

The us oil dependency



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Abstract

This dissertation provides a fresh and detailed account of the problematic aspect of the US oil dependency on the Middle East. The emphasis of this extensive analysis is to present the influence of oil on the United States foreign policies regarding the Middle East. This is one of the most important and controversial contemporary issues not only relating the US foreign politics, Middle Eastern Geopolitics, but also emphatically influencing the international relations of the world.

This study of the American petroleum policies is important, as it explains the nature of the current tensions between the US and the OPEC cartel. More comprehensive understanding of this critical issue is quintessential in order to avoid future crises and wars between these two powers. Research presents the development of the oil politics and its increasing impact on foreign policies of the US. Furthermore, it tackles the perception of oil as just another commodity. In this new perspective, the recourse dependence extends and strengthens the grand theory of realism. Throughout the history of oil, the United States government failed to define oil as the essential product and inseparable part of the modern economy. With the growing value in the industrialized economies oil assumed leverage in all four constituents of the state: economy, military, politics and people. America's growing addiction for the Middle Eastern oil ignores the blunders and dangers of the past. Therefore, a fresh re-evaluation of current stalemate is imperative. Contemporary crises and wars could be prevented if inferences are drawn from the mistakes made in the past.

In the pursuit to exhibit the vulnerability of the US dependence on the Middle Eastern imports and its influence, analysis is based on economic calculations, evaluations of the US military involvement in the Persian Gulf and historical accounts of the issue of dependency. It proves the fallacious nature of the contemporary state of affairs and offers rational reforms.

Introduction

“ If an epoch is to be designated by its most essential material, ours will have to be called either the Paper or the Oil Age”

“ We will have done a hell of a disservice [to future generations] if we do again what we did in 1973.”

“ In Saudi Arabia the oil resources constitute a stupendous source of strategic power, and one of the greatest material prizes in human history”

The energy policy might be among the most mismanaged American policies of the century (W. Tenenbaum 1981 p. 9). Often ignored, opaque and concealed from the public the foreign oil policies significantly harm and constrain the US international and domestic manoeuvring (Lugar 2006). With the growing importance oil assumed foremost position in the Western states. The sudden loss of oil would mean major disruptions of usual human activity for billions of people all over the globe, for many it would mean: no heat or electricity, power or light. Mighty militaries such as the US, would become powerless: no planes in the sky, no ships in the sea, no tanks on the field. Nowhere else the scarcity of oil would be more evident than in the United States. Nowhere else, panic and quagmires would storm through the country on such a large scale, changing its face irrevocably. Thus, the fact that oil

fuels the great engine of humanity and serious disruptions of it would cause suffering for millions is undisputable. This is no exaggeration, as the curious lifestyle of modern humanity in every step is interlinked with energy derived from oil (Copulos 2003). However, in political arena it presents decision makers with a paramount dilemma. The importance of this precious commodity creates forceful incentives among major powers to quarrel for its possession. For centuries it has been usual for states to battle for strategically important goods, territories or influence. Although, ever since the end of the World War II normative approach of the international relations has been prevailing. Where, the loss of life cannot be justified by the acquisition of any commodity. Contemporary War on rare occasions can be justified when human life or the independence of the country is at stake. Therefore, the US government has been confronted with this quandary, how one can secure the access of oil in the twenty-first century, while at the same time preserving the ideals of democracy.

Theory of International Relations explains the nature of conflicts between the states. Any conflict between any states can be construed by at least one paradigm: realism, liberalism or constructivism. There are numerous small branches of the three major theories such as the offshore balancing or post-realism. However, the contemporary world is undergoing phenomenal transformations and, thus, the theory of international relations necessitate rejuvenation. Realism has been recently diluted by the theory of ' democratic peace', but it can be reinvigorated by the theory presented in this thesis- resource dependence. This phenomenon has been with humanity since the rise of empires and has been evident in recent warfare. Thousands of years

ago Genghis Khan was constantly asking the Roman representatives, whether they had sheep in their lands and was always told that this was not the case (POLI 312). Romans deceived Genghis Khan and in this way secured themselves from Mongolian invasion. Hitler, during the World War II invaded Romania, because it was lacking oil to support its war machine and Romania was the largest European producer of oil at that time. Even though, the phenomenon of resource dependence and its substantial influence on the international relations has been evident for centuries, it has been largely under recognised as part of the three paradigms. It needs to be employed by the school of realism, because it is part of the power politics. This research analyses the phenomena of resource dependence as a branch of the international relations school of thought, under the case study of the American foreign oil policy in the Middle East.

This dissertation, however, does not intend to summarise or search for a universal definition of the resource dependence as a constituent of the theory of realism. Neither, it attempts to exhibit that every conflict may be construed by the resource dependence theory. Instead, through the application of resource dependence theory, it illuminates the nature of issues in the American foreign oil policy in the Middle East. This is a particularly important dilemma to comprehend in order to solve the geopolitical problems of the Middle East. The United States currently is fighting two wars in the Iraq and Afghanistan. Furthermore, the US military recently updated plans for a possible attack on the Iranian nuclear facilities (CNN). The reason behind the examination of this particular topic is that the timing for the assessment of this critical issue could not be more pertinent. If employed

prudently it is valuable to a practical utilization in the development of the United States foreign policy in the Middle East.

Overall the resource dependence as any other dependence is a negative phenomenon. It allows external players to constrain the practises of the dependent party. Dependence can be measured by evaluating the impacts that it holds on four main constituents of the state: economy, military, foreign affairs and people. In the case of oil, it has significant implications on all of these spheres. Because of this inherent problematic nature, the American dependence on the Middle Eastern oil is directly disadvantaging the US and has the potential to inflict great harm in the future. Dependence has the potential to provoke international crises and escalate conflicts. Oil has fuelled the American rise, thus, it is locked in this path to hold on to oil, even if it lays outside its boundaries. American oil companies have dominated the international raw material commerce for almost a century. Thus, the US has always been interested in creating fertile environment for its business by propagating the ‘ open door’ policies around the world (Randall 2005).

Theory of oil dependence helps in predicting the behaviour of particular countries in particular situations. It also enhances our understanding about the past events and may be employed as a useful tool for the elucidations of historical events. The main concept of the theory is that resource dependence will force a country to undertake certain reforms and actions in the event of the shortage of essential material. This sub-theory outlined in this thesis will be utilized to assess the profound issue of the American oil addiction on the Middle Eastern imports. It will clarify the negative nature of <https://assignbuster.com/the-us-oil-dependency/>

the dependence phenomenon and, thus, contribute to the understanding of why is it so vital for the US to reduce the amount of imported oil from the Persian Gulf.

The Theory of Resource Dependence

The theory of resource dependence has been overlooked by the scholars of the international relations, in this way diminishing the role of resources played in the history of wars. Instead raw materials are merely generalised as wealth, and implemented by the realist school of thought (Morgenthau 1963). This generalization contributes to the neo-classical realist argument that international relations are driven by the self interest, (Jackson and Sorensen 1999 p. 77) where resources are simply employed to defeat one's enemy. This conception of realism underestimates the importance of the raw materials in the great power struggle. It ignores the argument that conflict may arise not only because a country is striving to defeat the other, but may be seeking to acquire resources that are vital to its survival. Thus, the neo-classical realism could be strengthened by regarding the resource dependence theory as a separate branch of this school of thought. This chapter provides a theoretical framework for the resource dependence theory and offers a shift in the neo-classical realism. One of the most profound issues of the assessment of the contemporary American foreign policy in the Middle East is the absence of clearly defined theory of the resource influence on the modern statecraft. Therefore, it creates a tool, which is valuable in comprehending the role of resources played in the American foreign policy in the Middle East.

Theoretical Framework

Resource dependence is not a new phenomenon per se but has been with humanity since the emergence of the tribal activity. However, the universally accepted definition of resource dependence does not yet exist in the theory of international relations. Recently, the paradigm of realism has been exceptionally weakened by the modern developments of the international order and new sub-theories of international relations such as Kantian 'Democratic Peace' theory [citata], 'Liberal Idealism' or the 'International Society Approach' (Jackson and Sorensen 1999 p. 77). However, the theory of neo-classical realism may be significantly revived by the inclusion of resource competition through the means of international commercialism as a tool for modern rivalry or warfare. As the most celebrated proponent of the neo-classical realism Hans Morgenthau noted, "in that period of history which extends from the beginning of historic time well into the nineteenth century, natural resources played a subordinate role in determining the power of a nation" (Morgenthau 1963 p. 59). It is usually taken as self evident that states compete for strategically important goods. Realists engross resources and economic strength as an element of the struggle among powers. "Economic competition as a source of international conflict" stated Joshua Goldstein, "has important implications for international security" (1994 p. 150). Here, the theory of resource dependence provides an answer to particular cases in the history of warfare and conflict. This dissertation contributes to the underdeveloped argument that resource dependence theory should be treated as a separate branch of neo-realist school of thought. It is valuable to expand this theory as it helps to predict

the future conduct of affairs by particular states, as well as, contributes to the understanding of the past.

The Oxford [pakeist oficialiu] dictionary defines the term dependence as the state of being addicted to something or being affected by another (Wehmeier 2005 p. 409). David Greene argues that according to this description of the term, to achieve resource independence the state must reach a state in which domestic and foreign policy making, including national security, are not subject to restrictive or directing influence from the resource exporters (2010 p. 1614). Moreover, to be independent means to reduce the capacity of any hostile power to cause what Henry Kissinger termed the economic 'strangulation' of the state (Nye 1993 p. 173). In addition, Greene suggests that "energy [resource] independence will be achieved when the annual economic costs of oil [resource] dependence are less than 1% of US gross domestic product (GDP), with 95% probability" (2010 p. 1615). It is complicated to set an empirical formula to calculate the dependence of resources. However, it may be confidently argued that the state is resource independent, once any profound source of imports may be fluently substituted by another with minimal losses.

Theory of resource dependence implies that the dependent part of the relationship is disadvantaged, as the control and power rests in the hands of non-dependent party. The non-dependent constituent then can influence the dependent in a manner that will benefit itself and may inflict losses to the dependent party. Thus, this sub-theory of resources purports that the dependent party will be exposed to vulnerability. Non-dependent party may also utilise resources to manipulate the dependent for political reasons. In

the oil business, this phenomenon is known as the “oil weapon” and was termed by the Saudi King Faisal during the 1973 oil crisis (Copulos 2006 p. 47).

For the most part of the history, the prosperity of human activity largely depended on the fertility of soil, the variety of species of food, animals and the quantity of raw materials available. Political leaders were constrained or strengthened depending on the obtainable natural resources. They often indulged themselves into a struggle for these strategically important materials. Perhaps the greatest exemplification of this activity is the era of colonization- the great power struggle for the wealth of the world. This branch of neo-classical realism has several inherent realist features that help to evaluate and predict the actions of states affected by natural resources. Moreover, it depicts the reasons of why it is so detrimental to be resource dependent on a foreign state. Therefore, assuming that American foreign oil policy in the Middle East deserves more attention from the part of the United States policy makers and the international relations scholars.

One of the few accounts that explicitly attempted to contribute to the development of natural resource theory was Goldstein’s ‘lateral pressure’ (1994 p. 150). This theory emphasise that the economic growth of countries result in a geographic expansion as they strive for the resources outside their borders (by different means peaceful and violent [pakeist]). When major states expand their economic power, the competition between them may escalate to conflicts or wars. This particular theory has been utilised to explain the World War I (Goldstein 1994 p. 150). Therefore, it might be concluded that one of the features of the resource dependence is a struggle

for foreign raw materials which are necessary to provide for the rapid economic growth.

There are only few occasions when a state is forced to act as ‘ a trapped lion in the cage’. One among those is the cut-off of natural materials that are essential to a survival or strength of the state. If the acquisition of a particular material is vital to the security of a certain state it might attempt to take a hold on that material even if it lies outside the scope of its boundaries. The acquisition of raw materials sometimes had been vitally important to the perceived survival of the state. The perfect exemplification of this proclamation is the Japanese expansionism in the East Asia during the World War II- the endeavour to seize valuable oil deposits of Burma (Goldstein 1994 p. 150). These oil fields were perceived by the Japanese government as the essential commodity on which depended the overall security of the state [citata]. Thus, when a fundamental functioning of a state is dependent on one particular resource for which the access is blocked, the state might indulge in an armed conflicts against other powers for the possession of that resource. Therefore, the theory of resource dependence demonstrates that a loss of vital raw materials might predict a crisis among world powers.

To comprehend the sub- theory of resource dependence it is necessary to outline the profound elements of realism in the nature of the resource trade. The foremost representative of neo-realism Kenneth Waltz argues that “ each state plots the course it thinks will best serve its interest” (1979 p. 113). Here, he implements the thinking of classical realist such as Thucydides, Machiavelli and Hobbes [citata]. Moreover, Hans Morgenthau <https://assignbuster.com/the-us-oil-dependency/>

coined the term of *animus dominandi* to explain this phenomenon of self interested man (Jackson and Sorensen 1999 p. 68). He argues that people are engaged in the eternal 'lust' for power. If applied to modernity this argument may still hold as a great truth. Modern conflict is constrained by the democratic principles and morality. However, the self-interest and conflict has not disappeared from the arena of international relations. The technique for this warfare has changed, instead of fighting against each other Western states are competing economically. Nowadays, the power of state is not only described by the army it owns, but by the economic power as well. Therefore, the expression of the objective to dominate others is found in the curious activity of business and trade. This inherent feature of business cannot be more evident anywhere else than in the oil industry, where the oil producers are involved in the eternal struggle for higher prices against the oil importers. The United States Senator Richard Lugar argued that, " this is why the new energy realists believe that a *laissez-faire* energy policy based solely on market evolution is a naive posture- especially when most of the world's oil and natural gas is not controlled by market forces" (Lugar 2006). None of the parties are interested to benefit the other, instead, both are doing everything at their disposal to enhance their own interests. Thus, the international oil trade is driven by the spirit of Morgenthau's *animus dominandi* and not by *laissez faire* (Jackson and Sorensen 1999 p. 68).

Another realist feature evident in the business of natural resources is that once established changes in the conditions of trade benefit one party, consequently disadvantaging the other. This occurs not necessarily out of a

pursuit to harm one's interest but to increase its own wealth. The nature of the resource trade is construed in a way where the alteration of the existing price structures advantages one while harming the other [pagristi]. In other words, the rise in the price of a resource will advantage the producer, while higher prices of it will disadvantage consumer. Therefore, a resource trade is better than no trade, however, it is a zero-sum game where one's gain is the other's loss.

The paradox of oil is that with the enormous value that it brings to the humanity it also imports many inherent problems. From the perspective of realism, where there is wealth- there is a struggle. The stronger state will always try to take advantage of the weaker ones and to increase its share of wealth. Whilst, the weaker ones will try to balance against the stronger and form an alliance in order to increase their wealth, and consequently reduce the possessions of the adversary (Morgenthau 1963). The dogma of realism in this case perfectly reflects the history of the American foreign oil policies in the Middle East. In the beginning unrivalled hegemonic power with the cutting-edge technology and political involvement was exploiting the Persian Gulf oil producers (Tugendhat and Hamilton 1975). Once they realised the power entrapped in the product of oil and obtained modern knowledge of the conduct of the international business, they formed an alliance- the OPEC, to balance against the hegemonic power (Tugendhat and Hamilton 1975). Ever since, the two got involved in the eternal struggle for higher share of wealth and profits. The balance of power was altered irreversibly in the advantage of the OPEC cartel. The alliance turned out to be more successful than any Middle Eastern oil producing country could have ever envisioned. Even

though, liberal trade supposed to be a win-win game (Smith 1775), on several occasions it caused the United States to lose. From the realist conception of the beggar thy neighbour politics, the US remains that neighbour since the 1973-74 OPEC oil crisis (Tugendhat and Hamilton 1975).

In conclusion, there are three principal assumptions of the theory of resource dependence outlined in this chapter. Firstly, according to the 'lateral pressure' phenomenon, rapid economic growth may lead to a geographic expansionism of a country. Secondly, if a source of fundamentally important natural resource is deliberately blocked by a foreign power, it may penetrate into an armed conflict. Thirdly, the resource weapon may be utilised to manipulate and constrain the dependent state. Furthermore, this chapter exposed two foremost features of the contemporary resource (especially associated with oil) trade. International resource trade is driven by the spirit of animus dominandi and self-interest. Even though, in the long run all benefit from the resource trade, in the short run it is a zero-sum game. Finally, this chapter allocated the resource dependence theory as a sub-theory of neo-classical realism. In the following chapters this theory will be employed in order to illuminate the nature of issues in the American foreign oil policy in the Middle East and will assist in demonstrating the severity of the contemporary stalemate.

Issue of Dependence

Brief Overview of the American foreign oil policy in the Middle East

"Oil makes this country strong; dependence makes us [the US] weak" (M. Klare 2004 p. 11).

Ever since the end of the World War II the United States became an importer of oil. The profound source for these imports was found in the Middle East. The first American venture was marked by the oil exploration works of the Standard Oil of California in 1933, in Saudi Arabia (Klare 2004 p. 30-31). The region continuously attracted growing attention from the major American oil companies (Tugendhat 1975). While at the same time decision-makers in Washington started realising that the oil is finite resource and that domestic oil supplies have to be preserved (Randall 2005). President Roosevelt employed William C. Ferris to investigate the implications of deteriorating domestic oil deposits (Klare 2004 p. 29). On the 24th of November, 1941, Ferris outlined the general principles that were later adopted officially by the US government, “ to provide for future contingencies, therefore, the nation should conserve its domestic reserves and use more oil from foreign sources... the US government should pursue a more and more aggressive foreign policy aimed at assuring access to petroleum overseas” (Klare 2004 p. 30). Consequently, on the 16th of February, 1943, President Roosevelt announced that “ the defence of Saudi Arabia is vital to the defence of the United States” (Klare 2004 p. 33). Furthermore, a couple of days after the Yalta Conference with Winston Churchill and Joseph Stalin, on the 14th of February, 1945, the United States President flew to Egypt, where he met with King Ibn Saud of Saudi Arabia (Hadar and Preble 2004 p. 562). This meeting laid the foundation of the new American-Middle East relations. The era of the American energy dependence to the Middle Eastern oil has begun.

The new era was marked by seemingly simplistic form of indirect trade. Both sides were satisfied to acquire goods and services that were central to the

interest of their own states. Saudi Arabia at that point was a weak country, torn by domestic threats of divided small kingdoms (Tugendhat 1975). Whilst, the United States had been enjoying an unprecedented levels in growth of the economy and living standards. This has resulted in the expansion of industry compounded by the amplification of consumerism, which required increasing amounts of petroleum products. Therefore, the US provided military assistance for the regime of the Ibn Saud to ensure the unity of the Saudi Arabia and in return received various concessions for the American oil companies to begin their explorations in the Arabian Peninsula (J. S. Randall 2005). As Joseph Nye once noted, “ In the long run, the United States was the only country to keep a stable balance of power in the Persian Gulf region, and the Saudis realised this” (1993 p. 173-74). This pattern of cooperation where the US ensures the security of the Saudi Arabia and in return Saudis guarantee the flow of considerably cheap oil remains relatively unchanged. The problematic feature of contemporary stalemate is inherent in this form of relations.

It might be a great true that one of the most virtues responsibilities of a good government is to ensure a fertile environment for business and prosperity of its people. It is a duty of a good government to encourage the investment in strategically important and necessary areas, where otherwise, advancement would not occur naturally. Moreover, good government is interested in facilitating industries that are of vital interest to national security, development and growth (Copulos 2003 p. 97). However, the advancement cannot take place at the costs of rationality. Here lays a hidden threat of this virtuous objective. In more simplistic terms, benefit of the advancement is

only desirable as long as it outweighs the burden of investment (human and capital investment).

Until the peak of the American oil production in 1972 [reference], oil has been one of the most profitable businesses in the world. Major American oil companies expanded enormously and the industry became inseparable part of the US economy (Tugendhat 1975). These giant companies were bound to become central constituents of the international oil business. Hence, it was presumed that if the American oil companies hold a stronger footing internationally, it will benefit the overall economy of the state. This is not to argue that industry and the US government always shared a common interest, nor even the American oil industry did. However, David Painter has accurately summarised this private-public partnership in foreign oil policies, “ even though private interests rather than government agencies were given primary responsibility for implementing US foreign oil policy, the US government was nevertheless deeply involved in maintaining an international environment in which private companies could operate with security and profit (Klare 2004 p. 35). These were the times when countries fought for their influence around the world and the American government always had to ensure the access for its oil companies to oil abundant regions. This state of affairs continued to be beneficial until the 1973-74 oil embargo and contributed to the American preponderance. However, since the new balance of power has been struck by the OPEC cartel, the US has been suffering severe consequences of oil dependence. Catherine Gautier noted that previous six global recessions were all preceded by a sharp increase in oil prices (2008 p. 126). Moreover, the overall costs of

maintaining the supply of oil overweighs the cost of all imports coming from the Middle East [citata, lentele]. Therefore, contemporary foreign oil policies of the United States seem to reflect the irrationality of decision making, where the benefits are by far lower than investment.

Oil is one of the most versatile resources on the face of the earth (Klare 2004 p. 7) and the US has always been concerned about the expansion of its supply (Randall 2005). President Reagan declared that “ there is no way that we would stand by and see [Saudi Arabia] taken over by anyone who would shut off the oil” (Klare 2004 p. 48). The stance of the US government has not changed significantly. Under Secretary of Defence, Paul Wolfowitz, in a top secret policy report for Defence Planning Guidance for fiscal years 1994-99, which later leaked to press argued, “ in the Middle East and South-West Asia, our overall objective is to remain the predominant outside power in the region and preserve US and Western access to the region’s oil” (Klare 2004 p. 68). The region of the Middle East would have never acquired such an attention on the international arena if it was not for oil (Le Billon 2003). The conflicts and issues within this region would be dismissed as some other conflicts are dismissed when no major power is interested in or influenced by them. The cornerstone of the Middle Eastern wealth is oil. Petroleum products constitute 90-95% of the Saudi Arabian export revenues, 80% of the Iranian exports and 95% of Kuwait’s revenues (Le Billon 2003 p. 12).

The decision-makers in the United States failed to recognise that the origins of the American-Middle East relations have been significantly altered by the 1973-74 ‘ oil revolution’. Oil has been a commodity, which is sold and bought on the international markets, diminishing the significance of the bilateral

agreements between the individual countries. The United States might be the only country that receives direct subsidies from the oil producing state in exchange for the military assistance. The House of Saud provides up to \$1 subsidies to the US in order to preserve the security of the state (Le Billon 2003 p. 26). Thus, military presence in the region remains a constituent of trade. Paradoxically this contributes to the increasing anti-American sentiment in the Middle East (Hadar and Preble 2004 p. 563). Furthermore, no subsidies can provide for the US military expenditure or aid, which is higher than the total value of the Middle Eastern oil imports [give a graph]. (5. 5bln spent on aid to arab world (Albright and Weber 2005 p. 41). This is not to argue that American military involvement in the Persian Gulf is designed to maintain the uninterrupted supply of oil. Although, as previously noted if it was not for the oil, region would receive far less attention and concern from the United States (Le Billon 2003). The wealth of the petroleum producing states accumulated by the decades of incessant exports can now be utilised to ensure the domestic security and uninterrupted supply of oil from the internal or external disruptions. This would enable the United States to substantially reduce its military presence in the region. Therefore, it is evident that the current conduct of affairs requires a reform, as the strategy that ensured success of the policies in the epoch of cheap oil lost its significance in the 1980s.

Firstly, oil dependence from the Middle East required regular American intervention. Mere supply of money is not enough to acquire oil from the Gulf. In exchange of the petroleum these oil producing nations often require favours such as: support at the United Nations, transfers of sophisticated

military equipment, personnel and guarantees of protection (M. Klare 2004 p. 11).

The contemporary state of affairs

Throughout the years dependence has negatively affected the interests of the United States in three major areas: politics, economy and military. Thus, the reform is essential to the national security of the US.

The issue of dependence has preoccupied the political debate since the 1973 oil embarg