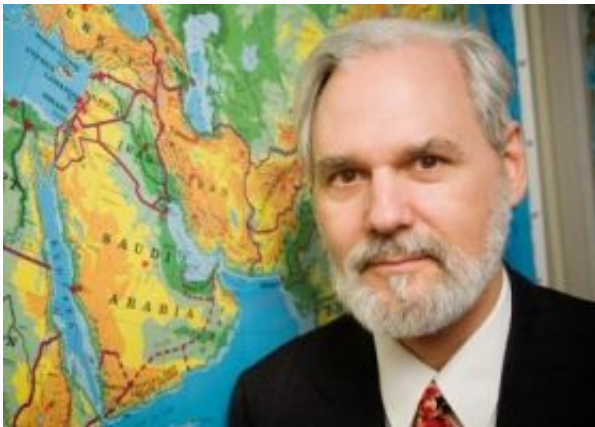


Military action to influence oil-producing nations ineffective, expert says

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Clifford Singer, former director of the Program in Arms Control, Disarmament and International Security, says trying to influence oil supply with military force in the Middle East is not only ineffective, it also is counterproductive. Credit: Photo by L. Brian Stauffer

There is another inconvenient truth about finite resources and human behavior on Planet Earth, an expert on international security and energy says. Trying to influence oil supply with military force in the Middle East is not only ineffective, it also is counterproductive.

So says Clifford Singer, a professor of nuclear engineering and of political science at the University of Illinois, who has done extensive work on energy systems for the U.S. Department of Energy. Singer also has been a visiting scholar working with the Center for Science,

Technology and Security Policy at the American Association for the Advancement of Science and at the International Atomic Energy Agency. At Illinois, he recently stepped down as director of the Program in Arms Control, Disarmament and International Security.

Singer's latest analyses show that despite the deep-seated perception that oil-producing regions retain a special strategic importance, with strong effects on U.S. defense planning and strategy, "The time has already passed when oil was strategically important enough to require individual industrialized nations to be prepared to intervene militarily in oil-producing regions."

Singer explains his findings in a policy analysis brief he recently published for the Stanley Foundation, titled "Oil and Security." The brief was based on research Singer conducted for his forthcoming book titled "Energy and International War: From Babylon to Baghdad and Beyond." His writings represent his personal views, not those of any funding sources, he said.

The works in question address the widespread belief that the U.S. needs to maintain military capability to intervene unilaterally in the Middle East, "because the oil in that region makes it strategically important."

"This idea persists even though the invasion of Iraq resulted in reduced oil production and higher oil prices for many years."

Oil prices also increased dramatically when the United States intervened to tip the balance in the 1973 Arab-Israeli War. Oil prices remained even higher while the United States helped Iraq prolong the Iran-Iraq War.

"It is fortunate that oil has long since stopped being strategically important to the NATO alliance, since U.S. intervention in Middle East conflicts has evidently had the opposite of any desired effect on oil

prices.”

According to Singer, higher prices do not themselves cause overall problems in the global economy.

“As increases in exporters’ petrodollar earnings recycled through the global economy, the global sum of the local purchasing power of gross domestic products continued to grow at an annual average rate of 3 percent during the high oil prices years of 1973 to 1986.”

By 2003, the U.S. ratio of use of oil to GDP was half of what it was in the 1970s, and the GDPs of the United States and other major oil importers “have continued to grow despite a recurrence of high oil prices.”

Singer said that U.S. energy currently relies on a combination of subsidies and tax breaks, regulatory mandates, and petroleum end-product taxes aimed at reducing the fraction of oil that comes from imports.

“This policy has three fundamental flaws,” Singer said. “One: It is piecemeal, thus leaky. Two: Its most economically effective components are politically unpalatable. Three and most importantly: It ducks the need for effective international cooperation in dealing with OPEC (Organization of Petroleum Exporting Countries).”

Meanwhile, he said, U.S. subsidies and tax breaks for alternatives to oil imports increase energy use.

“This applies to a variety of measures, like exempting ethanol from motor fuel taxes and domestic oil depletion allowances,” he said.

“Regulatory mandates like corporate average fuel economy standards for

automobiles and light trucks and minimum ethanol content in gasoline reduce oil use only in part of the economy.

“The net effect is to encourage the use of more petroleum for economic sectors that escape regulation, such as heavy trucking, aviation, heating and petrochemical feedstock. Taxing the petroleum industry end products like gasoline has a similar effect.”

Moreover, Singer said, subsidies for alternatives to imported oil have only proven politically feasible when oil prices are high, eventually becoming unsustainable when oil prices temporarily decrease.

“Conversely, tax breaks for domestic oil production have been popular when oil prices are low, but come under political attack as contributing to producers’ ‘windfall profits’ when oil prices increase.”

Singer argues that to reduce the overall oil consumption rate in the U.S., the most effective of the piecemeal approaches would be “the broadest possible taxes on petroleum end products, not just gasoline.”

“But imposing such taxes is also the most politically unpalatable approach, given that they directly burden moderate income Americans with higher fuel and electricity bills in the short run.”

Another problem with piecemeal approaches, he said, is that they don’t promote international cooperation among oil importing countries.

“Europe has widespread policies aimed in part at reducing petroleum consumption, but these have not provided the foundation for an effective global cooperative mechanism for dealing with OPEC.”

Singer claims that while piecemeal attempts to reduce oil imports have been promoted as a way of increasing national security, they have been

“manifestly ineffective.”

“Universally taxing foreign oil producers through tariffs at the front end of the trade and commodity process is a more effective approach to dealing with what really has been just an inconvenience, not a serious national security problem.

“This approach would send the needed market price signals universally, for manufacturers as well as individual consumers across the globe. When properly framed, this approach should also be more broadly politically palatable than directly taxing U.S. consumers’ use of petroleum end products at an individual level, because this approach directly confronts the petroleum market manipulations of the OPEC cartel, something that U.S. policy has so far failed to do.”

Singer suggests two major policy “opportunities” that have “profound implications for all developed and rapidly developing countries”:

-- U.S. defense and national security strategy should be reshaped so as to uniformly avoid unilateral military interventions in international or internal conflicts “solely or primarily for the purpose of influencing who has control over energy resources.”

-- Major importers of petroleum and petroleum products should impose import tariffs that “continue to rise until a mutually acceptable agreement on stabilizing petroleum prices is reached with OPEC.” This agreement with OPEC should involve not only the United States, but also “a broad coalition of major energy users throughout the globe, ensuring truly consistent, systemic change in global financial and trade practices.”

Singer said Congress should immediately pass a punitive tariff on crude and refined petroleum from members in good standing in OPEC, and any other exporting countries that “conspire to maintain prices several

times higher than the cost of exploration and production.”

Source: University of Illinois at Urbana-Champaign

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