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Essay

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Does energy drive the world economy?

Outline

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2- Importance of middle East

a- 1973: Oil Embargo and Petro-dollar agreement.

3- How energy influences world politics and Domestic Development

a- Russian gas blockade to Europe and gas agreement with Syria.

b- Energy and domestic development

4- State survival and state economy Linked with ~~economy~~ energy

a- Economic rise of China and threat of energy stragulation.

b- South China Sea as energy rich resource

5- Economic Willsonianism
(IMF, World Bank)

6- Energy Contribution in world economy

7- Conclusion

The basic fundamentals for the survival of human beings and states are varying century to century, era to era or event to event.

The end of cold war was happened because soviet was unable to fulfill the requirements of energy. In 21st century the economy of a state is directly linked to the energy.

Similarly, the world's economy also revolve around it, and the powerful or developed states pursue different kind of strategies to become economic hegemon. Now, the energy has decided the position of one state in world politics. On the one hand energy promotes: trade, industrialization, development and interdependence, on the other hand it is used as a deterrence too for example Oil Embargo of Middle East and putin stoppage of gas to Europe. Energy politics are dynamic in nature and evaluates with the passage of time. How developed states have captured the energy resources is a big question, good example to answer it is the petro-dollar agreement and international institutions like World bank, International monetary fund etc.

In current situation the middle East play an important role to fulfill the requirements of energy and known as energy rich region in the world. Two major events in 1973 had happened one was oil embargo and other was Petro-dollar agreement.

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The union of middle East oil control had announced to stop the trade with those who are supporting Israel. Moreover, first time oil was used to bully Israel and their allies. At that time the cold war was also on its peak, if any vacuum was spared by USA that must be cashed by USSR. To control this phenomenon USA had signed petro-dollar agreement that the price of petrol has determined by dollar in future. By this agreement USA was completely able to control the energy market of middle East again.

That was decided the future of world politics revolve around the international political economy. States initial goal in 21st century to fulfilled energy needs at national level and trade if rich energy resources are available. Those countries which are importing energy to fulfill domestic needs are bullying by state which export. For example, Russia-Ukraine war, USA announced that cut off trade with Russia. The Russia has blocked the gas pipeline, half of the Europe was in black for 84 hours. Moreover, Russian delegation went to Syria, because Syria is the 2nd largest country which have gas reserves, and signed agreement with them to decide the future pricing and trade with bilateral consensus. The USA and western allies have no any option to normalize ties with Russia.

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Moreover, through energy state can be progress well. If energy needs are fulfilled then countries go for development processes and standardizing the living styles. Through energy state can run industry and by industry majority of factors are progress with the passage of time. The employment has been created by which per-capita income has increased. On the one hand unemployment has ended, on the other hand state has able to trade with other states. When the exports of state is higher than imports then it will economic surplus, and state will well ranked globally.

The states are following the content of "war by other means", which can be possible only through energy. Energy is not only linked with state survival but also linked with transportation, trade, industry and long term sustainability. The China has a rising economy and 80% of energy imports through Middle East. China has reached to middle east through sea and majority of countries in Indian ocean and linked seas are in alliance with USA. The first threat for chinese economy is naval blockade and especially Malacca Dilemma. The Malaysia and Indonesia both are in alliance with USA. So, all chinese industry dependent upon the oil energy which china imported from middle East. To get rid of this

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dilemma China has worked in different alternatives such as, China dragon policy, BRI and CPEC.

It is analyze that with the energy resources the trade routes and choke points of trade are also important. Malacca Strait has in control of USA, so by CPEC China has not rely on it, on other hand China has a mediator b/w Iran and KSA also gain its advantage and control in strait of Hormoz. The investment of China to reach different regions or energy sectors is good example to analyze the importance of energy. Every state has protect their national interest at any cost and it is possible with good economy, and good economies or developed states of the world are ~~economically~~ rich in energy.

Similarly, China claim of south China sea is another example of conflict between states, because south China sea is energy rich sea every country want to hold on it. China has make artificial islands and claimed that this is the part of China before the UNCLOS had made, and USA and their alliances exercises the freedom of navigation operation in south China sea. The USA has also able to reach middle East through south China sea and it is big problem for USA also, if China has complete control in south China sea. So, south China sea is also game or conflict of resources among states.

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In every region, the initiative of any conflict by resources and the resources are basically linked with state economy and has directly proportional to world economy.

In case of south Asia, the dispute b/w India and Pakistan is Kashmir. Basically Kashmir is a energy rich region no state want to compromise on it. In case of Central Asia Fergana Valley is disputed territory between three states and that is also energy rich valley. Similarly Syria, Iraq and African countries where every time proxies can be fought by developed countries are richfull in energy.

First of all state has completely focused to fulfilled energy needs, the energy make it different from other states. The powerful states know use the method of wilsonianism in which they are making institutions and through institutions they dominated the world. World bank is a good exemple and at regional level AIIB is a good exemple. Now, every project which China want to do is based on energy, connectivity not possible without energy, Infrastructure not possible without the use of energy and development is not possible without the use of energy.

It means that energy consumption matters both to our environment and our economy the natural distruction can be controlled through renewable energy resources but

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need of energy can not be minimized.

On the basis economy world has divided into different categories in which core countries, peripheral countries and semi-peripheral countries are included and in grouping system the names of G-20, G-4 G-10 are famous. Energy has dynamic affects which can support states in peace as well as in war. The cost of product is also linked with the consumption of energy. If much energy is used in manufacturing, transportation and advertisement the product will costly, if as compared to low cost in product then product will less expensive.

The energy is not only linked with industry it also linked with services. The total share of different countries in IMF and world bank influenced the other states such that developed countries are in trade surplus and they contribute in world bank, on the other hand developing countries are in deficit states which progress on global economy have control in other states resources or they itself highly industrialized countries. Economy is basic need of every country and developed countries through out the history and current world era exploited the developing countries through economic packages. Capitals more means more economy those who are technological advanced highly control in

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resources. For example, the oil in KSA and middle East but the technology of USA and China to control it.

In a nutshell, energy is directly linked with the economy. The rich energy at domestic level promotes development and state as a stronger player. At international level, similarly states are performing in competitive environment in which global economy is involved. Through energy different regions are connected with each other and mutual interdependence has happened. Energy is not only use for power gaining but it also use for cooperation among states, facilitation and promotion of peace in the world. Consequently, every aspect of current era is based on energy. The connectivity, transportation and global village can not be completed without the use of energy.