

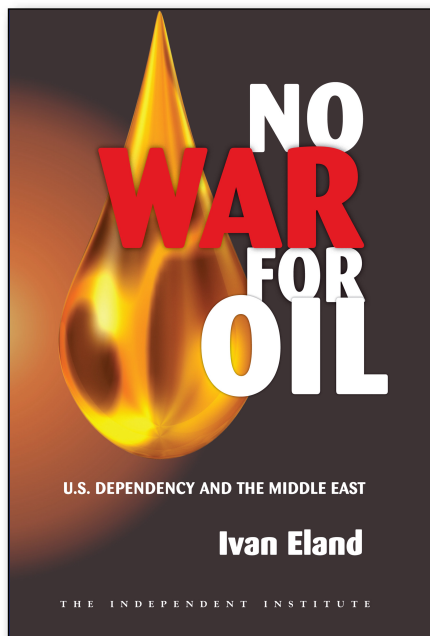
No War For Oil

U.S. Dependency and the Middle East

BY IVAN ELAND

Book Highlights

- ***The United States devotes more resources to the defense of oil in the Persian Gulf than most people realize—a total of more than \$334 billion per year (in 2009 dollars).*** To ensure the free flow of oil from the Middle East, the United States maintains military facilities in Oman, Bahrain, Qatar, Kuwait, the United Arab Emirates, and Iraq—as well as in nearby Egypt, Djibouti, Turkey, Afghanistan, Pakistan, and Diego Garcia. Despite the large amount of U.S. expenditures to defend the Persian Gulf, the United States gets only about 18 percent of its imported oil from Saudi Arabia.
- ***“Cheap” foreign oil comes with huge hidden costs that American leaders and the public need to keep in mind when thinking about U.S. foreign policy.*** According to one estimate, gasoline would cost U.S. consumers \$5 more per gallon if federal spending for the defense of Persian Gulf oil were incorporated into gas prices. The U.S. military subsidy for oil means lower prices at the gas pump, but consumers ultimately pay a steep price for that fake discount (and more) in the form of higher taxes and inflationary deficit financing to help fund a large U.S. military presence abroad. The king’s ransom that the United States spends to defend Persian Gulf oil is more than ten times the value of its annual imports from the Gulf.
- ***U.S. military protection of the Persian Gulf is unnecessary to ensure access to oil from that region.*** Without Uncle Sam’s generous help, Persian Gulf oil producers, shippers, and consumers (that latter residing mostly in Europe and East Asia) would have strong incentives to protect the free flow of oil. If the U.S. government eliminated its military subsidy for oil in the Persian Gulf, it could decommission approximately five army divisions, five active air wings of the Air Force, five Marine Expeditionary Brigades, and 144 ships, including six aircraft carriers—roughly half of the U.S. armed forces.
- ***Because only 10 percent of the oil consumed by the United States comes from the Persian Gulf, U.S. military protection of that region is even more irrational than nineteenth century European imperialism.*** American taxpayers would enjoy significant savings if the United States were to rely exclusively on markets to obtain oil, just as Europeans became better off as their governments reduced their use of armed forces and protectionist trade policies and relied more on free markets to obtain goods from other countries. Unfortunately, the U.S. government has taken the opposite approach in recent years and has extended its security umbrella over oil-producing regions in West Africa, Latin America, the Caspian Sea region, and Central Asia.
- ***Several popular myths about oil undermine clear thinking about America’s energy needs and U.S. foreign policy.*** One long-standing myth is that oil possesses “special” or “strategic” characteristics. Yet, there are many critical products that the market is allowed to supply in abundance at efficient prices, and oil should be no different. Furthermore, more than enough oil is produced in the United States to meet the needs of the U.S. military in time of war, and this supply can be augmented with oil purchased from Canada and Mexico. Thus, oil is not strategic.
- ***Becoming “energy independent”—a goal promoted by many Democratic and Republican politicians—is not in America’s best interest.*** In reality, consumers are better off when they are free to buy goods from companies and regions that have a comparative advantage in the production of those goods. Energy independence would serve only special interests such as less-efficient domestic oil suppliers or alternative energy producers that can’t yet thrive without government subsidies or protection from foreign competition.



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NO WAR FOR OIL

Book Synopsis

Oil has a bloody history. The ghost of petroleum often hovers in the background of military conflicts—even of wars fought ostensibly to secure the blessings of liberty and democracy.

In *No War for Oil: U.S. Dependency and the Middle East*, foreign-policy analyst Ivan Eland (Senior Fellow, The Independent Institute) examines the troubled legacy of wars and military actions undertaken to secure access to oil, and reaches a conclusion profoundly at odds with the conventional thinking about oil and economic security: contrary to the beliefs shared by the architects of U.S. foreign policy for most of the past century, ensuring the free flow of oil to the United States does not require U.S. military protection of the world's oil-rich regions. Markets alone can be relied upon to supply oil to Americans, just as markets are used to

provide paying customers with food, industrial equipment, microprocessors, and other valued products.

Eland begins with a look at the fascinating history of the world's most contested commodity. Oil, he shows, has rested under the surface of more military conflicts than most people realize. Eland then exposes the myths about oil that have mislead policymakers and the public into believing that the projection of military power abroad is essential to safeguard access to vital oil supplies. Rather than enhance U.S. national security and economic well being, the brandishing of U.S. military power in the Persian Gulf has undermined genuine American economic and political interests, he argues. In his concluding section, Eland distills the implications of his analysis for U.S. foreign

policy and offers guidelines aimed at better serving the American people.

Readers of *No War for Oil* will come away with a solid understanding of the flaws in conventional thinking—unexamined nostrums shared by liberals and conservatives alike—about oil security and the U.S. military presence in the Persian Gulf. Even readers who remain skeptical of Eland's unorthodox but well-supported conclusions will better grasp the folly of taking at face value policymakers' suggestions that the American people must be willing to go to war in the Middle East in order to maintain a high standard of living.

The choice is not whether to prepare to fight oil wars or to risk losing energy resources that power the American economy—that's a false alternative, Eland shows. Rather, the choice is whether or not to continue to devote increasingly costly resources to military and diplomatic policies that are both unnecessary and detrimental to the economic and political interests of the American people.

A History of Oil and Military Power

Part I chronicles the tribulations of one of the most contested commodities in world history—a tale that becomes one of international intrigue, not when the first oil well was struck near Titusville, Pennsylvania, in 1859, but after oil was discovered in Persia in 1908 and the Middle East soon became a chessboard for competing foreign powers.

When World War I and the Russian Revolution disrupted oil supplies in the Old World, governments scurried to find new sources of oil—by then a commodity viewed as “strategic” in importance—much to the neglect of rubber and other critical raw materials. Britain sought to expand its oil supplies from Iran, Iraq, and Kuwait; France from Kuwait; the United States from the Persian Gulf; and Japan from the Dutch East Indies.

During World War I, the United States supplied up to 80 percent of the allies' petroleum, but a high wartime demand, coupled with price controls, led to oil shortages and fears of imminent depletion of world supplies.

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Oil played a role in the prelude to World War II. The debate in Japan over whether to go to war with the United States centered on the longer-term availability of oil for the Japanese military, which the United States was trying to cut off in response to Japan's invasion of China. Like Imperial Japan, Nazi Germany sought to conquer oil lands rather than purchase petroleum on the open market. Securing oil supplies became a top wartime goal of all countries involved in the conflict—again, often to the neglect of other vital raw materials.

In 1945, President Roosevelt reached an agreement with King Abdul Aziz of Saudi Arabia of lasting significance: the kingdom would give the United States access to oil in exchange for military assistance. Shapers of postwar U.S. foreign policy argued that the United States should import more foreign oil rather than use domestic supplies that would be relied upon if war broke out again. The Soviets' delay in leaving Iran in 1946 added to cold-war tensions and gave a sense of urgency to the military protection of foreign oil supplies.

Eland shows that U.S. foreign policy in the postwar era had profound impact on subsequent events. The 1973 oil crisis, the Iranian Revolution in 1979, the Carter Doctrine, European dependence on Soviet energy, the Iran-Iraq War, and the U.S.-Iraq Wars—all were shaped by long-held assumptions that formed in the early decades of the twentieth century. Many of those assumptions, however, were wrong.

Myths about Oil Markets

In Part II, Eland identifies and rebuts eleven influential myths about the market for oil. Some myths reflect the belief that various government subsidies and OPEC policies prevent oil markets from operating effectively. Although plausible, this viewpoint vastly underestimates the power of the profit motive to guide the production and distribution of oil. It also ignores numerous Federal Trade Commission investigations that have failed to prove collusion among domestic oil companies.

Other myths result from a failure to

examine the best available evidence. For example, credible evidence indicates that the world's oil reserves are growing. The Strategic Petroleum Reserve, an unnecessary relic of the Cold War mindset, is another example of a program based on something other than a close examination of the evidence.

One misconception easily refuted is the idea that a country must possess “special” access to oil in order to advance economically. Postwar Japan and Europe (especially Germany), and more recently the Asian Tigers, decisively refute this belief. Unfortunately, America's oil-related obsessions with Saudi Arabia and Russia indicate the pervasiveness and sway of this myth and others.

Safeguarding Oil with Military Power

Is military power necessary for securing access to oil? Part III examines the belief that the free flow of oil from the Persian Gulf warrants protection from the U.S. military.

Two dubious assumptions underlie the “military necessity” doctrine, according to Eland. The first is that oil is of special “strategic” importance to the U.S. economy. In reality, oil is no more vital than many other goods and services that we rely exclusive on markets to provide.

The second is that a spike in oil prices or a disruption of oil supplies during a crisis would pose a grave threat to the U.S. economy. Eland, however, argues that the global oil market would quickly alleviate major supply disruptions, even those resulting from targeted economic embargoes: markets would see to it that the supply disruptions were dissipated around the world, resulting merely in higher prices, not mass shortages.

Eland also addresses other oil-related U.S. national security concerns. These include worries that U.S. dependence on foreign oil necessarily leads to unsavory alliances and undermines democracy abroad; anxieties that unfriendly petro-states use oil revenues to fund anti-U.S. terrorism; and fears that a scarcity of oil will lead to more conflicts. Most scenarios that would depict a threat derived from foreign oil evaporate under close scrutiny.

Eland concludes this section by examining scenarios involving threats to oil. These include “what if” questions such as the conquest of oil reserves by an unfriendly powerful nation; reductions in oil supplies from war, internal upheaval, or unfriendly suppliers; political instability in oil-rich regions, especially the Persian Gulf; future production cutbacks or oil embargos by the oil cartel; Iranian blockage of the Straits of Hormuz; and China's newfound interest in gaining oil supplies for its burgeoning economy. Under each scenario, Eland argues, U.S. military protection of oil undermines American economic interests.

Policy Prescriptions

Having debunked many myths about oil markets and corrected misperceptions about U.S. national security, Eland concludes *No War for Oil* by offering broad guidelines for U.S. policymakers. Among those principles are the following:

- Allow markets to meet the energy needs of the United States.
- Rely on markets to provide oil even during a crisis.
- Hasten the withdrawal of the U.S. military from the Persian Gulf (and from other predominantly Muslim lands) in order to reduce hostility toward the United States.
- At minimum, encourage other countries to share the burden of safeguarding the flow of oil from the Persian Gulf.

Reducing or eliminating the U.S. military presence in the Persian Gulf could provide relief for American taxpayers at a time when the economic burdens of empire are increasingly apparent. More importantly, military retrenchment could save American lives by avoiding unnecessary military outputs and campaigns and thereby dissipate the emotional fuel that the al-Qaeda terrorist network has used to garner support from radicalized Muslim populations.

“In short, going to war for oil is unnecessary, expensive in blood and treasure, and dangerous for U.S. security,” Eland concludes.

What others are saying about *No War For Oil...*

“In *No War For Oil*, Eland provides a catalog of sharply argued rebuttals to the many myths that pervade Americans’ understanding of oil and national security. His comprehensive, methodological presentation will be very useful for reorienting the policy debate to firm, analytical ground.”

—**Eugene Gholz**, Professor, Lyndon B. Johnson School of Public Affairs, University of Texas

“Ivan Eland provides a clear and powerful analysis of a major driver of U.S. foreign policy and military strategy. He offers a fascinating history of oil and its beguiling allure.”

—**Donald L. Losman**, Professor of Economics, Industrial College of the Armed Forces, National Defense University

“Ivan Eland has produced a devastating indictment of the ‘oil rationale’ for the intrusive, counterproductive U.S. military presence in the Middle East. *No War for Oil* should help debunk the most prominent justification for that misguided policy. Eland shows that on this issue, as on so many others, allowing the free market to operate is both less expensive and less disruptive.”

—**Ted Galen Carpenter**, Senior Fellow, Cato Institute

“*No War For Oil* is a tour de force of history, myth-busting, and sturdy policy analysis. This book could not be more valuable or timely.”

—**Michael C. Munger**, Professor of Political Science, Public Policy and Economics, Duke University

“*No War for Oil* not only provides an invaluable account of the misguided policies that have led to ever-increasing U.S. military involvement in the Middle East, but also shows how the de-militarization of U.S. energy policy would better serve the nation’s long-term interests.”

—**Michael T. Klare**, Professor of Peace and World Security Studies, Hampshire College

“Ivan Eland beautifully weaves history and economics to tell a compelling and, more important, true story. He has hit a home run.”

—**David R. Henderson**, Research Fellow with the Hoover Institution; Associate Professor of Economics at the Naval Postgraduate School and former Senior Economist for Energy Policy with the President’s Council of Economic Advisers



About the author

Ivan Eland is Senior Fellow and Director of the Center on Peace and Liberty at the Independent Institute. Dr. Eland is a graduate of Iowa State University and holds an M.B.A. in applied economics and a Ph.D. in public policy from George Washington University. He spent fifteen years working for Congress on foreign affairs and national security issues.

Dr. Eland is the author of *Recarving Rushmore: Ranking the Presidents on Peace, Prosperity, and Liberty*; *The Empire Has No Clothes: U.S. Foreign Policy Exposed*, *Putting “Defense” Back into U.S. Defense Policy*, and *Partitioning for Peace: An Exit Strategy for Iraq*.

His many articles have appeared in the *National Interest*, *American Prospect*, *Mediterranean Quarterly*, *Arms Control Today*, *Bulletin of the Atomic Scientists*, and the *Emory Law Journal*. Dr. Eland’s popular writings have appeared in the *Los Angeles Times*, *USA Today*, *San Francisco Chronicle*, *Dallas Morning News*, *Miami Herald*, *San Diego Union-Tribune*, *Houston Chronicle*, *Chicago Sun-Times*, *St. Louis Post-Dispatch*, *Washington Times*, and *The Hill*. He has appeared on ABC’s “World News Tonight,” NPR’s “Talk of the Nation,” PBS, Fox News, Bloomberg TV, CNBC, MSNBC, CNN, C-SPAN, and BBC.



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