

PART 1: FRAMEWORK

Introduction

This thesis centres on studying intricate bargaining relationships between the major actors in the highly politicised oil industry. By covering the period between 1998 and early 2007, this study focuses exclusively on contemporary bargaining in the oil industry, as it is unfeasible to cover a longer time-span. In the current decade, which unlike previous two cooperative decades, can be characterised as conflictual, and thus politicised, the structure of the oil industry can best be understood by studying bargaining between numerous actors, the main of which are the international oil companies (IOCs), oil-exporting states, oil-importing states, and the national oil companies (NOCs).

The central argument is that due to their weak relative bargaining power, the IOCs have been on the losing side in their bargaining with oil exporting countries and/or their NOCs in the current decade when compared to the late 1990s, and thus, we are witnessing the return of the obsolescing bargain. Various factors endow oil exporting countries and their NOCs with high bargaining power vis-à-vis the IOCs. High oil prices, increased industry competition, lack of alternative investment options for IOCs, and an increasingly hostile political climate in many oil-exporting states, together with a number of other factors, translate to weaker bargaining power and unfavourable outcomes for IOCs. The U.S., the world's largest oil consumer and importer, remains faithful to the markets and this, in turn, is not helping 'its' IOCs. Despite the common perception that American IOCs are backed up by the U.S. government, in practice this is rarely the case. Since their interests are not exclusively aligned, American IOCs seldom receive help from the U.S. government in bargaining with other actors, and if they do receive support, then this support does not always result in successful bargaining outcome. Besides oil exporting countries and their NOCs, who are the main beneficiaries of the IOC decline, China's NOCs are also gaining bargaining power at the expense of the IOCs, and this is not surprising given China's insatiable thirst for imported oil, and its competitiveness and adoption of non-market measures in obtaining secure access to it. Regardless of their different approach to securing oil supplies, the governments of major oil importing countries, such as the U.S. and China

(despite the increase in NOCs' power), are not guaranteed bargaining success vis-à-vis other actors even if their oil supply security is perceived as threatened. Finally, I found that by using the increased power derived from their oil, oil exporters are also able to gain concessions and achieve their goals in other bargaining arenas. Iran's continued pursuit of nuclear technology and Venezuela's spread of Bolivarian Revolution are cases in point.

Given these findings, it is likely that we are going to witness further decline, if not the end, of 'Big Oil'. Diminishing bargaining power of major IOCs may result in IOCs eventually becoming niche companies, or just shadows of powerful, and both vertically and horizontally integrated companies from the period before oil nationalisations of the 1970s.

Part 1 of this thesis consists of two chapters. In Chapter 1, I start by briefly outlining the importance of oil for global economy. I proceed by characterising the international oil market as a 'politicised' market. Here I also illustrate why studying bargaining relationships among various oil industry actors is the most effective way to study the politics of oil. Following, I introduce the major actors in the oil industry and outline the characteristics of the present conflictual stage in the oil industry. Finally, based on the analysis of these characteristics and issues, I establish various research questions which are the focus of this thesis. The central question focuses on the IOCs' future prospects in light of difficult circumstances that they are facing in the contemporary oil industry. In Chapter 2, in light of various research questions outlined in Chapter 1, I analyse various previously established theoretical debates and frameworks in order to highlight the way in which academia understands these issues and which are helpful in analysing them. This analysis serves as the basis for setting the hypotheses.