o Potentially the second largest holdings of oil in the world
• Other countries that have also been involved with Venezuela
  o Bolivia
    • Recent election to a leftist leader
  o Ecuador
  o Iran
  o Russia
  o China
  o India

Brazil
• Petrobras
  o National oil company
  o Better business process
  o Less government interaction/involvement
• International ties
  o China
  o India
  o United States
  o Nigeria (kind of)

Growing role of Latin America in US energy policy
• Good
  o Closer
  o Relatively stable
• Bad
  o China’s growing influence
  o US’s sphere of influence could decline if oil companies get stronger
• What has the economic trajectory for Latin America been recently
  o Lots of currency issues in the region
  o Have been very insularly until the late 1970s, which falls apart in the mid 1980s
  o Neo-liberalism
    • Less protectionist trade policies
    • Privatization
  o Now, there seems to be a backlash against neo-liberalism in Latin America
  o Oil is very much bound to the national discussions on the respective economies