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**PIOTR PUDŁO,**  
*University of Rzeszów (Poland)*

**WOJCIECH SKUZA,**  
*University of Rzeszów (Poland)*

## THE ROLE OF RAW MATERIALS FOR GEOPOLITICAL COMPETITION

The article aims to present the most important issues of competition for raw materials, where different ideas of international trade are identified with political and financial pressure. The method of research used in the work is the analysis of literary heritage and historical facts that confirm or deny different theories. In particular, the theories of T. Malthus, neo-Malthusians and their opponents, as well as the struggle for oil and gas resources in the Middle East, the Arctic and the struggle for water resources in Central Asia were analyzed.

In recent years, raw materials have become an instrument of international security. It is the struggle for sources of raw materials that is one of the decisive factors in world stability. Trade in resources should be the focus of regular observations to ensure geopolitical stability.

In the modern world, much attention is paid to the problems and course of economic wars. What was unthinkable a decade ago is the norm today. Having a large army is mainly used to intimidate an opponent who is competing with a given country. Recent history provides numerous facts not only of political confrontation, but also of raging conflicts in the work for raw materials.

States cannot remain indifferent to geopolitical relations over raw material resources. Dependence on the supply of raw materials from a single supplier allows to block efforts to diversify supplies, which may weaken its dominant position. Dominant suppliers of raw materials may exert political pressure on the recipient country. Financial problems of raw materials market participants are becoming an instrument of geopolitical competition. Internal crises are weakening the economies of suppliers and recipients of raw materials, making it easier to take control of their economies. Therefore, international control over trade in raw materials can become a factor of geopolitical stability.

**Key words:** *raw materials, diversification, geopolitical competition.*

У статті поставлено за мету проаналізувати найважливіші питання конкуренції за сировину, де різні ідеї міжнародної торгівлі ототожнюються з політичним та фінансовим тиском. Методом дослідження, що використовується в роботі, є аналіз літературної спадщини та історичних фактів, що підтверджують або заперечують ту чи іншу теорію. Зокрема було проаналізовано теорії Т. Мальтуса, неомальтузіанців та їх опонентів, а також боротьба за ресурси нафти та газу на Близькому Сході, в Арктиці і боротьба за ресурси води у Середній Азії.

В останні роки сировина стає інструментом міжнародної безпеки. Саме боротьба за джерела сировини виступає одним з вирішальних факторів світової стабільності. Торгівля ресурсами має бути у центрі уваги та регулярних спостережень для забезпечення геополітичної стабільності.

У сучасному світі велика увага приділяється проблемам та перебігу економічних воєн. Те, що було неможливим десятиліття тому, сьогодні є нормою. Наявність великої армії в основному використовується для залякування суперника, який змагається з даною країною. Новітня історія дає численні факти не тільки політичного протистояння, але й зрйних конфліктів у боротьбі за сировинні ресурси.

Держави не можуть залишатися байдужими до геополітичних відносин з приводу ресурсів сировини. Залежність від поставок сировини від єдиного постачальника дозволяє блокувати зусилля щодо диверсифікації поставок, що може послабити його домінуюче становище. Домінуючі постачальники сировини можуть здійснити політичний тиск на країну-реципієнта. Фінансові проблеми суб'єктів ринку сировинних ресурсів стають інструментом геополітичної конкуренції. Внутрішні кризи послаблюють економіку постачальників та реципієнтів сировини, а тому стає легше взяти під контроль їх економіку. Таким чином міжнародний контроль за торгівлею сировиною може стати фактором геополітичної стабільності.

***Ключові слова:** сировинні корисні копалини, диверсифікація, геополітична конкуренція.*

## **Introduction**

Raw materials have been important for ages. Thanks to them industry and engineering could develop to complete human life. Through centuries, ways of using and trading with them have changed from simple to more complex processes. In the past, the policy of colonialism used to pursue obtaining the raw materials required for the industrialization in European countries with the aim of economic dominance. Decisions on extraction, supply and consumption remain really important because an amount of raw materials is limited. Besides, other matters determinate such as access to information, qualified personnel, infrastructure, legal regulations, long-term investors and political stability (Bleischwitz, Perincek, 2017). Raw materials have been giving the world an opportunity to cooperate due to needs for the others in production, but they also have been accelerating conflicts.

The article presents the most important issues of competition for raw materials, where different ideas for an international trade identify with political and financial pressure.

## **The meaning of making decisions on raw materials**

Nowadays, economic development requires a constant access to raw minerals. The amount must be enough to maintain and increase living standards. That is why geopolitical location determinate their international positions due to significant source of revenue (Ruszel, 2013). The more consumed raw minerals the more expensive cost become and consumers especially the leading world economic powers are looking for them at relatively low prices. In a situation, where nations are rich enough in a deposit of raw minerals to meet their needs, they could consume them on their own or deal them on international market. When the amount of resources is not enough on its territory or their extraction are unprofitable, a country is naturally forced to import them. It is determined on many conditions by governments, international institutions or companies having an influence on economy and common policy. Thus the market for the raw materials is met with many problems in order to keep close ties with resource-rich countries engaging in demand strategies.

Leveraging a resource potential uses the power to dictate prices effectively when the market is divided up between a few big concerns, but especially when there is the only supplier as it allows to maximize profits. Every country receiving resources from the greatest powers in a market cannot feel safe when the prices are volatile in the light of political or economic crisis. Searching for a different ways and partnerships to supply raw materials would favour diversification in order to create a economic competition.

If a supplier still wants to maintain strong position in its energy markets, it tries to control activities of the others and drift away another point of view. Political actions could disrupt the implementation of international projects, what include a new way of the supply of raw materials from different countries, which would avoid some kind of monopoly. That is why an effort of the European Union to assure implementation of oil and gas supplies by pipelines from the *Caspian Sea* basin to Europe could not be put. Otherwise, it would hold scopes of activity down for Russian Federation because the monopoly position of Gazprom would weaken (Kłaczyński, 2017).

Now, the Baltic natural gas pipeline project is being co-financed by the European Union to allow transport of gas from Norway to the Danish and Polish markets (NS Energy, Baltic Pipe Project, access: 2020). The European Union signed the supply agreement for the gas with a clause of price revision thus its economy became dependent on Russian policy. Even though price reductions for a transfer of shares in the infrastructure were intended by some European countries including Germany, the monopolist would still strengthen its position in the EU. In the end, government decisions on export of meaningful raw materials and a manipulation of their supply could become unpredictable for the ones who receive it.

On the other hand, cooperation between a few partnerships regarding the supply or experience could also help the ones to diversify the market of raw materials. For example, in recent years, Russian-Chinese cooperation for access to resources from Western Turkestan develops due to the economic growth in China and demand for energy (Caxin, 2019, access: Nov. 2020). “China invests in infrastructure in return for access and pays high amounts for large volumes of valuable assets, whereas countries such as Germany establish partnerships in exchange for knowledge and technical assistance coupled with resource efficiency and recycling policies to reduce dependence” (Bleischwitz, Perincek, p. 4). To sum up, cooperation in the field of raw materials could become a competition for one another as well.

### **How are financial issues used in the geopolitical competition?**

Historical issues do not remain indifferent to the competition for resources because geographical location representing an existence and availability of sufficient quantity of resources has an influence on international relationships. As long as financial and technological requires play an essential role in sourcing raw materials political pressure from a shareholder or investor could be unavoidable. A region with political and social problems or surrounded by military conflicts there within last years do not make its economy recover fast. Thus, when a nation grapples with financial crisis or even a lack of enough

experience in industry and adequately qualified personnel because of having little opportunities to develop in the past, it turns out that deposits of raw materials and their transport cannot be directed by themselves. In short, looking at the last decade of the twentieth century countries from the Eastern Block were left with unprofitable ways to create their industry, what entailed many social and economic difficulties like losing jobs etc. (Kolin, 2015). Some countries could recover and find one another in a new global economy. But if a country still cannot afford restructuring, technological backwardness prevents productivity growth and inviable markets would bear serious losses. That is why they have to let the biggest concerns in their market of resources, which means maintaining strong position.

For example, Russian Federation takes advantage of debts of the former Soviet Socialist republics to take over assets from strategic energy companies (Kłaczyński, 2017). So, it comes down to a control of the routes of the gas transmission pipeline running through the former Soviet republics (Kardaś, 2006). It can give a possibility to buy resources at lower prices from, then selling them at relatively higher. Moreover, Gazprom still extends pipelines and has intended to build the new ones recently, between Arctic Russia and China too (Staalesen, 2020). And finally, new countries trying to lead to the economic development of their own regions, despite numerous deposits of gas and many different raw materials still remain dependent on the politics of Russian Federation. On the other hand, paying attention to crisis in Venezuela that has had massive deposits of petroleum, the country does not control its extraction anymore and it came to foreign privatizations. The U.S. sanctions policy in Venezuela not to continue in Maduro's hold on power hit the Venezuelan economy. In the face of the Maduro government failing to pay interest on its past loans and being in approximately \$34.5 billion of debt creditors like Russia and China started extracting Venezuela's petroleum to assist the Maduro government in repaying its debts (Kristen, 2020). That way these countries can control foreign resources and make their decision on their trade and their supply to different countries as Venezuela cannot afford extracting petroleum on its own.

To sum up, sanctions policy of one economic power country may strengthen a dominant position of another one. It has been mentioned before, raw materials determinate a power international relations. When a situation do not seem to be safe, countries can make a decision on sanction policy against the one's activities in case of threats. Hitting the one's economy, they try to stop it from dangerous political or social domination. For example, Iran got an export ban on oil following its nuclear activities. Aside from international sanctions, the EU and the USA have also imposed restrictions on cooperation with Iran in a trade including resources in order to force Iran to alter its policies in the region, including its support for development of ballistic missiles and militant groups across the Middle East (ABC News, Australian Broadcasting Corporation, 2018).

Raw materials become an instrument in the international safety as well. The activity of trading in resources may give a possibility to process and consume them in a very different ways. In the end control and regular observations are thought to be required regarding geopolitical stability.

### **Depletion of resources - wars of the future**

In the present world, much attention is paid to the problems and course of economic wars. What were unthinkable decades ago is the norm today. Having a large army is mainly used to scare an opponent who is competing with a given country. It is definitely more profitable to fight for economic reasons. One of the elements of such a fight is competition for mineral resources. Naturally, natural resources are exhaustible. You will not be able to use the resources of the Earth forever; someday the resources will run out. As result we can see the desire to compete for resources. Powers fight with each other for the greatest possible access to resources, sometimes even unlimited access. There is some analogy between resource depletion and world population growth. This theory was created in the 18th century by the British economist Thomas Malthus. He drew attention to the problem of overpopulation of our planet in relation to the massive and very rapid consumption of all natural resources. His main view was that too much demographic growth could lead to depletion of natural resources and the collapse of overpopulated countries (Boniface, 1999, P. 28). T. Malthus believed that the number of people grows exponentially while food production grows in arithmetic. From this it follows that overpopulation becomes a natural phenomenon. It is also associated with greater use of natural resources and faster depletion of these resources. Although T. Malthus' thesis was created in the 18th century, it describes the reality of the present day very well. It has also become a promise for discussion and the basis for further theories that describe the relationship between the number of inhabitants of the Earth, the consumption of mineral resources and food. One of such theories was published in 1971 in the book *The Population Bomb*, which described the relationship between the depletion of the world's resources and a very rapid population growth. The authors of this theory were Paul and Anna Ehrlich. These theories have various positive and negative effects. When a resource is lacking, social discontent grows as there is a risk that the resource will not be enough for all people. When dissatisfaction grows, the threat of conflict in societies increases which can lead to catastrophic consequences (Ehrlich, 2009). It is natural that not everyone will agree with such theories. One of T. Malthus's opponents was the American professor Julian Simon. In his book *The Ultimate Resource*, he stated that the British's theory does not fit the present day. He argued that T. Malthus did not take into account the economic aspect, which, according to J. Simon, was crucial. J. Simon believed that reducing the amount of a given raw material increases its price, and this in turn becomes an impulse to search for more and more new sources of this raw material and then to search for its substitute (Simon, 1998). J. Simon's assumptions turned out to be extremely accurate and they perfectly complement the theory of T. Malthus. Because the economic aspect currently plays a huge role, powers are committed to controlling as much natural resources as possible and making them as rich as possible. Such actions gave rise to the wars of the future that we observe in the modern world. The game of powers takes place all over the Earth, from California to New Zealand.

This shows how the modern world is interconnected. Scientists, who are often one step ahead of us, play an important role and perfectly illustrate what the next decade may bring when it comes to geopolitical rivalry for mineral resources. The topic is not easy, but American scientists have stated that it is important to

limit the growth of the Earth's population rate. This is where it all starts. A very large number of the problems of today's world are related to excessive population growth. If the current trends of global population growth, industrialization, pollution, food production and resource use are maintained, the limits of this planet's growth will be reached in the next 100 years. The most likely result will be, rather, a rapid, uncontrolled decline in the population, both in terms of population size and industrial production (Meadows et al., 1973, p. 32). Based on the thesis of J. Simon and the opinions of Americans, one should answer the question: Does the fight for mineral resources really exist? If so, who is taking part in it and what resources are being competed for. There is no doubt that there are many conflicts over resources in the world. Based on research on the rate of consumption of raw materials, scientists unequivocally conclude that the fight is for crude oil, natural gas, coal and also for fresh water. Due to the competition for strategic raw materials, scientists say that the competition will also continue in the future. This is inevitable because of the importance of these resources for the economies of power.

The world's largest players are very eager to draw their attention to small countries with rich deposits of raw materials. This was the case, inter alia, in 2012 in Sudan. The oil conflict sparked a crisis in the region. South Sudan became a sovereign state after the declaration of independence in 2011. Through a referendum, citizens strongly supported independence. It seemed that such a step would end an internal conflict that had been going on for 22 years.

Unfortunately, the effect was quite the opposite. The emergence of a new country brought with it serious danger. Almost 75% of oil deposits are located within the borders of South Sudan. South Sudan's economy was very weak, and the country plagued by civil war was just getting back on its feet. This is evidenced by the fact that the economy of the newly created country is based in 98% on oil exports. Sudan, despite the equally poor condition of the economy, was much better equipped with oil distribution equipment, such as pipelines and infrastructure. In the above-mentioned 2012, the conflict escalated. South Sudan has suspended oil production until prices have been set for the transport of this raw material via a pipeline in the territory of North Sudan. Both sides accused each other of ill will, acting to the detriment of international agreements and supporting rebel groups that operated in both countries, which destabilized the political situation and supported the development of the shadow economy. This could not remain indifferent to the international arena. The influence of great states on the situation of poorer countries is perfectly shown here. Many leaders called for a compromise. The situation was out of control because there were clashes in the border areas. The population began to flee the war and the oil prices in the markets rose.

The topic of the conflict in Africa was actively commented on and considered at the UN Security Council. The then UN Secretary General Ban Ki-moon, together with US President Barack Obama, called on the parties to the conflict to stop military activities and seek understanding. The presence of the President of the United States should come as no surprise. It is the United States, as a superpower, that has a great interest in finding allies who have valuable natural resources, and that was undoubtedly oil. For the sake of equilibrium, Russia sided with Sudan and defended its cause. Under the threat of UN sanctions, both sides of the conflict pledged to withdraw their armed forces from the borderland. However,

the activity of the great powers did not decrease and led to the signing of a settlement in 2013. The agreement provided for, among other things, the delineation of precise borders in oil-bearing areas and the distribution of costs from the sale of oil. This compromise was closely monitored by the United States. The example of South Sudan, which is a very poor country, shows how easy it is to influence the decision of the country's authorities and to guarantee the use of natural resources under the pretext of protection against war.

In the context of resource depletion, there are serious problems caused by the lack of water. Although almost 2/3 of our planet is water, there have been almost 300 conflicts related to it in recent years. Many scientists put water on a par with oil or natural gas. Water is an extremely valuable resource for countries that base their national economy on agriculture. When there is a conflict of interest, the world holds its breath and hopes to avert competition. An example of such a situation was the dispute between Uzbekistan and Tajikistan. The subject of the dispute was the Rogun hydroelectric power plant, which was built in 1976. Dams are a very common cause of internal and external tensions, because they are created on large rivers that very often cross the borders of different countries. The dam was built in the upper reaches of the Vachsh River in Tajikistan, but the serious effects of this investment were felt by the country located in its lower reaches, i.e. Uzbekistan. Rogun is to be a huge dam with a height of over 300 meters. The Vachsh River is the main tributary of the Amu Darya that feeds the cotton fields of Uzbekistan. For this reason, the government of Uzbekistan was against the construction of the dam. Water is running out and there is not enough of it. After the construction of the hydroelectric plant, the reservoir would fill up for several years, which would mean a fairly long interruption in the supply of the Amu Darya via the Vachsh River. Uzbekistan tried at all costs to block the construction of the hydroelectronics. The rulers feared the disaster of the drought, which would be a disaster for cotton crops.

Economically, agriculture in Uzbekistan would be hit by the crisis. The clothing industry would also have problems because there would be no way to create clothes. Cotton exports would also decline. The situation was made difficult by the outdated and ineffective irrigation system in Uzbekistan. On the other hand, Tajikistan treated the investment very seriously. The Rogun dam was to ensure the country's independence from Uzbekistan's energy supplies. Also, this rivalry took on a different dimension, mainly based on water and its shortage. Someone may ask how a small country like Tajikistan can build such a large hydroelectric plant. Well, the investment was strongly supported by Russia. Russian companies assisted in implementing this investment. However, the conflict grew and the discontent of the leaders of both countries grew. Tajikistan tried to complete the construction at all costs. Again, Uzbekistan has filed numerous protests to protect agriculture. The competition was for the extremely important water that irrigates the cotton fields and that could fill a huge reservoir at a hydroelectric plant in Tajikistan. It was impossible to leave the situation unresolved.

The situation in the region began to calm down when the new president of Uzbekistan openly admitted that he wanted to finish the investment. Much was said about Russian interference in the conflict, as the Russians could also benefit from the energy generated at the Rogun power plant. This example illustrates the

necessity of dialogue by states. Searching for a common solution can sometimes resolve regional conflicts. Everyone would like to avoid it. Unfortunately, in the modern world, smaller states are the arena of great powers. Thanks to this, the influence and the possibility of using the goods of a given region increase. In terms of geopolitical struggle, this is a very important issue for the superpowers.

### **The Arctic and its huge deposits**

Access to mineral resources is largely related to the military domination of powers. Countries such as the United States, Russia and China, due to their high military strength, have a slightly easier starting position in the competition for natural resources. This view has been heavily questioned over the years. As for the power over territories and resources, there are two divergent theories, which are important in the context of the fight for raw materials, inter alia, for Arctic resources. The first thesis was formulated by the eminent British geographer Halford John Mackinder. The theory is that those powers that rule over the territory of Europe and Asia and their resources, in fact, control the whole world. It also resulted from the industrial development of European countries. A different view was presented by the American naval officer Alfred Thayer Mahan, who argued that the actual control over the world is ensured by the domination of the seas and oceans. Both gentlemen were right in their views, but the history of the world has shown that A. T. Mahan's theory was more accurate. The example of the Cold War proves this perfectly. Two rival sides, the United States and the USSR, fought for world domination. Except that the USA was a state that controlled the oceans, while the USSR and its vast territory, together with the countries of the Eastern Bloc, stretched across half of Europe and a large part of Asia. The Russians had limited access to the seas, especially in the north, where the ice cover did not allow navigation, which significantly limited the ability to control the world. The Americans took advantage of this situation, and they are ultimately credited with winning the Cold War. Currently, Russia has an opportunity to build a naval power and gain dominance over such a valuable area as the Arctic. This is largely due to global warming. The melting glaciers allowed increased sea traffic in the waters of the North Pole.

This fact opens up new opportunities for resource exploitation in the Arctic. This area is already an object of action by great powers and influencing smaller countries. The cause of the war for resources is unequal access to them and their energy importance. The problem of competition for raw materials will intensify in the coming years and more and more territories will be an arena of struggle and struggle for resources. The production and consumption of crude oil is very high. Scientists estimate that at the current rate of extraction of this raw material, it will be enough for 40 - 44 years. It is also predicted that the supply of crude oil will not keep up with the demand, which may lead to worsening conflicts such as in Sudan. A group of OPEC countries plays a major role in this matter. The antagonisms between OPEC countries and the rest of the world may be deepened precisely due to resource depletion and efforts to take control of the deposits. That is why, in the modern world, great powers are looking for new areas rich in strategic resources. Hitherto undiscovered areas of the Arctic contain vast reserves of oil and natural gas. These climate issues work in favor of Russia. The shrinking ice sheet at the



North Pole opens up new prospects for profit. Scientists say that since the late 1970s the ice sheet in the area has shrunk by 20%, and the forecasts assume that the ice will disappear in about 30 years, which would allow the discovery of new deposits of natural resources and the opening of new sea routes.

However, this situation poses a threat. Countries such as Russia, Canada, the United States, Denmark and Norway are involved in the conflict over domination in the Arctic. International treaties define the economic zone within which economic activity is allowed, including the extraction of raw materials. However, the interest of states goes much further than the economic zone. As a result, a conflict of interest arises. It was mainly because of Russia which in 2001 applied to the United Nations to extend the economic zone. It would also increase Russia's influence and dominance in the region. It was not approved by other countries. This situation was a signal that the conflict over resources was in full swing.

This is confirmed by the fact that the USA, Canada and Russia created military units that were prepared for operations in extreme weather conditions. The new National Security Strategy of Russia assumes increased activity in this area. It is precisely such national decrees that say a lot about the strategy of great powers in the context of the struggle for resources. This political game is aimed at total victory and domination. The rank of Arctic resources assigned by the interested states allows us to state that, unfortunately, a large-scale armed conflict may occur within several dozen years. Russia's declaration is alarming, which says: With strong competition for access to natural resources, the use of the army cannot be ruled out to solve problems that may upset the balance of power around Russia and its allies ([www.foreignaffairs.com/articles/64905/scott-g-borgerson/the-great-game-moves-north](http://www.foreignaffairs.com/articles/64905/scott-g-borgerson/the-great-game-moves-north). Access: 2020).

Such a serious declaration leaves no doubt that the Arctic will become a battleground for resources. The danger cannot be underestimated. Therefore, the United Nations proposed the division of spheres of influence between the countries concerned. It is worth mentioning that smaller countries such as Denmark or Norway could significantly raise their profile in the international arena by engaging in such a serious conflict of interest at the North Pole. Unfortunately, the division of influence proposed by the United Nations is disproportionate and raises a lot of controversy. It should be remembered that the country that will gain power over the Arctic resources will be the most powerful political and economic player in the world.

Scientists determine that the deposits of natural gas and oil in the Arctic constitute about 22% of the Earth's resources. To acquire such enormous amounts of these resources would be a great success for one of the rival countries. Where the struggle for so many resources is taking place, China could not miss it, as it is closely monitoring the situation and seeing the opportunity for economic benefits in the event of a conflict. The Chinese activity is confirmed by the fact that the Chinese have a polar station on Spitzbergen and actively participate in research in this area. Considering how many countries are involved in the conflict in the Arctic and how large deposits are being fought over, it will be very difficult to reach an agreement that would satisfy either side. The coming years will be crucial in terms of security in the Arctic Circle region. One should also bear in mind the environmental dangers, such as disasters of oil-carrying ships, which can seriously

affect the ecological situation in the region. There are many problems that should be resolved as soon as possible through diplomacy and agreement.

The Arctic region is very specific because of its changing climate. The potential of this area is huge. The depletion of raw materials has prompted the countries of the world to look for a new region that will meet the economic needs of mainly great powers, because they play the greatest role in conflicts over raw materials. The most desirable resources are, of course, oil and natural gas. For this reason, no country can accept the unequal division of economic zones. This raises a serious problem that could lead to a more serious conflict. Currently, the armed forces of Russia, Canada and the USA are preparing to act in that region. This shows the seriousness of the situation and the threat of a real war. At stake in this competition are previously unknown territories, huge deposits of strategic raw materials worth billions of dollars.

### **Conclusions**

In conclusions to this paper we can state that consumption does not remain indifferent to geopolitical relations. As long as resources provide strength, countries are going to aim at strong economic that in turn has a significant influence on international politics. Long-term dependence on the supply of raw materials from the only supplier allows to block an effort to diversify supplies what could weaken its dominant position in order to put political pressure. Moreover, financial issues determinate the one's abilities to extract, supply and process resources, which become an instrument in geopolitical competition. An internal crisis weakens the one's economy, so it becomes easier to take control over its deposits by foreign countries. Finally it strengthens their position in the world. Sometimes restricted or banned trading in raw materials is thought to assure international safety as well in case of threats, not to make something dangerous happen.

To sum up in short, it all comes down to common need of paying attention to geopolitical situation with suitable and elastic reaction.