



**Doctoral School of
International Relations
and Political Science**

THESIS SUMMARY

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The Impact of Oil Production and Consumption on the Balance of Power

Doctoral Dissertation

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Table of Contents

1. Introduction 3

2. Relevance of the Research 3

3. Structure and Methodology 6

 3.1. Quantitative Data 9

 3.2. Case Studies 10

4. The Results of the Thesis 12

 4.1 Neoclassical Realism 12

 4.2. Case Study – USA 14

 4.3 Case Study – Japan 15

 4.4. Case Study - Russia 16

5. Conclusion..... 17

Main References..... 19

Publications of the Author..... 21

1. Introduction

In the beginning of the 20th century the conversion from coal to oil as the major source of energy made tremendous amounts of change all around the globe. Oil transformed the way of life, and it became one of the most crucial resource material for militaries as well. For decades, multiple threats emerged all around the globe from oil rich states and regions.

The oil revenues fuel the “newest adversaries of the West”. The Soviet Union financed its military build-up; Iraq funded the invasion of Kuwait. Libya and Iran sponsored terrorist groups and the Islamic State maintained itself with the money coming from selling this “black gold”. Studying the effects of oil on the international system has always been helpful after petroleum was not only used to light up household lamps. Multiple oil crises showed us that this resource is so needed to today’s economy that those who have control over the location of the reserves not only have economic power, but political power as well. The price of oil can easily shape the fate of nations, and bring them prosperity or recession as well.

In my dissertation, I examine how and to what extent influences one power’s place in the international system if it has natural resources like oil. My research identifies the political economic aspect of one state’s soft and hard power in the past one hundred years. The research shows the relationship between oil production and consumption on the one hand, and balance of power (BoP) on the other.

Through quantitative data and case studies, I will be able to answer an important contemporary question of today’s international relations. Scholars should revisit the predictions that were made in the past connected to oil. My research is a needed material for today’s international relations (IR) scholars since contemporary events have made a tremendous amount of impact on the future of oil and the balance of power.

2. Relevance of the Research

Studying the effects of oil on the international system has been always helpful since the commercialization of petroleum. A little more than 40 years ago, U.S. President Jimmy Carter voiced his concern over the security of the Persian Gulf. The US President announced that the United States, a country that located in the Western Hemisphere would defend the Middle East from a foreign power that would like to gain control of the region.

Numerous noble causes would justify such seemingly altruistic mission. For example fighting terrorism, elevating people from poverty and helping to convert former colonies to

democracies, preventing nuclear proliferation and so on. However, the main goal of the United States was to ensure that one of the most oil rich regions in the world remain a place where the country could easily get its hands on the precious resource. This policy was clearly manifested in the so-called Carter doctrine, which designates the Persian Gulf as a vital national interest for the United States. (Davis [2017])

In the time of Jimmy Carter and his successor Ronald Reagan, the most important foe was the Soviet Union, and its seemingly more and more threatening presence in the region. The Soviet's war in Afghanistan and the Iranian revolution made the United States and the Western block eager to keep an eye on the Middle East. However, the USA took part in too many conflicts connected to the region for example in Iraq and Afghanistan, and their costs has slowly, but surely made the American taxpayers question the necessity of their military involvement. (Glaser, Kelanic [2017])

The European powers and the Ottoman Empire lost their power in the region during the 20th century; we can see that the USA's involvement is fading in the region in the 21st as well. This phenomenon alone brings the question of oil and its effects on the balance of power into the centre of the international relations. The relevance of the question is not only justified by these international and historical events alone.

The question of resource scarcity and energy is on the table as well. As soon as oil was used to fuel the economy, a race started to form in order to meet the demand. We know that fossil fuels are non-renewable and there will be a time when the cost of their production will be so high that it will be no longer economically justifiable to use them. Eventually the world will run out of the easily accessible oil resources and it will have a tremendous consequence on the international relations as we know today.

Multiple oil crises showed us that this resource is so needed to today's economy that those who have control over the location of the reserves not only have economic power, but political power as well. Michael Ross coined the term "oil curse" which can ruin societies, or at least have a significantly worse effect on them, than not having this resource. After the 1970's, oil states are 50% more likely to be under authoritarian regime and 400% less likely to become democracies than their counterparts are. The chance of a civil war within the state is increased if it has oil twice as much compared to those that does not have this kind of "blessing". The reason for that is the revenues from oil end up in the pockets of the ruling regimes or local warlords that can finance their ruthless oppression. (Ross [2011]) The Coronavirus pandemic, the Russian-Ukrainian conflict and economic and political measures by Kyiv blocking the transit of pipeline crude sold by Lukoil, Russia's largest private oil firm

to Central Europe mainly to Hungary and Slovakia show the relevance of the topic even in 2024. (Martyniuk [2024])

As the aforementioned examples show, research connected to oil and foreign affairs is very important for international relations scholars. That is why I thought it is a good idea, to conduct research connected to the question. My research examines *how states can exercise power through oil. What kind of balancing strategies they use to maintain or improve their power.*

The novelty of my research is further enhanced by the international relations theory it applies to try to come up with answers. Neoclassical realist theory is a relatively new approach to international relations and it has few studies and books compared to other older versions of international relations theory. The neoclassical realist approach incorporates both systemic stimuli (such as neorealism) when analysing a policy response, but it incorporates other variables such as leader perception, strategic culture, etc. as well in order to have a better explanatory power. The case of oil and balance of power is more optimal if it involves unit level variables into the research as well, because the systemic forces cannot solely explain the policy responses of states and their international outcomes. As all realist theories, neoclassical realism also considers international relations and politics as a struggle for influence and power where the resources are finite in a world of uncertainty about each state's intentions and capabilities. (Frankel [1996] pp. ix-xx)

Furthermore neoclassical realist theories' assume that "*every state's external behaviour is shaped first and foremost by its power and position in the international system and, specifically, by its relative share of material capabilities.* (Ripsman, Taliaferro, Lobell [2016] p. 56)" In addition to clarify and extend the logic of neorealist propositions, neoclassical realism uses case studies as a means to test hypotheses and answer questions about state behaviour and foreign policy. (Schweller [2003] p. 317) Examining foreign policy decision making through case studies is a great way to utilize neoclassical realism, because it can shed light on factors (intervening variables) that structural theories cannot do. Neoclassical realism uses the strong structural explanatory power of realism and enhances the theory with the integration of domestic factors to produce a more accurate model of foreign policy. (Beqa [2017] p. 323) Neoclassical realism compared to constructivist or liberal analysis of foreign policy demonstrated theoretical and empirical tenacity. (Foulon [2015]) Therefore, neoclassical realism is a great theoretical tool to use in the dissertation where I examine foreign policy decision making in relation to relative power shifts with a case study method.

With a long-term study that examines the past one hundred years the impact of oil production and consumption on the balance of power is in the centre of my research's attention. I hope that my research will be a useful new study connected to the field.

The majority of the international relations experts have not anticipated the accumulative effects of climate change, the outcome of the 2016 U.S. Presidential election. the ever changing nature of Middle Eastern politics (for example the armed conflicts in Syria and Iraq, the effects of the Iran nuclear deal etc.) and the war in Ukraine. Furthermore, new technologies connected to the field of energy make place for my research. These recent unforeseeable events have made a major impact on the future of this question. The dissertation aims to shed light on the balancing strategies states choose, therefore it can be a good bases for analysing future events and understanding international relations better.

3. Structure and Methodology

There are chapters in my dissertation offering overview discussions of balance of power in the international relations literature. How it is interpreted, measured and what criticisms exist of the dominant interpretations. The aforementioned theoretical background helps me understand the balance of power theory and I am introducing oil into the picture when states devise their responses to certain changes in the balance of power.

It means that I have to examine the ways in which a relationship between oil and BoP exist. In order to understand the relationship in terms of possible connections and causal mechanism the following questions need to be answered:

1. Net oil related power potential. How does one's position in terms of whether one is a net importer of crude oil and/or refined oil play into the balance of power?

The first question is important to determine whether oil plays a different role for a power that is a net importer or not. If the answer to this question is that it does not play any role, then the importance of oil on international politics diminishes greatly, since the relevance of a state's relative power is not dependent on this resource. In my dissertation, I identify the position of the relevant Great Powers in terms of their control over oil sources. This position greatly influences their relative power, therefore their place in the international system.

2. Oil and Warfare. How does oil affect military capabilities? How does it affect the military and grand strategies?

Oil affects military capabilities and grand strategies according to my dissertation. Throughout the case studies and in Chapter 7.2 as well, I explain in detail how oil, warfare and grand strategies are interlinked both for Great Powers and for regional petrostates alike.

3. Access to oil and the balance of power. How does vulnerability of access play a role? How do own reserves play a role?

The core of the dissertation is the connection between balance of power and oil. The access to this vital resource, direct or indirect control methods are critical to understand in order to properly explain the balancing strategies of Great Powers. Chapter 7.3 explains how balance of power and oil connects to one another.

4. The resource weapon. How does it work?

Oil can be used as fuel for the militaries and the economy. This characteristic has been changing throughout the last one hundred years. However, until oil is an important and quickly irreplaceable fuel for both the military and the economy, its importance as a potential weapon cannot be ignored. I show several examples of how oil was used as a political weapon in the dissertation and whether its usage was effective or not. The reasons why and how these attempts were successful or unsuccessful are explained in the paper.

5. Can oil be used to build an empire and/or buy allies?

Oil is not just a stick, but oil is a carrot as well. The alliance and empire building methods of several states involved oil as a factor to lure and keep other states around their orbit. Having direct or indirect control over oil sources influence the relative power of a state. According to neoclassical realism and balance of power theory, states aim to maintain and/or improve their position in the international system. Therefore, gaining or retaining oil producers are part of their relative power maximizing efforts.

6. The question of dependence. How important is the diversification of suppliers and how effectively can a great power diversify its oil suppliers?

Reducing dependence through diversification of suppliers is an effort by states to enhance their relative power by reducing the chance of supply disruption. The diversification efforts manifest themselves in the international field and is a constant game between Great Powers to improve and/or maintain their position in relation to oil producers. Effective diversification means a greater deal of relative freedom in terms of foreign policy decisions, which increases the relative power of a state.

The main hypotheses of this research is as follows:

H1. Every Great Power had access to the majority of the proved oil reserves since the Industrial Revolution.

H2. Ensuring access to crude oil influences the foreign policy of Great Powers. The less oil resource one state has control over, the more its foreign policy is focused on it.

H3. Great Powers try to maintain and/or improve their place in the international system through balancing strategies. When Great Powers cannot maintain access to oil supplies in order to keep their power projection capabilities at a similar level as other Great Powers, they lose their status of being one.

Related to the dependent variable the balance of power is subjected to different interpretations. The scope of the research is the last century so I have to answer many questions connected to the mechanism of BoP in general and in different time periods as well. Such as which states were the dominant powers, the polarity of the period and how these and other factors are related to oil.

My research has a long-term scope where the international system cannot be characterized by a single overarching period. The century after 1918 witnessed tremendous and fundamental changes in the distribution of power. Therefore, the research aims to describe the different systems that persisted during the last century. The division of the last one hundred years to macro periods assists in describing each historical period.¹

The macro-periods that I divided my research are distinct from each other by their characteristics:

1. **1918-1945:** The period between the end of the First World War and the end of the Second World War. This timeframe is very much different from the post 1945 world and shows the early conquest of oil.
2. **1945-1973:** After the Second World War the balance of power shifted tremendously and the era of the Cold War deserves its own macro-period in my research. This is the era of cheap oil.
3. **1973-1998:** The end of cheap oil, the fall of the Soviet Union and the Bipolar World signals a new chapter in the international relations. Furthermore, this is the era of the decline of conventional oil sources in the USA.

¹ The examined period ends with the Coronavirus pandemic. Further research has to be carried out to show the effects of the pandemic and the Russian-Ukrainian conflict on the balance of power and oil.

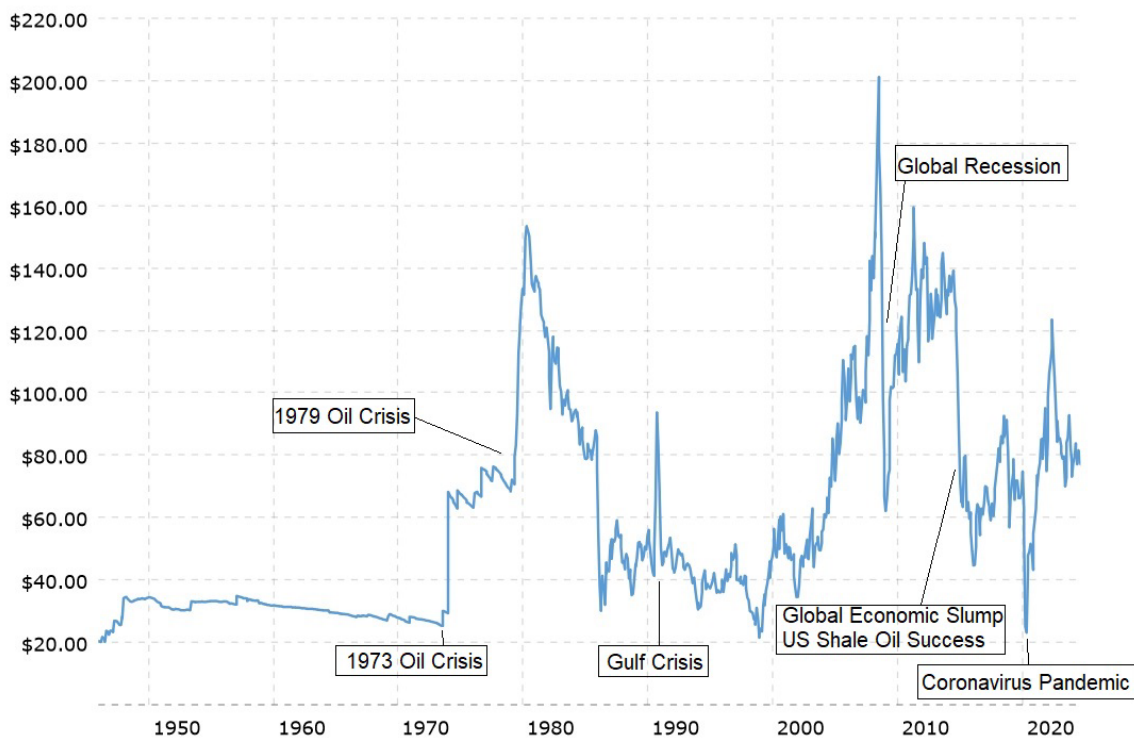
4. **1998-Present:** The post 9/11 world and the increasing relevance of non-state actors in the international relations. The Middle East, a significant oil-producing region moves to the forefront of attention. The introduction of shale oil.

After the evaluation of the different periods, I will connect the question of oil to the research in order to make a meaningful contribution to the mechanisms of the balance of power.

3.1. Quantitative Data

It is quite easy to get data regarding the oil production capabilities of the countries. Historical examples help me to see how states can exercise power through this tool. The quantitative measurement of changes in oil production, consumption, known reserves and projections of anticipated trends takes an important part in the research. I dedicated Chapter 9.1 to the difficulties of getting accurate numbers on proven reserves. The quantitative data will be the indicator whether the different balancing strategies chosen by the states can be supported with it or not. In order to carry out the research, I would like to use statistical data connected to the consumption and production of oil. In my research, I try to focus on the last one hundred years, which is rich with examples like the oil crises in the 1970s. I believe that long scope of the study is important to eliminate outlier cases and odd one outs. It is also important to examine the shift of the impact of oil on the international system, because by examining this phenomenon's long term effect further research can make a more stable projection towards the future. The price of oil can be easily attached to certain historical events.

Figure 1. **Inflation Adjusted Oil Price and Global Events**



Source: Edition of the author based on Macrotrends.net [2024]a.

3.2. Case Studies

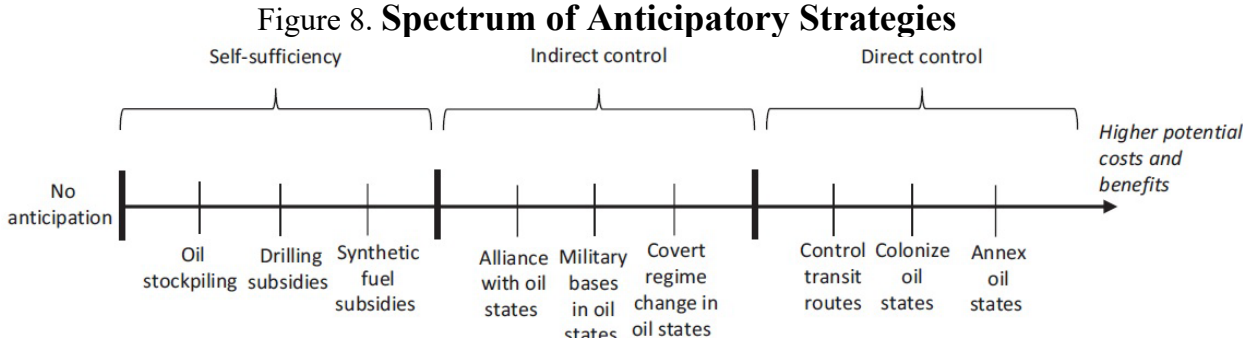
As I mentioned above, I would use statistical data during my research, and I would like to conduct comparative case studies as well. The selection criteria for my dissertation has to deal with several limitations. The scope of the paper is global; therefore a huge selection of states has to be narrowed down. I decided that three case studies should be added to the dissertation in order to sufficiently prove or disprove my hypotheses. The three case studies has to meet the following criteria:

- Great Power in the 20th century
- Different level of access to oil resources compared to the other two case studies
- Geographical diversity among the case studies for global scope
- Different type of political systems

The three states that best fit the selection criteria are USA, USSR/Russia and Japan. All three achieved Great Power status in the examined period. The USA is an American, Russia is an European/Asian and Japan is an Asian Great Power therefore sufficiently covering the continents and the global scope criteria of the research. There were no Great Powers based in Africa, Australia (or Antarctica) in the examined period. The three selected states has to differ in some aspects in order to justify their inclusion. Their level of access to oil resources are different, their economies are diverse with substantial oil reserves (USA), diverse without oil reserves (Japan) and mixed economy with oil reserves (Russia). In order to make the research more thorough the different type of political systems has to be taken into account. It is especially important in my research where I apply the neoclassical realism as the main theoretical background. Neoclassical realism deals not only with systemic forces, but with unit level variables as well. Such as leader perception, strategic culture, state-society relations and domestic institutions. The three states' internal structure is very different, the USA is a presidential democracy, Japan is a constitutional monarchy, the USSR was a socialist country and later Russia became an authoritarian dictatorship. These comparative case studies can highlight the differences between the countries and could give a much clearer picture regarding the outcome of the research.

Oil as a major resource for both the economy and for militaries has certain coercive potential that other commodities do not possess. Dependence on this resource constitutes a threat to the national interest of Great Powers, ensuring access should be in the forefront of forming grand strategies. Systemic pressures such as increased dependence on one supplier and dependence of certain trade routes to ensure oil arrives from across the globe modifies the foreign policy of states. However, not just systemic pressures are interesting, but unit level factors as well.

How do these pressures interpreted and handled at the highest levels of leadership. Great Power status comes with relatively great manoeuvrability on the international stage, but without taking into account the countries’ dependence on oil, in situations where oil access is restricted, the choices could be restricted for the country as well. Hostile states or non-state actors could threaten to cut off oil supplies reducing both the absolute and relative power of the targeted state. In order to ensure their power in the international arena Great Powers engage in balancing strategies to counter the threat. These balancing strategies are usually cautionary measures in order to prevent a potential cut off from oil. These anticipatory strategies have a wide range. (Kelanic [2020] p. 1) They can manifest in the form of increasing self-sufficiency (internal balancing), indirect control or direct control of foreign sources of oil (external balancing). Their cost can widely differ, but in general for the given state self-sufficiency is the least costly and direct control is the most costly strategy. Figure 8. shows the spectrum of these balancing/anticipatory strategies.



Source: Kelanic [2020] p. 33

Table 9. below shows these balancing strategies in action with examples.

Table 9. Summary of Great Power Anticipatory/Balancing Strategies

CHARACTERISTIC	SELF-SUFFICIENCY (Internal Balancing)	INDIRECT CONTROL (External Balancing)	DIRECT CONTROL (External Balancing)
Logic	Reduce Reliance on External oil	Keep oil in “friendly hands,” away from adversaries; enhance cooperation	Directly annex foreign oil and transit routes
Means	Domestic Policy	Threats, military aid, force if necessary	Military force
Costs and risks	Low	Medium	High
Oil security benefits	Limited	Potentially large, but not guaranteed	Large, guaranteed
Balancing strategies	Stockpiles, alternative fuel subsidies, conservation	Security Agreements, arms sales, basing	Territorial conquest, controlling sea-lanes
Examples	Strategic Petroleum Reserve of the USA, Green New Deal	USA-Saudi Arabia alliance, Toppling of Mohammed Mossadegh in Iran (Operation Ajax)	Japan’s invasion of the Dutch-East Indies, 1956 Suez Canal Crisis, Iraq’s invasion of Kuwait

Source: Based on Kelanic [2020] p. 39

4. The Results of the Thesis

The roots of the balance of power theory can be traced back to the antiquity. (Kaufman, Little, Wohlforth [2007]) The Greek city-states and their alliances show clear evidence that this concept had relevance in international relations for quite some time. The constantly fluctuating relative power of empires and various states each trying to maintain or improve their position and keep or disturb the status quo leads to the phenomenon called the balance of power. The term is used with different meaning:

- A policy aimed at a certain state of affairs
- An actual state of affairs
- An approximately equal distribution of power
- Any distribution of power. (Morgenthau, Thompson [2006] p. 179)

I would further specify this concept by describing the balance of power: *An inherent tendency of international politics to produce a certain distribution of power that is acceptable by the major players of the world.*

4.1 Neoclassical Realism

The main novelty of my research is to broaden the neoclassical realist theory of international relations. This relatively new school of thought provides a more nuanced approach to international politics than neorealism. Systemic approaches of international relations rarely provide a clear and certain circumstance for foreign policy decision making. Threats and opportunities could manifest differently for decision makers therefore systemic approaches alone can hardly provide a sufficient description of foreign policy outcomes. (Ripsman, Taliaferro, Lobell [2016] p. 3)

There are few, but important main differences from the structural approach that is vital to understand concerning the balance of power theory and oil. Realist thought before neoclassical realism emphasised constraints in international relations theory; however domestic variables and constraints need to be included for a more accurate foreign policy analysis. That is why it is a better theory for examining the connection between balance of power, foreign policy and oil. Neoclassical realists differ from neorealist thinkers in rejecting the idea that systemic pressures will immediately affect the action of states. Relative power and internal factors in an anarchical system affect the behaviour of the units as well. (Firoozabadi, Ashkezari [2016]) The distinction between national and state power adds additional parsimony. The struggle for power among nations manifest not just in the number

of military equipment. The realist security dilemma can be applied to the field of resource endowment including the importance of energy as a strategic commodity. Strategic commodities inevitably bring a competition for control of them among Great Powers elevating the stakes to secure them. (Moran, Russel [2009] pp. 1-12) The main questions for realists when dealing with the security dilemma connected to geopolitics and oil sources:

- Availability of oil
- Demand for oil
- Pricing of oil
- Nature of state/non-state actors who are competing for securing oil (Mohapatra [2016] p. 686)

Table 19. shows the control of reserves by Great Powers in each macro period.

Table 19. World Crude Oil Reserves Controlled by Great Powers²

Macro Periods	Great Powers	Control over Oil Reserves (billion barrels)³	% of Total World Oil Reserves	% of Total World Oil Reserves Controlled by Tier 1 Great Powers
<i>First Macro Period</i>	USA	20.8	48,32%	87,49%
	USSR	6.8	15,69%	
	UK	8.9	20,61%	
	Germany			
	France			
	Italy			
	Japan	1.2	2,87%	
<i>Second Macro Period</i>	USA	445	67,3%	79,4%
	USSR	80	12,1%	
<i>Third Macro Period</i>	USA	600,6	59,61%	65,27%
	USSR/Russia	57	5,66%	
<i>Fourth Macro Period</i>	USA	1229,3	73,79%	73,79%

Source: Edition of the author based on Stebinger [1920] p. 123; Jenkins [1997] p. 94; Oil and Energy Trends [2023]

² Table 19. uses approximate numbers due to uncertainty calculating reserves (Chapter 9.1. explains this research problem in great detail).

³ Allies of Great Powers were added to the overall numbers due to their direct or indirect control over oil (See more at Chapter 7)

H1. is correct in all the macro periods, Great Powers did have a control over the majority of oil sources either in a direct or indirect manner as Table 19. shows above. The macro period section of the paper find strong evidence for *H1*. contradictory evidence for *H2*. and supporting evidence for *H3*. Further enhancing the dissertations ability to prove the hypotheses, case studies are used in the last part.

4.2. Case Study – USA

The modern oil industry began in the United States in the 19th century. A lot has happened since then and the effects of oil made a lasting impact on the history of the world. The abundance of oil in the first few decades skyrocketed the economic might of the United States, but the discovery rate of oil in the 1910s, made the USA worried for the first time. The Second World War showed how important oil is to economies and the United States as a major producer could carry out major military operations on the vast Pacific Ocean thanks to its own large fuel supplies. It helped the country to defeat the Japanese who struggled without the black gold. The United States used oil as a support tool for the Allies during the Second World War. The Marshall Plan involved many oil shipments from the USA to Europe as well to tie the economies closer and to benefit both parties. The United States used its oil resources as a foreign policy tool to bring the Western European countries closer to the Western Hemisphere. The Soviet Union saw this influence as a threat that is why its satellite states in Central-Eastern Europe did not ask for the European Recovery Program.

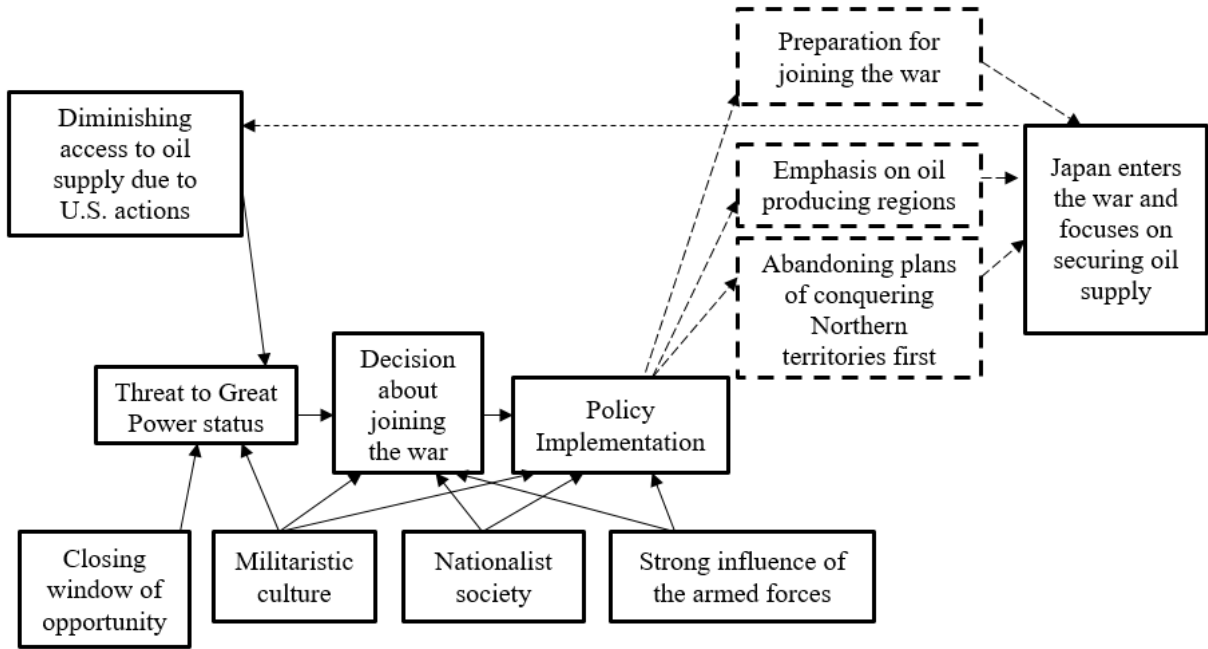
The Cold War showed the United States that some of its allies possess valuable resources such as Saudi Arabia and it started to support the country financially in order to secure a major oil producer on its side. Oil as we know did not show its great economic potential in the negative sense until the 1970s. Oil crises shocked the world and the United States realized no matter how big player it is, the country is no longer self-supporting. The oil crisis of 1973 and 1979 showed the USA that something has to be done in order to achieve a wider playing field for its foreign policy. Regardless the fact that the United States was a tier 1 Great Power during the Cold War, it had to work more actively for energy independence after the 1970s. Presidents since Nixon established more and more fuel conservation strategies and invested in heavily in renewable and other energy resources to counter the threat of the oil weapon. The Six Day War in 1967 and the First Gulf War in 1991 showed that the United States as a major oil producer could withstand the “oil weapon” only for a short period. The crisis of 1973, 1979 and the speech of President George H.W. Bush showed that even a diversified economy with the greatest military and economic might could not conduct its international relations without taking heavily into account the question of oil. The case study of the United States supports *H1*. and *H3*. but it is not supporting *H2*. The United States had access to a vast

amount of oil reserves, therefore it could maintain its status as a tier 1 Great Power, however its foreign policy had to devote special attention to energy and oil security regardless of its own relatively good reserves and production capabilities.

4.3 Case Study – Japan

The case of the Dutch East Indies shows us, how Japan modified its military campaign and gave major significance to the territory thanks to its large oil reserve and refinery capacities. Less than ten days after the attack on Pearl Harbor, the Japanese military was already on the island to capture the valuable facilities. The importance of refined oil products are national security concerns, especially for countries that have poor oil sources like Japan. These products are necessary for transportation, which is one of the key factors of war. Without the necessary means of reallocating resources, military equipment and personal, a war cannot be won.

Figure 29. Neoclassical Realist Model of Japan’s Entry into World War II.



Source: Edition of the author based on the model developed by Ripsman, Taliaferro, Lobell, [2016] p. 34

The Japanese example clearly show how a resource poor country such as Japan had to modify its foreign policy decisions. Petroleum products and oil was an important part both for the wartime and peacetime economies. The case of the Dutch East Indies shows, how the Japanese government meant to attach the Dutch and nearby British colonies to its sphere of influence by economic means. It was faced serious opposition by the European colonial powers. That is the reason why within ten days after Japan openly entered the war, its

invasion forces was already on the Island of Borneo to secure the region's rich oil supplies. The territory proved to be a very important supplier of Japan during the war. However, it could not provide enough material for Japan to match the capabilities of the United States.

After the defeat of Japan, its economy had to recover. It meant that Japanese firms enjoyed the advantages given by the Western block. The United States' interest was to see Japan thrive, but it could not shield the country from oil shortages in the event of the first oil crisis. The Japanese foreign policy had to distance itself from the United States regarding the issue of Israel in order to restore its ties to the most important oil-producing region of the world. Public statements and high-level visits were carried out by the Japanese government in order to earn the goodwill of the Middle Eastern oil producing countries, which would have certainly not happened if the region was not a major supplier of oil for Japan.

As the internal measures taken by the Japanese government (increased SDR, integration of the oil industry) show relatively weak results, the Japanese foreign policy had to introduce resource diplomacy as a way to effectively counter supply shortages. The relations of Japan with oil producing countries has been improving for decades. This shows how the foreign policy decisions of Japan was greatly influenced by oil in the 20th century. Energy diversification could only ease this pressure, but cannot eliminate it in the 21st century either. *H1.* and *H2.* hypotheses can only be assessed until the end of the Second World War, because Japan lost its status as a tier 1 Great Power due to the fact that it could not secure enough oil supplies for itself to fuel its war efforts as *H3.* predicts.

4.4. Case Study - Russia

The cases of the Soviet Union and later the Russian Federation shows how a country with vast amount of resources and semi-diversified economy is affected by oil and gas. The Soviet Union could finance several decades of growth with the help of the oil and gas industry and could support its allies with the black gold and natural gas.

This support came in handy when the oil crises shocked the world, but made the country incautious for the medium to long-term effects of these crises. The Western world used innovation and energy diversification as a strategy to counter further oil market disruptions, meanwhile the Soviet Union spent its oil incomes on its huge military. Finally, the lack of innovation in the USSR partially led to the dissolution of the country. In the 1990s, privatization of the oil industry brought foreign capital to Russia that desperately needed investments in order to transform itself to a major power in the end of the 20th century.

The rise of Vladimir Putin and the soaring oil prices of the early 2000s enabled Russia to get back to the rank of an important power and engage in armed conflicts in Georgia, Ukraine and Syria. The nationalization of the oil industry drove major oil companies out of the country and the Kremlin began to exert influence over the sector once again in order to use oil more freely for foreign (and domestic) policy purposes. The oil and gas revenues help Russia to maintain its still relatively big military and to use it abroad if necessary. In addition to that, oil and gas can be used as foreign policy tool to punish or reward states.

It is clear that especially the countries of the European Union are heavily dependent on two fossil fuels that Russia could provide the most conveniently. The EU tries to diversify its suppliers in order to counter any negative consequence of this dependence, but Russia is also dependent on the European countries to be its consumers. The foreign policy of Russia is heavily focused on oil (and gas) and its power projection capabilities are dependent on these two fossil fuels more than on any other commodity in its possession. Energy diversification efforts of the EU has been an ongoing struggle since the mid-2000s. However, since the war in Ukraine started, the EU intensified its efforts to be less dependent on Russian oil and gas. These measures come at a cost, both economically and environmentally. No matter, how the war ends in Ukraine, Russia hastened the EU's willingness to be less reliant on Russia's fossil fuels. This phenomenon will bring a realignment of interests and power projection capabilities, since Russia has to find new consumers for its resources. This switch will cost Russia a lot too, since its infrastructure is not ready to divert all of its supplies to other markets, for example to the Far East.

In terms of the hypotheses of the paper Russia has been controlling vast amount of reserves (backing *H1.*), focusing its foreign policy on fossil fuels (negating *H2.*). Furthermore, it provides an inconclusive answer to *H3.* since Russia did not lose its status as a major oil producer, but it lost its rank as a tier 1 Great Power.

5. Conclusion

The aim of the doctoral dissertation is to examine the connection between oil and balance of power through the lens of neoclassical realism. After the thorough research of the theoretical background of international relations, balance of power theory and history of oil, I divided my research into macro periods. In these macro periods and in the case studies I examined the proposed three hypotheses.

H1. Every Great Power had access to the majority of the proved oil reserves since the Industrial Revolution. In the case of *H1*. I aggregated the available data in Table 19. to show the distribution of reserves in the proposed macro periods. In the case of *H1*. I found enough evidence to conclude that this hypothesis is correct.

H2. Ensuring access to crude oil influences the foreign policy of Great Powers. The less oil resource one state has control over, the more its foreign policy is focused on it. In the macro periods, historical examples and with the case studies I did not find enough supporting evidence for *H2*. Furthermore, in the case of the United States and Russia I found several contradictory actions that show: even oil rich states focus their foreign policy around the access to oil. *H2*. can only be correct when a Great Power has control over abundant oil sources, there is a short period of disruption of oil supply (or the crisis does not impact the global oil production) and it has enough surplus reserves that can boost production and there are direct or indirect means of increasing daily oil production independent of the crisis. In the case of *H2*. the application of neoclassical realism show a better explanatory power than other theories. In addition to systemic forces, unit level factors such as leader perception (in the case of Russia and Putin) and domestic institutions and strategic culture (in the case of Japan) showed their explanatory power in relation to energy and foreign policy.

H3. Great Powers try to maintain and/or improve their place in the international system through balancing strategies. When Great Powers cannot maintain access to oil supplies in order to keep their power projection capabilities at a similar level as other Great Powers, they lose their status of being one. With the historical examples of the UK, France and the Japanese case study, I showed how the maintenance of access to oil through balancing strategies is an inevitable part of being a tier 1 Great Power. The loss of their rank supported *H3*. The case of Russia showed that even with high accessibility to oil sources, it is an insufficient criterion to be considered a tier 1 Great Power.

Through the dissertation I found evidence for *H1*. and *H3*. to be proved, and *H2*. to be dismissed. The explanatory power of neoclassical realism and balance of theory can still be applied in the 21st century as a great way to analyse foreign policy.

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