Why the Kyoto Mechanism Fails Again ?

(After Shock, the Day after Durban Summit – Asia-Pacific: Geopolitics, Technology and Hydrocarbon Status Quo)

Over a year-long reporting on the unrest in the Arab world implies one important conclusion which is beyond the ongoing regional struggle for democracy: It is about the globally important technological, even more about a crucial geopolitical breakthrough – an escape from the logics of the hydrocarbon status quo.

"No one governs innocently" – noted de Beauvoir in her 1947's *The Ethics of Ambiguity…* After a lot of hot air, the disillusioning epilogue of the popular McFB[1] revolt is more firearms and less confidence residing in the MENA region, and a higher (moral, economic and political) carbon energy price everywhere else. As if the confrontational nostalgia, perpetuated by the intense competition over finite resources, in lieu of a real, far-reaching policy-making has prevailed again. Caught in the middle of its indigenous incapability and the global blind obedience to the fossil-carbon addictions, and yet enveloped in just another trauma, the Arab world and the wider Middle East theatre remains a hostage of mega geopolitical and geoeconomic chess-board drama. However, all what looks now as over-determined was not necessarily pre-determined in its beginnings...

Hydrocarbon Status Quo: Petrodollars and petro-security

The US has a lasting geoeconomic interest in the Gulf, which is inevitably coupled to its security interests of a rather extensive agenda. As is well known, oil is the most traded commodity in the world– roughly 12% of overall global trade. By far the largest portion of internationally traded crude originates from the Gulf. Thus, the US imperatives in the Gulf are very demanding: (i) to support the friendly local regimes (with their present socio-political and ideological setups); (ii) to get, in return, their continued approval for the massive physical US military presence and their affirmative vote in international foras; (iii) to maintain its decisive force in the region, securing unhindered oil flows from the Gulf; (iv) to remain as the principal security guarantor and tranquilizer, preventing any hostile takeover – be it of one crude-exporting state by another or of internal, domestic political and tribe/clan workings; (v) to monitor closely the money flow within the Gulf and to recycle huge petrodollar revenues, usually through lucrative arms sales and other security deals with the GCC regimes[2]; (vi) will not enhance, but might permit (a call for) any gradual change of the domestic socio-economic and politico-ideological frames in the particular Gulf state, as long as it does not compromise the US objectives in the region as stated above – from (i) to (v).

Hence, the US physical presence in the Gulf represents a double threat to Iran– geopolitical and geoeconomic. Nearly all US governments since the unexpected 1979 Shah's fall, with the G.W. Bush administration being most vocal, have formally advocated regime change in

[1] *McFB* (the McDonalds–Facebook) is the author's neologism.

[2] Contrary to the typical moral condemnations and usual pacific civil sector outcries, war and similar insurgencies (inter-state or intra-state) are – in strict Machiavellian or perhaps 'commercial' terms – desirable occurrences. Especially in countries where arms manufacturing and supply are detached from the state-owned military complex (situated in the hands of corporations), war-related military spending is usually good news for an economy.

Teheran. On the international oil market, Iran has no room for maneuver, neither on price nor on quotas. Within OPEC, Iran is frequently silenced by the cordial GCC voting[3].

The US hegemony in the Gulf, a combination of monetary control (crude is traded exclusively in US dollars, predominantly via the New York-based NYMEX and London-based IPE) and physical control (the US Navy controls all transoceanic oil transports), is the essential confirmation as well as the crucial spring of the overall US global posture[4]. In exchange for the energy inflow security, the US anchors a loyal bandwagoning at many places around the globe. As long as oil remains priced in USD, it will represent the prime foreign reserve currency (globally some 68% of reserves is held in the US$), as the functional tie between the major currencies' exchange rates, (economic and politico-military) security and fossil-fuel energy cannot be derailed and delinked. Finally, it is not only the exclusivity of oil currency; it is also about the very policy of pricing.

Throughout most of oil's short history, the price for "black gold" was high enough to yield profits (via the 7-Sisters, mostly for Wall Street – besides the US military, another essential pillar of American might), still without pricing it overly high which would in return encourage sustained and consequential investments in alternative energy sources. Basically, **the main problem with** Green/Renewable (de-carbonized) **energy is** not the complexity, expense, or the lengthy time-line for fundamental technological breakthrough; the central issue is **a geopolitical breakthrough**. Oil and gas are convenient for monopolization (of extraction and international flows, of pricing and consumption modes) – it is a physical commodity of specific locality. Any green technology (not necessarily of particular locality or currency) sooner or later will be de-monopolized, and thereby made available to most, if not to all. Therefore, the overall geopolitical imperative for the US remains preservation – not change – of the hydrocarbon status quo[5].

Ergo, oil (and gas) is far more then energy. It is a socio-economic, civilization-cultural, financial and politico-military construct that architectures the world which is currently known to, permitted and therefore acceptable for us.

"…bold Russian Arctic policy is (yet) another signal that the Federation… will increase its (non territorial leverage and geopolitical) projection as a major energy supplier of the world throughout the 21st century…" – I noted in 2009[6]. To clarify: Neither Russian territorial size and historical passions, nor pride and socio-economic necessity will let Moscow sink down as the second-rank power. How will Russia meet its strategic imperative? We have already discussed the two important pillars of the US strength (so-called the East Coast might; Pentagon and Wall Street). Well, there are two more on the Pacific coast. The post-Soviet Russia has neither a global soft power appeal of its entertainment industry and its ravenous

[3] This is the reason why the second largest OPEC oil producer has opened its own Oil Bourse in early 2008. The IOB/Kish Bourse was intended for Iranian and regional crude, gas and petrochemicals to be traded freely in other currencies than the USD. Until mid July 2011, this stock market traded only in oil-derived plastic and pharmaceutical semi-final products using the basket of 'petroeuro' currencies – primarily Euro and Indian Rupee. Since fall 2011, oil has been traded at the Kish Commodity Exchange too.

[4] The US is often criticized for its omnipresence, but frankly speaking, maintaining the security of global fossil-fuels energy flow is silently taken for granted. To imagine any alternative, nobody dares contemplate.

[5] Thus, the stubborn American resistance to provisions of the UNFCCC's protocol (Kyoto) is logical, if not justifiable.

[6] Bajrektarevic, A. (2010), "Arctic and Antarctic – Security Structures Surrounding the Two Poles", Geopolitics, History and International Relations 2 (2): 218-219.

(Hollywood), nor has it the vibrant, world-leading and highly lucrative High-Tech and IT sector (Silicon Valley) like the US do.

Let's generously assume the quantitative and qualitative parity between the US and Russia's armed forces. Still, the military modernization requires constant cash injections. How to maintain that? Moscow's big advantage: the US imports energy while Russia exports it. Nevertheless, Wall Street controls the international (petrodollar) monetary flow – even the post-Soviet republics are not trading oil in Rubles, but in the USD. Hence, to meet and finance its strategic imperatives (and to respond to the growing international energy demands), Moscow has only the non-high tech exports, fossil-fuels at relevant disposal. Ergo, Russia is more exposed and vulnerable than the US, and therefore it is an even stronger supporter of both current international market conditions[7] and the hydrocarbon status quo.

On the other side, the Chinese vertigo economy is overheated and too-well petrodollar-integrated, that Beijing, presently, cannot contemplate or afford to allocate any resources in a search for an alternative. (Chinese economy is a low-wages- and labor intensive- centered, Chinese revenues are heavily dependent on exports and Chinese reserves are predominantly a mix of the USD and US Treasury bonds.) To sustain itself as one socio-political and economic entity, China requires more energy and less external dependency. Considering its best external energy dependency equalizer, China seems to turn to its military upgrade rather than to the resolute Green Tech investments – as it has no time and resources to do both at ones. Beijing (probably falsely) believes that the lasting containment, especially in the South China Sea, is unbearable, and that – at the same time – the fossil-fuels are available (e.g., in Africa), and ever cheaper with the help of its Battleships. Opting for either strategic choice will reverberate in the dynamic Asian/Pacific theater. However, the messages are diametrical: **an assertive military – alienates, a new technology – attracts neighbors**. Finally, armies conquer (and spend) while technology builds (and accumulates)!

To complete the picture, both Russia and China are supporting the hydrocarbon status quo. Other major theaters are all geo-economically too dependent; on a supply end (Central Asian republics, Brazil, Canada[8], Mexico) and on a receiving end (India, South Africa, etc.) – none geopolitically emancipated enough to seriously consider any significant de-carbonization tilt.

Less explicitly, the EU will turn consensual to the hydrocarbon status quo, too[9]. If taking a closer look at all previous and current EU energy policy initiatives, it would clearly show us that the notion was primarily driven by the closest common security (not an energy-related) considerations denominator – as an attempt to decrease the external energy dependency (e.g. energy efficiency initiatives: EEP, Europe 2020, EUFORES, etc.).

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[7] Trapped in a severe and lasting political deadlock (over the DDR), and in the meantime silently eroded by many, the WTO was still wanted international trade club for Russia. After 18 years-long negotiation marathon, Moscow was eventually permitted to join the Trade Organization in December 2011.

[8] Recent Canadian withdrawal from the Kyoto mechanism (announced during the Durban Kyoto II negotiations), thus appears rather rationalized and very logical.

[9] When studying the institutions-making genesis of the Phoenix called EU, the three pillars are always illuminated. Apart from the CAP (Common Agricultural Policy), two others are energy related: ECSC and EuroAtom. Here comes the paradox: how does it come that the EU – resting for over 50 years on the two energy-related entities – operates without a common energy policy to this very day? Well, the ECSC and EuroAtom were only seemingly energy related. Up to the end of WWII, the nation's output in coal and steel was commonly related to the military strength, and after Hiroshima, the nuclear energy joined the basket of these closely monitored (military/security) ingredients.

Hence, the EU was – first and is – most of all a peace treaty for the post WWII Europe recovery. Therefore, both settings (ECSC and EuroAtom) served the confidence building purpose, not as the energy-related clearing house/s[10]. The energy policy (suppliers for and composition of the primary energy mix, means, modes, etc.) strictly resides in the competence of the EU Member States. Any change of the present status quo would assume the common position of the MS via the Council of the EU. The absence of such a commonly agreed position means: more of the hydrocarbon status quo. And, it is not only that Atlantic Europe and Central Europe manage their respective energy inflow, its composition and external dependences differently (and selectively). The issue of the hydrocarbon status quo is closely related to the very question of Euro (and the US dollar-alternate: British Pound).

For the severely exposed Euro-zone (unsettled global financial crisis), it is a bitter choice either a petrol pampered dollar or the return to gold (meaning to the pre-*Nixon Shock* times, before the Bretton Woods consensus was renounced). The EU/ECB believes it can exercise an influence on the USD, via the US Federal Reserves, while nowadays the gold resides everywhere – least of all in the US or EU reserves or their mines. Simply, the post-Nixon currency/ies is/are negotiable; gold is a solid, non-corrosive metal. Also, we should never forget that the politically most influential segment of the EU – the Atlantic Europe – shares the same ocean with the US, and all that comes with it.

However, besides Japan, the EU will remain a main promoter of the "Kyoto II" mechanism. The UNFCCC's protocol (Kyoto of 1997) situated China and India in the "emissions tolerant" Annex II and they both subsequently ratified the Instrument. The US and Russia were placed in the Annex I. Past the collapse of the Soviet Union and contraction of the post-Soviet economy and demographics, the Kremlin knew it could easily meet the pre-1990 emissions target. Still, it was bargaining until the end of 2004. Russia's ratification with the 17% was enough to activate Kyoto, which eventually entered into force shortly after, in 2005.

The EU's loyal support to the Kyoto and "spirit of UNFCCC/IPCC" has several levels. Without ambition to elaborate it all in detail, let's just say that the EU's reasons are of political (declared principles) and economic (pragmatic) nature. As the conglomerate of states committed to the supranational principle, it is natural for the EU to support any multilateral endorsement which assumes the supranational notion and monitoring of compliance mechanism. The Kyoto provisions in the late 1990s were in a perfect harmony with the two big EU strategy roadmaps: the Lisbon (2000) and Goteborg (2001). This virtue out of necessity was clear: in the globalized competitive world, the EU of modest economic and of no demographic growth has only the option to become a "knowledge based economy", fair and balanced post-Industrial society. Both strategies were gradually abandoned, the EU enlarged (to Eastern Europe, mostly the states whose economies also contracted past the breakup of the Warsaw pact lager countries – meaning able to meet the Kyoto targets), and the Union's post-industrial Green-tech renewal waits for better days.[11]

[10] It is more the IEA, and informal settings such as the G-7 and Davos that serve the energy clearing house purpose than it is the EU Commission.

[11] The over-financialization and hyper-deregulations of the global(-ized) markets has brought a low-waged Chinese (peasant converted into a) worker to the spotlight of European considerations. Thus, in last two decades, the EU economic edifice has gradually but steadily departed from its traditional labor-centered, to the overseas investment-centered construct. This mega

The EU is well-positioned but it will not be a global frontrunner in any technology shift. For this, it has neither an inner coherence nor an external posture. (Europe of growth was Europe of might; Europe without growth is a Europe of principles – the Eastern enlargement of the EU was this virtue out of necessity: a last territorial expansion, this time based on an 'attraction' of *the EU's transformative power*).

Within the OECD/IEA grouping, or closely; the G-8 (the states with resources, infrastructure, tradition of and know-how to advance the fundamental technological breakthroughs), it is only Japan that may seriously consider the Green/Renewable-tech U-turn. Japan's external energy dependencies are stark and long-lasting. After the recent nuclear trauma, Japan will need a few years to (psychologically and economically) absorb the shock – but will learn a lesson. For such a huge economy and considerable demography, situated on a small land-mass which is repeatedly brutalized by devastating natural catastrophes (and yet by another disruption of the external-dependency-maintaining Arab oil), it might be that a decisive shift towards the green energy is the only way to revive, survive and eventually to emancipate.

An important part of the US–Japan security treaty is the US energy supply lines security guaranty given to (the post-WWII demilitarized) Japan. After the recent earthquake-tsunami-radiation armageddon, Japan will inevitably rethink and revisit its energy policy and the composition of its primary energy mix. That indicates the Far East as a probable zone of the Green-tech excellence (and a place of attraction for many Asians) in the decade to come.

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event, as we see now with the Euro-zone dithyramb, has multiple consequences on both the European inner cultural, socio-economic and political balances as well as on the China's (overheated) growth. That little, rarefied and compressed, labor which still resides in ageing Europe is either bitterly competing with or is heavily leaning on the guest workers who are per definition underrepresented or silenced by the 'rightist' movements and otherwise disadvantaged and hindered in their elementary socio-political rights. That's how Europe departed from the world of work, and that's why Europe today cannot orient itself (both critically needed to identify a challenge, as well as to calibrate and jointly redefine the European path). To orient, one need to center itself: Without left and right, there is no center, right?! Contemporary Europe has helplessly lost its political 'left'. The grand historical achievement of Europe – after the centuries' long bloody class struggle – was the final, lasting reconciliatory compromise between capital and labor. It resulted in a consolidation of economically entrepreneurial and vibrant but at the same time socially just and beneficial state. This colossal civilizational accomplishment is what brought about the international recognition, admiration, model attraction and its competitiveness as well as inner continuity, prosperity and stability to Europe.

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Abstract:

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Finally, why the Kyoto mechanism fails again?

Key words:

Democracy, Freedom, Sovereignty and territorial integrity, Geopolitics, Ideology, Asia, Hydrocarbon Status Quo, Kyoto Protocol, Petrodollars and petro-security, Green technology, International Legal System, Diplomacy and International Legitimacy, Japan, Iran, GCC, Russia, the US, China, Canada, Imperatives for the 21st century