Oil Dependence and U.S. Foreign Policy: Real Dangers, Realistic Solutions

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> *I've often said one of the worst problems we have is that we're dependent on foreign sources of crude oil, and we are… It is clear that when you're dependent upon… hydrocarbons to fuel your economy and that supply gets disrupted, we need alternative sources of energy.*
>
> --President George Bush, September 26, 2005

> *Our energy plan for a stronger America will invest in new technologies and alternative fuels and the cars of the future – so that no young American in uniform will ever be held hostage to our dependence on oil from the Middle East.*
>
> --Senator John Kerry, July 29, 2004

Mr. Chairman, Senator Boxer and members of the committee, thank you for inviting me here today. It is an honor to appear before you.

My name is Tom Collina and I am the Executive Director of 20/20 Vision. 20/20 Vision is a national, non-partisan organization promoting increased citizen participation on global security and environmental issues. Founded in 1986, our membership of 30,000 covers all 50 states. We recently launched a new campaign—called itookthepledge.org—to raise awareness about ways to reduce U.S. oil dependence.

My message today is simple:

1. By reducing our dependence on oil, we can lower gas prices, reduce the chance of future conflicts over oil in the Middle East, reduce our exposure to terrorism, help tame severe storms like Hurricane Katrina, and create jobs.
2. We have the technology to cut our oil use in half by 2025 while saving Americans money.
3. We have to start now. The best solutions will take years to implement. The sooner we start the easier this will be.

Hurricanes Katrina and Rita sent gas prices soaring and opened our eyes to America's dangerous dependence on oil. Not since the oil crisis in the 1970s has there been so much public attention on this issue. And yet today we have a problem of a very different, more dangerous nature: thirty years ago, OPEC *chose* to limit the oil supply. Today, oil producers are pumping as fast as they can, but cannot keep pace with demand. Even Saudi Arabia, atop the world's biggest oil reserves, is pumping so fast that some experts fear it is jeopardizing the long-term viability of its fields.

What is most striking about the issue of American oil dependency is that virtually everyone agrees it is bad for America. It is hard to find anyone who will tell you that oil dependency is good for us. Nevertheless, our dependency continues to grow. This is due in part to the fact that there is little agreement on the best solutions, and that many solutions—until now—have proven politically difficult to implement. Therefore I will spend the second half of my time on *realistic solutions* to US oil dependency.

But first, some context. All solutions to our thirst for oil will require some change. There is no silver bullet, no simple answer. But we must understand that the cost of doing *nothing* is very high.

The Costs of Business As Usual

If we do not seize this historic opportunity to reduce our dependence on oil, we will bear the following serious consequences:

1. More conflicts in the Middle East

America imports almost 60% of its oil today and, at this rate, we'll import 70% by 2025. Where will that oil come from? Two-thirds of the world's oil is in the Middle East, primarily in Saudi Arabia, Iran and Iraq. The United States has less than 3% of global oil. The Department of Energy predicts that North American oil imports from the Persian Gulf will double from 2001 to 2025.[i] Other oil suppliers, such as Venezuela, Russia, and West Africa, are also politically unstable and hold no significant long-term oil reserves compared to those in the Middle East.

Bottom line: our economy and security are *increasingly* dependent on one of the most unstable regions on earth. Unless we change our ways, we will find ourselves even more at the mercy of Middle East oil and thus more likely to get involved in future conflicts.

The greater our dependence on oil, the greater the pressure to protect and control that oil. The growing American dependence on *imported* oil is the primary driver of U.S. foreign and military policy today, particularly in the Middle East, and motivates an aggressive military policy now on display in Iraq. To help avoid similar wars in the future and to encourage a more cooperative, responsible, and multilateral foreign policy the United States must significantly reduce its oil use.

Before the Iraq war started, Anthony H. Cordesman of the Center for Strategic and International Studies said: "Regardless of whether we say so publicly, we will go to war, because Saddam sits at the center of a region with more than 60 percent of all the world's oil reserves." Unfortunately, he was right.

In fact, the use of military power to protect the flow of oil has been a central tenet of U.S. foreign policy since 1945. That was the year that President Franklin D. Roosevelt promised King Abdul Aziz of Saudi Arabia that the United States would protect the kingdom in return for special access to Saudi oil—a promise that governs U.S. foreign policy today.

This policy was formalized by President Jimmy Carter in 1980 when he announced that the secure flow of oil from the Persian Gulf was in "the vital interests of the United States of America" and that America would use "any means necessary, including military force" to protect those interests from outside forces. This doctrine was expanded by President Ronald Reagan in 1981 to cover internal threats, and was used by the first President Bush to justify the Gulf War of 1990-91, and provided a key, if unspoken rationale for the second President Bush's invasion of Iraq in 2003.[ii]

The Carter/Reagan Doctrine also led to the build up of U.S. forces in the Persian Gulf on a permanent basis and to the establishment of the Rapid Deployment Force and the U.S. Central Command (CENTCOM). The United States now spends over $50 Billion per year (in peacetime) to maintain our readiness to intervene in the Gulf.[iii]

America has tried to address its oil vulnerability by using our military to protect supply routes and to prop up or install friendly regimes. But as Iraq shows the price is astronomical—$200 Billion and counting. Moreover, it doesn't work—Iraq is now producing less oil than it did before the invasion. While the reasons behind the Bush administration's decision to invade Iraq may be complex, can anyone doubt that we would not be there today if Iraq exported coffee instead of oil?

It is time for a new approach. Americans are no longer willing to support U.S. misadventures in the Persian Gulf. Recent polls show that almost two-thirds of Americans think the Iraq war was not worth the price in terms of blood and treasure. Lt. Gen William Odom, director of the National Security Agency during President Reagan's second term, recently said: "The invasion of Iraq will turn out to be the greatest strategic disaster in U.S. history."

The nation is understandably split about what to do now in Iraq, but there appears to be widespread agreement that America should not make the same mistake again—and we can take a giant step toward that goal by reducing our dependence on oil.

2. More terrorist attacks on Americans

The more dependent we are on foreign oil, the more troops we will deploy

abroad to protect that oil. This creates resentment and invites terrorist attacks on our troops—and on oil supply routes. The U.S. troop presence in Saudi Arabia during the first Gulf War was a major contributor to the rise of Islamic terrorist groups like Al Qaeda, and U.S. troops in Iraq are now a main justification for the insurgency there. We must break our oil habit so we can reduce our military footprint abroad.

Moreover, much of the money we pay for our imported oil goes to countries or groups that support terrorism. It is no accident that 15 of the 19 September 11 hijackers came from Saudi Arabia, as does Osama Bin Laden. It is time we stop funneling money to our own enemies.

According to a 2003 article in *Foreign Affairs*: "It is…increasingly clear that the riches from oil trickle down to those who would do harm to America and its friends. If this situation remains unchanged, the United States will find itself sending soldiers into battle again and again, adding the lives of American men and women in uniform to the already high cost of oil."[iv]

3. Collision course with China

With over one billion people, China is second only to the U.S. in oil consumption—and gaining fast. China has one of the fastest growing economies in the world and an energy demand that is projected to grow by 150% by 2020. China's oil demand is increasing seven times faster than America's.[v]

China currently imports half of its oil, and like the United States, China will become increasingly dependent on oil from the Middle East.

As a result, access to Middle East oil will over time become a key issue in relations between the two nations. The more U.S. actions in the Middle East are perceived as an effort to dominate oil resources there, the more China will consider the United States a threat to its interests, and visa-versa. In the current context of stagnating supply, this kind of demand competition is very destabilizing. Defusing a potential U.S.-Chinese rivalry over global oil supplies is a key driver for reducing U.S. oil dependency.

While China's oil demand is growing rapidly, U.S. demand in absolute terms is much larger, accounting for a quarter of the world's oil consumption. To its credit, China is taking steps to protect itself from the increasingly tight, volatile global oil market by controlling its oil demand. Last year China set fuel economy standards that are higher than those here in the United States.[vi]

4. Continued global warming and more dangerous storms

Recent studies show that global warming is increasing the intensity of storms like Hurricane Katrina.[vii] An MIT study has shown for the first time that major storms in both the Atlantic and Pacific oceans since the 1970s have increased in duration and intensity by 50%. This increase in storm intensity is closely linked to increases in the average water temperature, which is linked to increases in

global atmospheric temperature. Simply put, warmer air means warmer water and storms that are more severe.

Global warming is caused by the buildup of carbon dioxide in the atmosphere, and burning oil produces carbon dioxide. So, cutting our oil use can help reduce the intensity of severe storms like Hurricane Katrina—both here and abroad. According to MIT climatologist Kerry Emanuel: "The damage and casualties produced by more intense storms could increase considerably in the future."[viii]

This is a domestic as well as foreign policy problem. Hurricanes Katrina and Rita killed thousands, displaced tens of thousands and will cost the Federal Government $200 Billion or more for reconstruction. Refugee migrations and costs on this scale could easily overwhelm smaller nations and lead to international conflict.

5. Weaker economy

High oil prices get passed on to the consumer through higher costs at the pump, more expensive goods and services, a weaker job market, and lower stock prices. At much lower oil prices, the total economic cost of our oil dependence had been estimated to be about $300 Billion per year. At today's prices of $60 per barrel, the economic costs of exporting dollars for oil is much greater. As the price of oil continues to climb due to supply disruptions, this cost to the American economy and jobs will rise.[ix]

Federal Reserve Chairman Alan Greenspan said this week that global economic growth will be hurt by the rise in energy prices caused by the hurricanes. "…The recent surge in energy prices will undoubtedly be a drag from now on," he said in his first public comments about the storms' economic effects. Energy prices soared 12% in September, the fastest rate on record, contributing to the highest monthly consumer inflation rate in 25 years.[x]

The current gasoline crisis was set off by the closure of refineries on the Gulf Coast, revealing our long-standing vulnerability to supply disruptions. In this case, the disruption was domestic. But our oil supply chain is global, and disruption can happen anywhere from when the crude oil is pumped from the ground to when it is pumped as refined gas into your car.

A recent crisis simulation run by the National Commission on Energy Policy and Securing America's Future Energy found that if, for example, there was ethnic unrest in oil-rich Nigeria and terrorist attacks in Alaska and Saudi Arabia, the reduced oil supply would drive gas prices here to $5.74 a gallon and the economy into recession.[xi] And now we can add major hurricanes to the list of possibilities.

The point is, as our dependence on foreign oil grows, so does our vulnerability to supply shocks. According to Robert M. Gates, former CIA director, "The real lesson here [is that] it only requires a relatively small amount of oil to be taken out of the system to have huge economic and security implications."[xii]

A Program of Action

Rising gas prices are hurting the economy, global warming is fueling extreme storms, and our soldiers are dying to protect our access to oil in the Middle East. Reducing our oil use will save jobs, save the environment, save lives and free us from the shackles of Middle East oil. So, how do we do it?

First, here is what we should NOT do: Some would like to drill their way out of this mess, squeezing every last drop of oil from the Alaskan National Wildlife Refuge (ANWR) and other untapped American sources. But even if we did, with only 3% of global reserves we would soon be back begging at the Saudi's spigot. It would be wiser to hold onto our untapped domestic reserves rather than exhaust them now and be *completely* dependent on the Middle East later. Nor is nuclear power the answer. Nuclear plants produce electricity—but electricity today accounts for only 3% of US oil demand.

Instead, we must take realistic, effective steps toward reducing our thirst for oil.

1. Reject the Carter/Reagan Doctrine

America can no longer afford to use military force as a substitute for a serious energy policy. We must no longer agree to protect any foreign state or regime as a condition for access to oil. According to Hampshire College Professor Michael Klare, "Any attempt to reconstruct American foreign policy on a more rational and ethical basis must…begin with the repudiation of the use of force in procuring foreign oil and the adoption of a forward looking energy strategy based on increased conservation and the rapid development of alternative fuels."[xiii]

Rejecting the Carter Doctrine does not mean we would abandon alliances and security agreements with friendly, democratic states for defense against mutual threats. But it does mean we would no longer arm and protect undemocratic, repressive regimes for the sole purpose of making sure their oil continues to flow our way.

Clearly, any rejection of the Carter Doctrine must be matched with a comprehensive plan to kick the foreign oil habit. We endorse the recommendations of the March 2005 report by the Natural Resources Defense Council and the Institute for the Analysis of Global Security, outlined below.[xiv]

Our goal should be to reduce our use of foreign oil enough such that our national and economic security is no longer tied to the survival of the Saudi royal family or any other non-democratic oil-producer. Only at that point can our foreign policy be truly independent from our need for oil.

2. Congress should establish a national goal of saving 2.5 million barrels of oil per day over the next decade and 10 million barrels of oil per day by 2025

Without national agreement on a goal, we will not get there. We must commit to investing the money we would otherwise send oversees to modernize and harness the technology potential of our factories and farms here at home.

3. Raise gas mileage in new passenger vehicles through tax credits and standards

Passenger cars, minivans, SUVs and light trucks account for almost 50% of U.S. oil demand. This is why we must boost efficient use of oil by increasing the fuel economy performance of our vehicles. Consumers understand this and have responded to the recent price increases by buying more fuel-efficient cars, such as hybrids, and demanding a greater variety of gas-sipping choices. U.S. automakers are starting to respond by producing hybrids, but are far behind their Japanese competition and putting American jobs at risk. A recent study by the University of Michigan found that thousands of American jobs may be lost unless U.S. automakers move faster to build hybrids.[xv]

According to the *Washington Post*, "U.S. carmakers have watched consumers move away from gas-guzzling sports utility vehicles in favor of more efficient models—a trend that has become more pronounced as gas prices have soared." General Motors is a good example. GM lost $1.6 Billion in the third quarter of this year and has lost $3 Billion so far in 2005. GM—maker of the Hummer—is responding by shutting factories, slashing 25,000 manufacturing jobs, freezing bonuses and cutting health benefits. GM is now developing more fuel-efficient cars, including hybrids. GM CEO G. Richard Wagoner told employees this week that the company has "too much reliance" on trucks and SUVs.[xvi]

We must make our economy less vulnerable to high oil prices by reducing oil dependency. This is a national priority that merits public investment and commitment. Financial incentives to build more fuel-efficient vehicles would help save oil and increase U.S. automaker competitiveness. The states most vulnerable to factory closings and job loss—Michigan, Ohio and Indiana—must lead efforts to retool the U.S. auto industry.[xvii]

Automakers and suppliers will need to retool their factories to produce advanced technology vehicles. Consumers will need to buy these more fuel-efficient cars, which will cost more that conventional vehicles. Both groups would benefits from tax credits. We endorse the bipartisan proposal from the National Commission on Energy Policy (NCEP) to spend $3 Billion over the next five to ten years on consumer and manufacturer tax credits.[xviii] These tax credits will help reduce U.S. oil dependence and pay for themselves through increased tax revenue, including new jobs in the production of advanced vehicles.

To make sure that tax credits translate into oil savings, NCEP also recommends that federal fuel economy standards be raised, as they were in the 1970s and 1980s. The fuel economy standards enacted in 1975 were a key factor in the rise in gas mileage between 1978 and 1988.

Other helpful programs include requiring replacement tires to be as fuel efficient as the original tires on new cars, and requiring efficiency improvements and idling reductions for heavy-duty trucks.

4. Invest in smart growth and better public transportation

In addition to providing consumers with more fuel-efficient cars, we also need to give them more alternatives to driving and to design our communities so we can drive less. The potential oil savings from better land use, transit oriented development, telecommuting and improved public transportation are huge. Over ten years, smart growth developments could save about 50 billion gallons of gasoline, over 1 billion barrels of oil, and 595 million metric tons of CO2 emissions.[xix]

5. Encourage growth of biofuels industry

Increasing auto fuel efficiency is just the first step to reducing our oil use. The next crucial step is to develop alternative fuels that do not use petroleum. These new fuels can be grown by American farmers. Cellulosic biomass—made from agricultural leftovers (leaves, stems, stalks), crops grown for energy use (such as switchgrass), and garbage—can be made into ethanol and methanol as fuel for our cars.

Today's cars can run on 10% ethanol fuel. But to really make a dent on oil demand, we need a new generation of cars—called flexible fuel vehicles (FFVs)—that can run on fuel that is 15% gasoline and 85% ethanol. High ethanol fuels not only displace oil but also decrease harmful particulate air pollution.

Congress needs to require all new cars and trucks to be capable of running on biofuels by 2012. There is great potential for biofuels to replace oil in our cars and trucks. By 2050, biofuels coupled with efficiency and smart growth could reduce our oil demand by almost 8 million barrels of oil per day.[xx]

If hybrids are made to use ethanol and can be plugged in at night, such vehicles can be powered by blends of ethanol, gasoline, and electricity and could achieve 500 miles per gallon of *gasoline*. According to Set America Free, if, by 2025, all cars on the road are plug-in, flexible fuel hybrids, U.S. oil demand would drop by as much as 12 million barrels per day.[xxi]

A Vision for the Future

Imagine America with new automobile production plants producing advanced high-efficiency vehicles, creating jobs for American workers.

Imagine American farmers growing ethanol fuel to run our cars, and American citizens living in communities designed around modern transit systems.

Imagine Americans driving cars that get 500 miles per gallon of gasoline. Americans love their cars, and at 500 miles per gallon, they can keep them.

Now imagine America free from the burden of protecting our stake in Middle East oil, allowing us to reduce our military footprint in the region and our exposure to terrorism. We could then base our foreign policy on the ideals that make this a great nation, like global peace and security, freedom and democracy.

According to Amory Lovins, CEO of the Rocky Mountain Institute: "As our nation stops needing oil, think of the possibilities of being able to treat oil-rich countries the same as nations that don't own a drop. Imagine too our moral clarity if other countries no longer assume everything the United States does is about oil."[xxii]

Fifty years ago, President Roosevelt could not have foreseen the dangerous situation in which we now find ourselves as a result of his promise to a Saudi king. But today the danger is all too clear. Fortunately, we can now foresee a way out of the oil trap that will revitalize our economy and liberate our foreign policy.

Katrina and Rita have opened our eyes to the oil crisis. Let's not blink.

Thank you.

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[i] International Energy Outlook 2004, Energy Information Agency, Department of Energy.
[ii] For more on this, see Michael T. Klare, *Blood and Oil: The Dangers and Consequences of America's Growing Dependency on Imported Petroleum*, Metropolitan Books, 2004.
[iii] Winning the Oil Endgame Fact Sheet, Rocky Mountain Institute, September 20, 2004.
[iv] Timothy Wirth, C. Boyden Gray, John Podesta, "The Future of Energy Policy," *Foreign Affairs*, July/August 2003.
[v] Gal Luft, Institute for the Analysis of Global Security, "Fueling the dragon: China's race into the oil market," http://www.iags.org/china.htm
[vi] Keith Bradsher, "China Sets its First Fuel Economy Rules," *The New York Times*, September 23, 2004.
[vii] Juliet Eilperin, "Severe Hurricanes Increasing, Study Finds," *The Washington Post*, October 3, 2005.
[viii] "Study: Global Warming Making Hurricanes Stronger," *Associated Press*, July 31, 2005.
[ix] National Defense Council Foundation, "The Hidden Cost of Imported Oil," September 2003.
[x] Nell Henderson, "Greenspan Assesses Storms' Impact," *The Washington Post*, October 18, 2005.
[xi] Information on the simulation can be found at www.secureenergy.org
[xii] Oil Shockwave, Simulation Report and Summary of Findings, National Commission on Energy Policy and Securing America's Energy Future, www.secureenergy.org
[xiii] Michael Klare, "More Blood, Less Oil," September 20, 2005, TomDispatch.org
[xiv] Natural Resources Defense Council and the Institute for the Analysis of Global Security, Securing America: Solving Our Oil Dependence Through Innovation, March 2005.
[xv] "Fuel-Saving Technologies and facility Conversion: Costs, benefits and Incentives," University of Michigan Transportation Research Institute, November 2004.
[xvi] Sholnn Freeman and Amy Joyce, "For GM, New Deal and Big Loss," *The Washington Post*, October 18, 2005.

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[xviii] National Commission on Energy Policy, Ending the Energy Stalemate: A Bipartisan Strategy to Meet America's Energy Challenges, December 2004.
[xix]"Location Efficiency as the Missing Piece of The Energy Puzzle: How Smart Growth Can Unlock Trillion Dollar Consumer Cost Savings," Natural Resources Defense Council and the Sierra Club, 2004.
[xx] "Growing Energy: How Biofuels Can Help End America's Oil Dependence," Natural Resources Defense Council, December 2004.
[xxi] "A Blueprint for U.S. Energy Security," Set America Free
[xxii] "U.S. Can Eliminate Oil Use in a Few Decades," Rocky Mountain Institute Press Release, September 20, 2004.