

## The political-economic implication of oil-gas industry in Scotland's battle for full independence

التداعيات السياسية والاقتصادية لصناعة النفط والغاز في معركة اسكتلندا من أجل الاستقلال الكامل

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Received: 16-06-2021

Accepted:13-10-2022

### Abstract:

*Geopolitics has, implicitly or explicitly, indicated that most of political-economic conflicts between nations is related to geographical factors like the case of Scotland. This nation has been expressing its will to leave the UK and becomes, itself, a free nation over three battles of devolution referendums (1979, 1997 and 2014). Calls for freedom are natural, but for a country that is fighting for a total break-up with the British after more than two centuries of unity would be worth investigating. Hypotheses have been suggested to be the factors behind Scotland's issue of independence among which "the oil-gas industry" within Scottish geographical lines, is believed to be the key-factor in the most political-economic conflict between the British and the Scottish. Years ago, the same key-factor was implicated in Algeria's independence process but it has been successful and gained Algeria its full freedom from the French occupation.*

**Key words:** political economy–industry studies –primary products –services

**Jel Classification Codes :** F5, L6, L7, L8

### ملخص :

أشارت الجغرافيا السياسية، بأسلوب مباشر أو غير مباشر، إلى أن معظم النزاعات السياسية والاقتصادية بين الدول مرتبطة بعوامل جغرافية مثل قضية اسكتلندا. فقد أعرب هذا البلد عن رغبته في مغادرة المملكة المتحدة لكي يصبح بنفسه أمة حرة وذلك عبر ثلاث استفتاءات تفويض السلطة (1979 و 1997 و 2014) و هناك استفتاء عام آخر حول الاستقلال على طاولة التفاوض بين الحكومتين للحدوث في خريف 2021. على العموم، الدعوات من أجل الحرية و الاستقلال أمر طبيعي، لكن بالنسبة لبلد يحاول بجهد الانفصال التام عن المملكة المتحدة بعد أكثر من قرنين من الوحدة البريطانية، فهذا الأمر يستحق التحقيق. تم اقتراح عدة فرضيات على أنها العوامل الكامنة وراء قضية استقلال اسكتلندا ومن بينها اقتصاد "موارد النفط والغاز" الموجودة ضمن الخطوط الجغرافية الاسكتلندية والتي نفترض أنها العامل الرئيسي في الصراع السياسي-الاقتصادي بين البريطانيين والاسكتلنديين ، وأيضا التي من أجلها لا تريد بريطانيا التخلي عن اسكتلندا. نفس العامل كان تاريخيا حاضرا بقوة في قضية مراحل استقلال الجزائر وقد حصلت على استقلالها التام من الاحتلال الفرنسي بنجاح.

كلمات مفتاحية: الاقتصاد السياسي –دراسات الصناعة – المنتجات الأولية - الخدمات

تصنيف JEL: F5, L6, L7, L8

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## INTRODUCTION

*Although recognized as one of the main nations of GB<sup>2</sup>, Scotland is still, until today, fighting for its full independence from the UK<sup>3</sup>. Historically, there has been an alliance between Scotland and Britain since the Union Act in 1707, upon which Scotland declared its full will of “unification” with the rest of the UK’s nations: England, Wales and Ireland (all Ireland in those times). Even with certain degrees of governmental distinctions, “full will of unification” implied that Scotland had agreed to be unified with the UK’s constitutional decisions over the principal matters of the British Island such as politics, economy, army, society, etc. However and since the end of the 20<sup>th</sup> century until nowadays, there have been frequent calls and battles for full independence or freedom from Scotland to be completely separated from the UK; manifested indeed through different timing devolution referendums: 1979, 1997 and 2014, after which Scotland has failed to gain its full autonomy. Yet, the battle is not over where a future referendum (planned probably to occur in the fall of 2021) is under a Brit-Scot political discussion. What is more intriguing about this battle is its initiation: after more than 300 years of unity with the UK, what is making Scotland to fight for a break-up with the UK?*

*Hypothetically, there exist several theories in an attempt to answer the question raised above, among which, some researchers have claimed that the reasons behind Scotland’s battle for full independence may be related to the frequent disagreements with the British government on these issues: identity, civility laws, politics, education and economy. But **what if “economy” is the real reason by which Scotland is claiming its freedom from the UK especially after the discovery of abundant reserves of oil-gas in the Forties Field on October 7<sup>th</sup> 1970 in the north-east of Scotland?** In this article, the author tries to investigate this hypothesis. Differently said: to what extent the issue of “oil” is implicated as a potential strategy in the process of the ongoing Scottish independence as the game of power today in our world that is proceeded by how far a nation is strong and can impose itself well once it possesses a strong economic weapon such as oil-gas industries.*

### **1. Political economy as an interesting social science until nowadays**

Through the history of human kinds, politics and economy have played an important role in governing peoples and nations. There were no ways of leading a country only by politics or

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<sup>2</sup> An abbreviation to Great Britain (England, Scotland and Wales).

<sup>3</sup> An abbreviation to United Kingdom, which is composed of Great Britain and North of Ireland.

only by economy. In terms of terminology and academics, “political economy”, emerges as both a concept and a branch of social sciences that studies the link between individuals and society and between markets and the state, using different methods framed typically from economics, political science, and sociology (Veseth, A: 1998). Etymologically speaking, this term or this concept is derived from the Greek word “Polis” that means “city” or “state” and the Greek word “Oikonomos” that signifies “the person who runs or manages a household or estate.” Therefore, political economy can be understood as the study of how a country is managed or governed, taking into account the criteria of both politics and economy.

As our hypothesis, in this article, has a political-economic significance or dimension by which Scotland desires to claim its full autonomy from GB, it is necessary firstly to present briefly the economy of Scotland. Secondly, we need to investigate (though it might not be thoroughly but necessary) the economic management of Scotland’s economy within/by the British government with, of course, Scotland’s financial contribution to the treasury of British government, as we need to give a short overview on the battles of Scottish independence’s issue. Between these methodological steps, it is primordial to give a detailed data and analysis about the appearance of oil-gas resources, not far from Scotland geographical lines. These methodological steps are inspired by the fact that since in reality “oil-gas”, as a potential economic assets for any country, can generate a lot of financial and geo-political benefits, it may be the key-factor by which only Scotland could break up the seal of “1707 Union Act” and thus, will become an independent country — not designated as British.

## **2. Impacts of oil-gas assets in a nation’s independence process: a literature review**

This part of this article is a short review of literature on the role of oil-gas as important political cards in a country’s call for full autonomy or independence. It shows how far or to what extent these cards have been either “a success” or “a failure” in getting freedom to this nation. It presents Algeria as a very good example in this context and which only with its nationalization of oil-gas assets in 1971 has become totally free though it has got its independence in July 1962. The objective of this part of this article is an attempt to understand better our case-study, Scotland, as a nation that is calling for its full freedom from the UK and more frequently after the discovery of oil reserves within its geographical parameters. Whether it is Scotland or other nation desiring for its freedom, this kind of belief has been reviewed in literature upon different

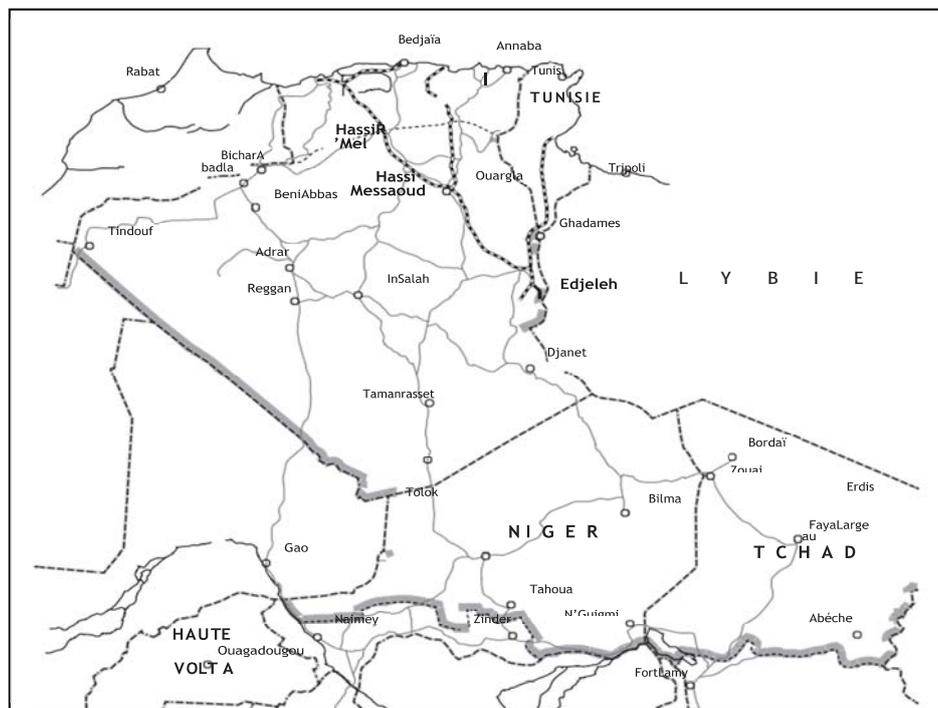
headings and academic writings, among which, we chose Marta Russo who devoted a whole chapter entitled “*Will Oil Free Us?*” in Andrew W.M. Smith and Chris Jeppesen’s publication (2021:76), and who mentioned that:

“It is interesting to note that the oil industry also attempted to present itself as a liberating force of development, whose mission was economic growth – providing the newly independent country promoted a free market and the free circulation of capital.”

## 2.1 Oil-gas assets in Algeria’s independence process:

After the discovery of oil-gas reserves in the Algerian Sahara, their presence in its independence process has been; first a failure, then it became a success. Algeria has seriously worked on claiming its natural resources of Gas and oil which have been part of its geographical shape (in its Sahara) while trying rightfully to get its independence from the French colonization. Historically speaking, as Algeria knew how important its natural resources can stand for its development, both financially and economically, it went through an independence-get back process not only in 1962 but also since the discovery of oil reserves in 1956 in Edjeleh (100 million tons) also in HassiMessaoud (600 million tons) and the gas largest world’s field in HassiR’Mel (see Fig 1).

**Fig 1 :** the geographical location of oil-gas reserves’ dicovery in the Algerian Sahara



**Source:**Smith, Andrew (ed.). Britain, France and the Decolonization of Africa: Future Imperfect? UCL Press. p. 68.

As mentioned earlier, Algeria's get back independence was a whole process of which its natural and economic oil-gas assets were part of it. France was willing to accept Algeria's independence as long as its status as a newly independent nation would not deny French access to the oil-gas resources in the Sahara. Though it is not its rightful territory, France claimed that it had rights to the Algerian oil-gas assets because it had invested much in developing the Algerian oil reserves. Investments which began around 1961 but the Algerian revolutionists rose against France oil industry' claims as a rightful property and went on promoting a nationalistic view of the Algerian oil industry. In this context, Russo (2021:62-63) mentioned that:

“For France, this was not simply the occasion to boost its own domestic oil industry – the richest business of the post-war era – but to control a powerful geopolitical tool, and to retain its influence in North Africa. At the same time, for Algeria's Front de Libération Nationale (FLN), as for many newly independent governments, oil became the symbol and the basis of economic independence, its bargaining chip against the West and against France in particular.”

Though the Algerian Sahara was not geographically French or within France's borders, France needed to ensure that the Sahara imperially belonged to it. In 1956, The French Union's Head of the Financial Commission; Pierre Cornet, published a book entitled Sahara: Terre de Demain (Sahara: land of tomorrow) and where he stated profusely “that the development of the Sahara was a moral imperative for present-day France.” That claim made Algeria and France went through several failed and aggravated negotiations. For instance, the FLN official El Moudjahid's article, on November the 15th in 1957, quoted the following lines:

“We understand that the development of such an immense territory requires technical and financial means that not even France can provide, let alone a nation subject to foreign domination for more than 125 years. [...] However, the Algerians intend to determine by themselves the conditions and modalities of these indispensable foreign contributions. [...] Only a free Algerian government will be entitled to approve such contracts and to grant concessions on the national territory. The foreign companies that have invested their capital in the Sahara and those who refer to the French government to obtain research permits are buildings...on sand.”

The FLN was clearly passing a convincing message through this quotation and which firmly denoted that control over the Algerian oil industry would bring its true economic independence, true prosperity and true power, conclusively its true freedom. Yet those failed negotiations led to the Evian Accords or agreements in 1962 and consequently ended Algeria war of

independence but under some conditions, among which Algeria gained full sovereignty of its territory without excluding France from providing assistance in research and transportation in the oil industry. Even in doing business with the Algerian oil-gas industry, the Evian Accord gave French companies significant privileges over non-French and non-Algerian companies for a period of six years.

Nevertheless, the discovery of oil-gas economic assets during Algeria's independence process since 1957 till the 1962 (the independence's declaration day) was not that "*satisfying*" or "*satisfactory*" for the Algerians whose oil-gas resources have been their geographical property. In fact, and all in all, the Evian accords have been in favour or victorious to France. Differently said, Algeria's 1962 independence was not really "a full one" as there was a potential economic part of the Algerian territory that France did not want to let go: the Sahara (the oil-gas resources). As a matter of fact, the impacts of the Evian agreements made this new independent nation very hard to develop well socially, politically and economically due to Algeria's insufficient parts from oil revenues and which did not help its government spending under the Algerian president Ahmed Ben Bella at that time. That is why, the new independent Algerian nation entered a whole process of nationalizing these potential assets so that Algeria would have become fully independent without any foreign interferences and not only the French one.

Logistically speaking, the oil-gas nationalization's process had chronicles of eight years starting from 1963 till 1971. Briefly, in December 1963, Algeria was successful in setting up its own oil national company Société Nationale du Transport et de Commercialisation des Hydrocarbures (SONATRACH). Later in July 1965, Algeria was successful in raising the bar of its part from the oil-gas industry's revenues against what the Evian accords had texted. In 1969, Algeria became an official member in the Organization of Petroleum Exporting Countries (OPEC). In, February 1971, President Houari Boumediene ordered officially the nationalization of the natural oil-gas resources, deposits and revenues and finally in March 1971, the French government recognized the right of Algeria to nationalize the property of the companies that were operating on the Algerian Sahara, and within the same year, the successful nationalization stated that any disputes regarding Algerian and non-Algerian oil-gas companies would be dealt with through the Algerian courts and not by international arbitration. After this date and by holding its national economic assets to itself, Algeria has been able to build an independent nation.

From what it comes earlier, we notice that the implication of oil-gas economic assets in the process of Algeria's full freedom has been successful, what would it be for our case-study "Scotland"? Will it be of the same success? I.e. will Scotland, by the use of oil-gas cards win its total freedom from the British rule? It is worth to mention that before trying to explore the implication of oil reserves in Scottish independence process, it is necessary to present first and briefly the economy of Scotland so as to present this country to those who do not know much about.

### **3. A brief account on the economy of Scotland**

#### **3.1 The Industrial Revolution**

When talking about Scotland's economy, there is no way of excluding the turning point period in the history of Scotland and which, even with very slight advancements, is still shaping the economic framework of this nation. It is, in fact, the "Industrial Revolution", exactly since the 1820s. As industry and its manufacturing themselves demand workforce, there was a rise in the population of Scotland for an estimation of nearly 1m people in Scotland (the 18<sup>th</sup> century), more than 1.5m (the 19<sup>th</sup> century) and more than 4.5m (the 20<sup>th</sup> century). Even hundreds of thousands of Irish people immigrated to Scotland to work in different heavy industries that have existed in this period such as: *textiles, coal production, iron, basic transportation canals: locomotives, railways, marine or shipbuilding engineering, and whisky brewery or distilleries*. This rise of population and diversity of heavy industries made Scotland, at those times, one of the industrial powerhouses of Europe and a world leader in production.

#### **3.2 Scotland's agriculture, forestry, fishing, mining, water and energy supplies**

Before the Industrial Revolution in Scotland, agriculture has naturally been the major primary economic sector. Even when replaced greatly by this revolution, progressive Scottish agriculture supplied much of the food for the population. Despite of the epidemic diseases in the mid-19<sup>th</sup> century, the southeast was much happier with farming and the northeast was well-known for its beef cattle and milking herds. Nevertheless, as to the period of the post-World War II, it is viewed that:

"No economic sector made greater progress in period than agriculture in terms of productivity. Mechanization allowed the full-time labour force to fall from about 88,000 in 1951 to roughly one-fourth of that number by the end of the 20<sup>th</sup> century. But in the early 21<sup>st</sup> century the number of those employed in agriculture increased to some 65,000 people, and farming was a significant contributor to Scotland's rural economy. Still, though there are thousands of crofts (subsistence farms) in the north, many of them are no longer cultivated. Crofting is a special branch of Scottish agriculture that has to be

supplemented by other work, such as forestry, road work, and weaving, as well as in the tourist industry.”<sup>4</sup>

In terms of nature and lands, being rich of hilly or marginal land (in the Southern Uplands and in the Highlands) with a wetter milder climate, Scotland farming rose quite enough in the amounts of cattle, *sheep*; *pig* and *poultry* production. Furthermore, there has been a great increase in the amounts of field crops such as *potatoes*, *raspberries* and *tomatoes*. In addition to these land products, *wheat* was farmed even if the land did not produce it in great quantities. Also, brewing and distilleries, formerly and up-today, has been as well-established businesses and still produce the Scotch whisky for which the country is globally famous, evermore the foreign demand on this drink remains high which turns Scotland's one of the leading exports.

In addition, because of its natural richness, Scotland's forestry is responsible for about ( $\frac{1}{2}$ ) of the United Kingdom's total timber<sup>5</sup> production and more than ( $\frac{2}{3}$ ) of its softwood production. This activity is run by the Forestry Commission<sup>6</sup> that produce different species like: *conifers*, *Sitka spruce*, *Norway spruce*, *Scotch pine*, *European larch*, and *Douglas fir*. Within the land forestry too, hunting activity is not that important as other economic resources among which *venison* or deer's meat is the most exported assets to Europe. On the other hand, fishing has been vital to Scotland's economy where about  $\frac{2}{3}$  of the total British fish and shellfish catch are now handled by Scottish seafood industry inside its ports. The main fish production is: *haddock*, *cod*, *herring*, *sole*, and *mackerel*, *Nephrops* (langoustine), *scallop*, *queen scallop*, *lobster*, and *several crab varieties*. In addition to fish production, mining has constituted ( $\frac{1}{10}$ ) of Scotland's annual GDP<sup>7</sup> of which *coal* was the principal product in addition to *iron* and *zinc*. It has been estimated that Scottish coal industry reached 43m tons in 1913 before knowing a drastic decline after this year, and in 2002, the remaining deep-pit coal mine was shut down.

Being within the GB Island, Scotland is surrounded by water. Geographically, it is bordered by the North Sea on the east, the Atlantic Ocean on the northwest, and the North Channel and the Irish Sea to the southwest. Scotland's mainland is 30,981 sq. mi (80,240 km<sup>2</sup>) which makes 32% of the area of the UK besides it has a hold of 790 islands, which makes it to be some of

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<sup>4</sup> Britannica & Wikipedia.

<sup>5</sup> Timber signifies wood production.

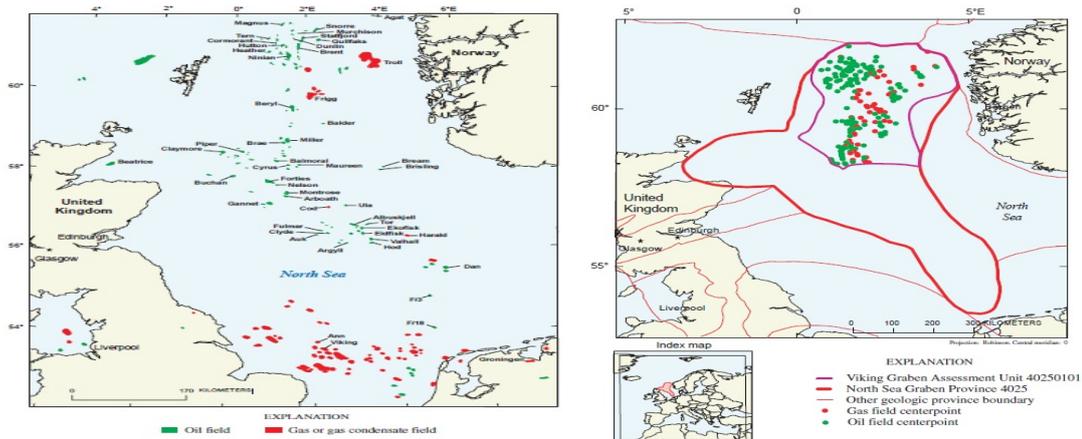
<sup>6</sup> It is a public body, and by private landowners, including forestry companies.

<sup>7</sup> An abbreviation to Gross Domestic Product.

the region's richest fishing grounds in the EU<sup>8</sup>. As the earlier mentioned natural resources (such as coal, iron and zinc) that have contributed greatly to the industrial growth of Scotland (the 19<sup>th</sup> and 20<sup>th</sup> centuries) before they become less contributive now, water plays a key-factor in the development of Scottish economy exactly of being one of finest resources for energy providence.

Like any country in the world today, energy is a major constituent of Scotland's economy and since the mid-20<sup>th</sup> century, Scottish waters are generating electricity via several dams, power stations and nuclear stations (like in Torness station, in the east of Edinburgh). Moreover, water becomes more precious for the economy of the UK as well as to Scotland because it consists of a large sector of the North Atlantic and the North Sea that contains the largest oil resources in Western Europe (see Fig 2).

**Fig 2 :** the geograppical location of oil-gas reserves' dicoverly in the Scottish waters



**Source:**Gautier, D.L.(2005), North Sea Oil and Gas Fields, Public Domain, Wikipedia.

Oil was discovered in the supergiant Forties field of North Sea in 1970. Britain's North Sea petroleum and natural gas resources started to be explored and extracted by large onshore oil- and gas-related companies and oil was piped in and transferred to tankers in 1976 in Shetland. Most of the assistance came from the USA with its advanced technology in the construction of oilrig platforms and stations and Aberdeen becomes the heart of the petroleum industry in Scotland with its ports and harbours serving many oil fields off shore. After a decade, the petroleum industry created a great number of jobs especially after replacing the manufacturing

<sup>8</sup>An abbreviation to European Union.

of natural gas from North Sea to Scotland. It is estimated that the industry employs around 100,000 workers (or 6% of the working population) of Scotland. Soon after, Scotland's economy benefited from the exploitation of North Sea petroleum and natural gas despite the existence of some financial vagaries in international markets and it became, with the UK, the largest producers of petroleum in the EU. With the beginning of the 21<sup>st</sup> century and the rise of environmental issues such as pollution, the nation is on the rush to develop extracting energy from other renewable resources such as the wind, the sun and the wave/tidal energy and have already achieved prominent and successful researchers on this field.

### 3.3 Scotland's shift towards a new economic sector: services

It has been estimated that the previous economic sector (manufacturing industry) composed ( $\frac{1}{4}$ ) of Scotland's annual GDP. However, foreign competition made the products of this sector went down and like most European countries, Scotland endured a big economic decline during the 1970s and '80s mainly manifested in the widespread failure of heavy industries that led to the spread out of unemployment (since most of the workforce were employed in those heavy industries). Therefore, governmental efforts and measures were put forward to improve the nation's economic conditions as well as its citizens by replacing those industries with business-social services, also by using high-technology enterprises.

Moreover, rather than digging for coal, the government went on building special facilities, rigs and platforms, to dig out *gas* and *oil* resources, especially after the discovery of abundant reserves of oil in the Forties Field in 1970 (mentioned above, see Fig1). As it is said earlier, these measures have solved out the issue of unemployment with thousands of jobs attributed to citizens. Services, also as another alternative economic sector for Scotland, have been providing job opportunities in the business world of IT goods, office equipment, and electronics industries. This has been effectively true when the Scottish government engaged in some powerful foreign investments such as the ongoing "Silicon Glen" in the Midland Valley and which is viewed to be one of the world high technological sector.<sup>9</sup>

Within the same context towards an alternative economic sector, transportation service has been in business to improve Scotland's economy. Although most of this sector has now been

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<sup>9</sup> In Wikipedia, Silicon Glen is "*the phrase that was used to describe the growth and development of Scotland's hi-tech and electronics industries in the Central Belt through the 1980s and 1990s, analogous to the larger concentration of hi-tech industries in Silicon Valley, California. Companies such as IBM and Hewlett-Packard have been in Scotland since the 1950s being joined in the 1980s by others such as Sun Microsystems (now owned by Oracle). ... In 2006, Scotland produced 28% of Europe's PCs; more than seven per cent of the world's PCs; and 29% of Europe's notebooks*".

privatized, public transport has its share too. In 1980s, ship services from mainland ports to island towns have been reduced and replaced by car ferries using short crossings. Also, bus services have been deregulated and bus companies were unable to make more profits due to the proliferation of automobiles which has successfully increased with the government's regular control on roads, bridge network and also the government's widening some principal routes to motorway standard and many single-lane roads in the Highlands. In the mid-20<sup>th</sup> century, several railway stations and branch line were off service and completely closed, even railway services of transporting merchandises and goods were replaced and have been accessible to freight traffic. Still the railway electrification of Scotland's train lines working since the 19<sup>th</sup> century, but of course with modern and systematic framework.

Not far from transportation in Scotland, *marines* and *airlines* have been also into business services. However, there is not much gained as profits from marine transportations to the Scottish as most of their ports are handling more imports than exports; whereas, a large proportion of Britain's exports are sent abroad via English ports. Even transportation over inland waterways has not been of a great commercial success. On the contrary, air travel has grown up sharply with a substantial growth in direct services to Europe. As the number of flights gets higher, Scotland has opened principal airports at Glasgow, Edinburgh, Aberdeen, and even at Prestwick for transatlantic flights.

Yet, among all the previous services, tourism has emerged as one of the best successful business strategy for Scotland economy. With the contribution of private services ( $\frac{2}{5}$ ) and the one of the public services ( $\frac{1}{5}$ ) to the Scotland's GDP, this service has been providing nearly four times the number of jobs. This is strongly present in the hotel and catering businesses for which most visitors come from other parts of Scotland or the UK, and more than 2m tourists per year come from abroad, notably the United States, Germany, France, and Ireland. Scotland stands until nowadays one of the most beautiful lands or countries possessing most mesmerizing mountains, hills, lakes and beaches. Thus, it is not surprising much that it is attracted by millions of tourists and even by cinema directors.<sup>10</sup>

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<sup>10</sup> Among the most popular attractions in Scotland are rural parklands around Greater Glasgow and the Clyde valley to the less-accessible Highlands. In addition, visitors are highly fascinated by the cultural institutions of Edinburgh and Glasgow; the Palace of Holyroodhouse and the country's old historic houses in Edinburgh, Stirling, Urquhart, and Blair castles.

#### 4. Scotland's political-economic status within the British economy management

It is worth mentioning that historically Scotland was an independent kingdom or nation in the Middle Ages and when the Scots had signed the 1707 Act of Union, they were under national debts. As wars continued to break from time to time in that period of history, the Scots were unable to stabilize their economy and went into a trade-alliance with the French people in the same time under the British sovereignty. However, the economic benefits of Union, which had been promised by its political triggermen, were very slow to come true and led to a widespread displeasure amongst the population.

Although being citizens of the UK, markets had long been monopolized by the English merchants, a fact that it took years for Scottish traders to gain a noticeable foothold in those markets. Therefore, at the early times, the economic impacts of the Union on Scotland were negative, but later on, the Union gave Scotland access to England's global marketplace; triggering an economic and cultural expansion for which the Scots were praised by Max Weber (1864-1920) who detected what he called "*the entrepreneurial spirit of the Scots*" in the Scots' economic character. Soon after, the Scots opened its ports and developed the business of export-import activities starting with tobacco from the USA, and with their embracement of the Industrial Revolution, they transformed their country into a small commercial and industrial powerhouse of the British Empire with a European fame too.

Nowadays, it is viewed that the economy of Scotland "*is still a small but open economy and accounts for about 5 percent of the United Kingdom's export revenue*". But among all the UK nations, its GDP per capita is with an estimation of \$205bn in 2020<sup>11</sup> and with an average gross salary of €2259,22<sup>12</sup> and 17% of population below poverty line (see Fig 3).

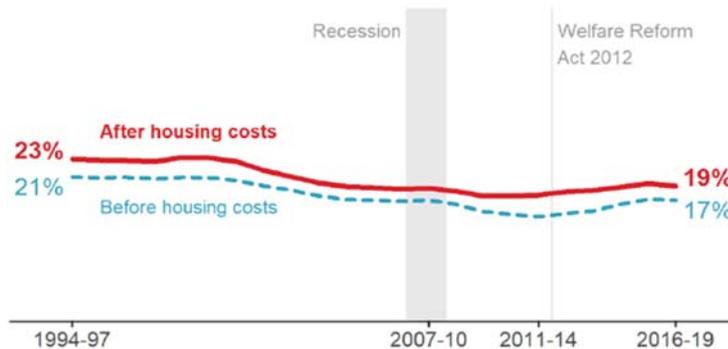
**Fig 3. Poverty and Income Inequality in Scotland<sup>13</sup>**

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<sup>11</sup> Wikipedia

<sup>12</sup> Data collected from the following website: <https://www.combien-coute.net/salaire-moyen/ecosse/>

<sup>13</sup> A graph extracted from the following website: <https://www.gov.scot/publications/poverty-income-inequality-scotland-2016-19/>



Source: Family Resources Survey (2018), [www.gov.scot](http://www.gov.scot) publications

The central UK Government manages Scotland's economy and controls Scotland's macroeconomic policy, including spending, interest rates, and monetary matters, while the Scottish Government has power over local economic development, education, and runs devolved matters via HM Treasury<sup>14</sup>. On an official online journal of Scottish government, financial strategy under the number set 2.4 claims that:

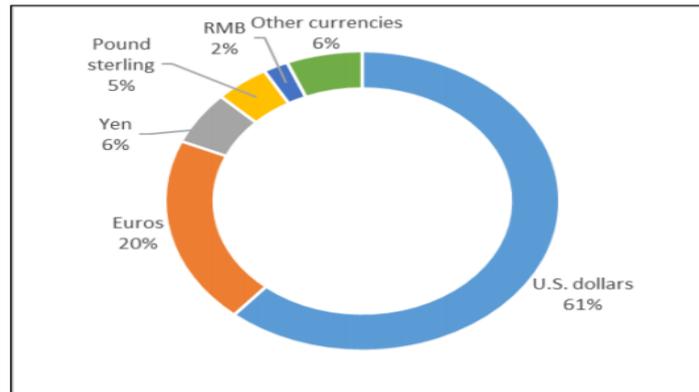
“It should be remembered that macroeconomic and monetary policy, and the overall public expenditure control framework, are reserved matters. This means that the UK Government's decisions on the envelope for public expenditure and its allocation between UK Departments are still a major determining factor in the overall funding available for Scottish devolved public spending.”

The managers in this governmental and financial status are conducted by the Chancellor of the Exchequer (as the Head of the Finance department), and the Cabinet Secretary for “Finance, Constitution and Economy”. “*Laissez-faire approach*” is called to be the political-economic stylistic protocol in doing business between GB and Scotland since 1979. In terms of currencies and banking system and managements, the Pound sterling (£) is the current currency in Scotland, an official British money currency used and applied to all parts of the UK (England, Wales and North of Ireland). Actually it stands as a *hard currency* i.e. one of the richest in the globe, being the world's fourth-largest reserve currency after the US dollar (\$), the euro (€) and Japanese yen (¥). (Fig 4)

<sup>14</sup> An abbreviation to Her Majesty's Treasury and by which the government's economic and finance ministry are maintaining control over public spending, setting the direction of the UK's economic policy and working to achieve strong and sustainable economic growth.

Fig 4. The world position of the Pound sterling<sup>15</sup>

Figure 1. Central Bank Reserves, Q2 2020



Source: International Monetary Fund. Notes: 149 reporting countries.

Scotland's central bank is the Bank of England with actually three joint-stock banks: *the Royal Bank of Scotland, the Bank of Scotland and the Clydesdale Bank*. These banks have a partial nationalization with the British government. Since the mid-1960's, there have been a substantial increase in local and foreign financial business services, notably with North America and Europe. Though London (England) stands as the first in this field of finance, Edinburgh (Scotland) comes second; a fact which is quite well for Scotland success in economy. In terms of concrete contribution to the economy of GB, about ( $\frac{1}{3}$ ) of Britain investments is conducted in Edinburgh, Glasgow, and Dundee (all of these cities are located in Scotland). Still though The UK government along with the Parliament of the United Kingdom retains control over Scotland's fiscal settings on tax rates, tax collection, tax criteria and the overall share of central government expenditure allotted or allocated to Scotland, in the form of an annual block grant<sup>16</sup>. Nevertheless, the Scottish Government has complete jurisdiction over Scottish taxes collected by Revenue Scotland<sup>17</sup> and which has an authority to put forth tax rates except for personal allowance because it is collected by HM.

<sup>15</sup>Extracted from this website: <https://d1-invdn-com.akamaized.net/content/f7ad7cb6eef880a7c3e47585bf6cdb65.png>

<sup>16</sup> A block grant is an annual sum of money that is awarded by the federal government to a state or local government body to help fund a specific project or program according to Investopedia. Website: <https://www.investopedia.com/terms/b/block-grant.asp>

<sup>17</sup> Revenue Scotland is department, responsible for the collection of devolved taxes in Scotland. The Revenue Scotland and Tax Powers Act (RSTPA) was passed by the Scottish Parliament on 19 August 2014. Website: <https://www.mygov.scot/organisations/revenue-scotland>.

The Scottish Government does not control macroeconomic policy, but in general, the Scottish Parliament has full control of income tax, land taxes, property tax and local taxation and some fiscal policy. It also controls the areas of Health and Education policy, yet other aspects of economic and fiscal policies like currency, corporate tax, energy policy and foreign policy, remain only with Westminster (The British government). Energy, itself, as the research question is evolved in this article, is not in the hands of Scottish since despite of the fact that the oil fields lie mostly in Scottish waters, the British government holds their ownership to it and receives the revenue yield.

As to the contribution oil-gas revenues in Scotland and the UK economy, BBC website indicated in 2013<sup>18</sup> that: “UK oil revenue has ranged from £1.5bn in 1991-92 to £27bn in 2011-12” with an estimation of “(10-20%) of Scotland's tax revenue oil”. According to an online FAI post (2019)<sup>19</sup> The Scottish Government publishes two sets of GDP statistics in 2018 stating the following: “the value of Scotland's GDP per person increased to £32,800 – higher than the UK average of £31,900.” (See Fig 5)

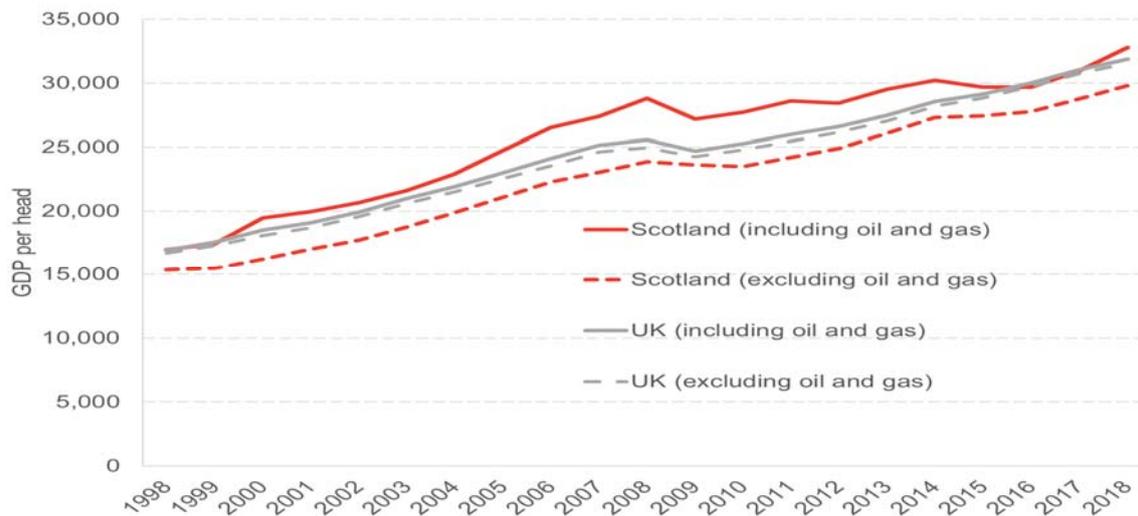
**Fig 5.** GDP per person Scotland and the UK<sup>20</sup>

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<sup>18</sup> BBC. 25 November 2013. Scotland in numbers. Website: <https://www.bbc.com/news/uk-scotland-24866266>

<sup>19</sup> The Fraser of Allander Institute (FAI) is a leading economy research institute based in the Department of Economics at the University of Strathclyde, Glasgow. GDP per capita- the importance of oil, and are Scots actually better off? June 14, 2020. Website: <https://fraserofallander.org/gdp-per-capita-the-importance-of-oil-and-are-scots-actually-better-off/>

<sup>20</sup> Source: Scottish Government, ONS, FAI calculations. Extracted from this website: <https://fraserofallander.org/gdp-per-capita-the-importance-of-oil-and-are-scots-actually-better-off/>



Source: Fraser Allander Institute (2020), fraserofallander.org.

## 5. North Sea oil and the rise of Scottish full Independence

### 5.1 A brief chronicles on Scotland and the call for auto-determination

In the 19<sup>th</sup> century, Scotland, via some political campaigns, started the demand for home rule so as to be totally free from the British rule. Unfortunately, the demand was not of much attention and success. However, in the mid-20<sup>th</sup> century, one of political campaigns called the SNP<sup>21</sup> enjoyed an electoral success in 1970 with more than 30% of the Scottish vote and 11 of the 71 Scottish seats in British Parliament. The SNP mobilized a sense of economic grievance and cultural resentment that were unjust towards the Scottish politicians and its citizens. As mentioned above, the year of 1970 represented a transforming year in the economy of Scotland as it was the discovery year of oil-gas reserves in the Scottish waters.

Correspondently, the flow of North Sea oil highly supported the SNP's call for Scottish independence; and effectively, in October 1974, the party carried up "*It's Scotland's oil!*" as its campaign's principal slogan for the first referendum on devolution that was held in 1979 (see Fig 1). A majority of the Scots voted in favour for the separation from the UK but the 1970 referendum failed to win the approval of the required (40%) of the electorate. No victory was attained at this stage but the battle towards independence was carried on and another referendum round occurred in 1997 with a different winning political mob (the LP<sup>22</sup>). Full independence was not the result of this referendum but the Scottish gained a proper parliament and in 1999,

<sup>21</sup> An abbreviation to: Scottish National Party.

<sup>22</sup> An abbreviation to the Labour Party.

the UK approved the creation of the Scottish government, an approval that allowed the Scots' parliament to control most of their nation's domestic affairs.

This was a remarkable and victorious achievement especially after 292 years as the Scottish Parliament effectively in July 1999 held session for the first time since the previous parliament had been adjourned in 1707. Then in 2007, the SNP got back again on the political track and became the governing body in the Scottish parliament and, in 2011, won an absolute majority seats at the Scottish Parliament election. At this stage, the two governments (the Scots and the British) agreed on holding another independence referendum, which would take place in 2014 or 2015. On September 19 of 2014, the third referendum round happened and the Scots were asked a direct and clear question about staying within the UK or leaving it: "*Should Scotland be an independent country?*" The BBC website announced the final referendum outcome and which the Scots' answer to the question was "No"—a prevailed vote with (55.3%) against "Yes" with (44.7%). As the results show, the Scottish full auto-determination failed to obtain but the call as well as the battle did not stop.

With the UK strong desire to leave the EU, another round of Scottish independence has been under Scot-Brit political negotiations and it came up as a real national intention to the people of Scotland when the UK's Brexit referendum in 2016 was successful. According to the Financial Times<sup>23</sup>, tensions between the two governments arose around "the Internal Market Act" in which the British (England) reclaimed control of structural funds previously dispensed by the EU and since the Scots voted to remain within the EU, this has been regarded as a further cause to serve their issue of full independence. In an editorial in March 2021, it was declared that this act is "*radically undermining the powers and democratic accountability of the Scottish Parliament*". This declaration insinuates less or more that there may be another referendum round on independence even with the ongoing COVID-19 pandemic.

## **5.2 The implication of oil industry in Scotland's battle for independence**

It has been already said, in this article, that the Scottish independence as a political issue has started since the 19<sup>th</sup> century; but took a widespread attention and rose once oil-gas reserves

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<sup>23</sup> The Financial Times (FT) is a daily newspaper printed in broadsheet and published digitally that focuses on business and economic current affairs.(in Wikipedia)

were discovered in the Scottish waters because that discovery has played and is still playing a key role in Scotland's economy. It was typically mentioned that SNP made its campaign in October 1974 upon "It's Scotland's oil!" slogan (see Fig 5). Despite the referendum failure, the messages expressed on that campaign's slogans denoted a direct and strong will of both Scottish politicians and most of its citizens to leave out the UK. Those messages seemed a bit offensive towards the UK leaders especially the English as what can be interpreted from Fig 6 (on the next page), below, and that shows Margaret Thatcher, who was the British Prime Minister in those times (1970s), as a blood-sucker in these posters; another way to say that the English is stealing one of the Scottish precious property.

Fig 6. The frequent slogans carried on by Scottish political campaigns for full independence



Source: Nan Spowart (2010), SNP Publications (1970s-1980s)

Moreover, the big slogan in the right-side of Fig 5, denotes that The British were making more profits out the Scottish oil-gas property and keeping the true oil-gas owners (the Scots) with no gains. The slogan, even mentioned how the British were unjust and fair to their nation whereas in other citizens' countries (having the same political contexts) were fair enough rewarded from

oil-gas revenues by their governments. If this slogan had to be interpreted, it would be understood as the unjust management of oil-gas industry by the British.

Before September referendum 2014, Stephen Castle and Stanley Reed introduced their online article<sup>24</sup> with this expression: “*London is arguing that it could better manage the oil and gas reserves there than an independent Scotland could*”. However, the Scottish government claimed that as Norway has built a large sovereign wealth from its natural resources, Scotland could adopt the Norwegian experience. Moreover, rather than losing much or gaining less, it is statistically, estimated that the nation “*would have been entitled to 94 percent of the oil and gas tax receipts, or about \$18 billion, for the 2011 and 2012 fiscal years*”.

About Scotland and oil revenues, Rab Boyce (2017), on *Scotfact.com* website<sup>25</sup>, stated that:

“When considering Scottish independence, it is hard to avoid the topic of the North Sea Oil and Gas industry and its potential impact on the finances of an independent Scotland... It is worth noting that whenever Scotland's Public Revenue and Expenditure is discussed in the media or by politicians, the geographic share of Oil and Gas revenue is usually cited, as this is the value that is relevant in the context of an independent Scotland ... Despite the Oil and Gas Industry not producing anywhere near the levels of public revenue, the sector continues to add value to the wider economy.”

Scotland possesses 96% of the UK's crude oil and 63% of natural gas production and this leads to claims that Scotland is over-reliant on the sector (In *Believeinscotand.org* website<sup>26</sup>). The Scots claim that they are running the business of oil-gas industry better than the British, and they would do better in the future if they would first gain their sovereignty and auto-determination especially that (85%) of Britain's remaining oil and gas resources lie off the northern part of the country in the North Sea, i.e.: the Scottish waters. Nicolas Sturgeon, the actual Prime Minister of Scotland, in a speech to the Oil and Gas conference in 2017 stated that: “*Our primary aim – and I want to underline and emphasis this – our primary aim is to maximize economic recovery of those reserves*”<sup>27</sup>. In 2019, an estimation of 12 billion barrels of oil could be extracted from Scottish waters by 2050 as declared by one of the SNP members in Aberdeen,

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<sup>24</sup> The article title: Scottish Oil and Gas an Issue in Vote on Independence. Website:

<https://www.nytimes.com/2014/02/25/world/europe/scot-oil-and-gas-an-issue-in-vote-on-independence.html>.

<sup>25</sup> Rab Boyce, May 2017. Scotland and Oil Revenue. Website: [https://www.scotfact.com/article\\_oilandgas](https://www.scotfact.com/article_oilandgas) . 2020.

<sup>26</sup> *Believeinscotand.org*. Is it true that Scotland's economy is dependent on oil? Website: <https://www.believeinscotland.org/is-it-true-that-scotlands-economy-is-dependent-on-oil/>

<sup>27</sup> Jamie Maxwell. November 17, 2020. Scottish nationalists' love of North Sea oil sours. Website: <https://www.politico.eu/article/scotland-nationalists-rethink-their-love-of-north-sea-oil/>

and even if the oil-gas practice will no longer be profitable, they would opt for 'maximum economic extraction' policy.

## 6. CONCLUSION

*Unlike the successful case of Algeria, it seems that for Scotland, under one kingdom, "Laissez-faire approach" as the political-economic stylistic protocol in doing business between GB and Scotland, having "one constitutional parliament or government" besides the British parliament, and even being citizens of the UK with one national "expensive currency", is not fine with the Britain's policy or management of their economy assets. There is a sense of economic injustice about the British who are viewed to make more profits out the Scottish oil-gas and which they believe it is their property since it is beneath their waters. Nevertheless, "The oil-gas industry" in the political-economic conflict between the British and the Scottish about the Scots' full auto-determination issue is a just a factor among many and not the key-factor by which only Scotland could break up the seal of "1707 Union Act" or will become an independent country. A finding that contradicts our hypothesis even if it has been strongly expressed in the political campaigns about independence referendums. Therefore, its implication is not that high or like a winning card by which the scots can effectively claim back their nation, with their full sovereignty and governance and the frequent failure of the independence referendum indicate this fact. Yet one reality comes ahead and which is that as long as the oil-gas reserves are still providing oil and gas, political parties will still use them as political strategies for their campaigns because among all the primary resources in Scotland's economy, these two assets can bring millions even with less revenues than before.*

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