

The Falkland Islands: A New Frontier in the 21st Century Resource War?

Written by Gal Luft

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Twenty eight years after the Falkland War between the United Kingdom and Argentina, tension is mounting again between the two countries. This time the conflict is not about imperial grandeur but about oil. In the coming weeks British oil exploration companies will be tapping into what could be more than a quarter of a trillion dollars worth of hydrocarbons off the disputed Falklands. The first of these companies, Desire Petroleum, already commenced drilling operations in the end of February, and up to 10 wells are expected to be drilled by British companies in the coming months.

Though it is not clear how commercial the explorations may end up being, the saber rattling has already begun: "It is perfectly within our rights to be able to do this," British Prime Minister Gordon Brown said, putting Royal Navy ships on stand by to protect British ships heading to the region. "The Malvinas will never be surrendered," retorted Cristina Kirchner, Argentina's president, using the Spanish name for the islands. Buenos Aires said it would require all ships from the islands to obtain permits to dock in Argentina, and it is currently considering economic sanctions against companies linked to the oil drilling venture, among them Barclays, HSBC and the mining company BHP Billiton. Argentina also lobbied Ban Ki-moon, the United Nations secretary-general, as well as the US and many Latin American countries to help bring the UK to negotiations to resolve the sovereignty dispute.

Whether or not the dispute will end in a diplomatic squabble or escalate to a military conflict depends on the actual amount of oil that would be discovered in the south Atlantic by the exploration companies, and on leaders' in London and Buenos Aires ability to maintain cool heads and resist nationalistic fervor at a time when popular support for both governments is low.

The good news is that there is no desire for armed conflict on either side. Currently deployed in over 80 countries around the world, the British military is stretched too thin to embark on a major military intervention. The recession and recent experiences in Iraq and Afghanistan have weakened public appetite for foreign adventures. For Argentina, war could mean a new economic meltdown, another military defeat and a national humiliation.

While it is in all the actors' interest to resolve the matter peacefully, the classic ingredient of wars by miscalculation, namely politically vulnerable leaders desperate to divert attention from their domestic woes, is omnipotent. This is exactly what motivated the deeply unpopular military junta in Argentina when it decided to invade the Falklands in 1982.

Furthermore, one cannot ignore the influence energy security considerations have on nations' strategic choices. The depletion of North Sea oil means Britain's dependence on foreign oil, particularly the Middle East, is set to grow eight-fold by 2030. A recent report 'The Oil Crunch – A Wake Up Call For The UK Economy' by Sir Richard Branson and other business leaders predicts oil shortages and price spikes as soon as 2015. The oil fields around the Falklands could solve Britain's energy security problem, producing up to 60 billion barrels of oil, equivalent

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of 90 years of current demand. Britain will not walk away from such a bonanza; nor will Argentina, which is also in need for new sources of oil. Its domestic oil production has peaked, and it too will be increasingly dependent on imports. Sitting by and watching Britain deplete what it perceives to be its own natural resource is too much to hope for.

In a world where pursuit of oil and gas is becoming a major driver behind nations' behavior, the likelihood of a conflict in the south Atlantic will only increase if the Falklands end up becoming a major oil producing region. Few would argue against the UK's right to drill for oil in its internationally recognized territorial waters. But the danger in offshore extraction lies in the inability to observe clear lines of demarcation. Accidental intrusions can easily happen, and in an atmosphere of hostility and suspicion things could easily get out of hand. In the first week of Desire Petroleum's operation, the British Navy HMS York intercepted an Argentine warship ten miles inside the disputed "oil zone." The incident was resolved peacefully, but it demonstrates the risks and pitfalls of this potentially inflammable situation.

The Obama administration should pay close attention to the Falklands dispute. Increased British troop deployment in the Falklands, or worse, an outbreak of war, will not only divert much needed British resources from the current war in Afghanistan but will also force the US to stand by its historical English speaking ally (though thus far the Obama administration refused to support Britain in the Falklands oil drilling row), a move that will no doubt strengthen the so called anti-imperialist block in Latin America spearheaded by Venezuela's president Hugo Chavez, weakening US posture in the region. Chavez has already weighed in on the issue. In a televised address he said: "The British are desperate for oil since their own fields in the North Sea are now being depleted. [...] When will England stop breaking international law? Return the Malvinas to Argentina!" During the February Rio Group summit, most Latin American countries, including Brazil's President Lula da Silva expressed solidarity with Argentina and backed its claims.

US Secretary of State Hillary Clinton stated that the US "would like to see Argentina and the United Kingdom sit down and resolve the issues between them across the table in a peaceful, productive way," and that the Obama Administration would be willing to play a constructive role in the negotiations. The last time the US tried to mediate between the two adversaries, in 1982, it was then secretary of state Alexander Haig who embarked on shuttle diplomacy. But his entry into the scene came too late to prevent the war. If this time US involvement comes early enough, the results could be better.

Mediation may be enough to reduce tension in the near term, but in the longer run the risk of inflammation will always be present as long as the British drill for oil and gas that Argentina perceives to be its own. Therefore there is a need to create a monitoring mechanism comprised of satellite surveillance, modest international maritime presence in the region, and open lines of communication that could provide early warning in the case of provocation, along with a mechanism of ad hoc dispute settlement to deal with violations. Finding ways for Argentina to benefit from the Falkland oil bonanza (if discovered) would also contribute to regional stability. Because of its geographical proximity to the Falklands, Argentina would be an obvious choice

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as a base for an oil and gas terminal and pipelines hub. If Falklands' oil will contribute to Argentina's economy, albeit indirectly, that would weaken Buenos Aires' incentive to change the status quo.

As we have learned in other parts of the world, some disputes cannot be settled, but they can certainly be managed. The Falklands is one of them. If president Obama succeeds in keeping the two sides at bay he will have justified his Nobel Peace Prize.

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