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The limits of energy independence: Assessing the implications of oil abundance for U.S. foreign policy



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ABSTRACT

How will energy abundance affect U.S. policymakers' willingness to underwrite the international energy system? This paper uses the correlates of support for energy independence in domestic U.S. oil policy to identify the marginal effect of oil import dependence in shaping the external behavior of the United States in relation to oil. An econometric study is carried out of an original panel dataset of votes on oil-related legislation in the U.S. Senate from 1992 to 2007. The paper finds that support for reducing the risk of oil import dependence is clustered around more unilateralist legislators who prefer to maximize freedom of action in U.S. foreign policy. By extension, this suggests the transformation of oil supply in North America to oil abundance is likely to have some effect on U.S. foreign policy, but this effect will be conditioned by the diversity of policymaker positions toward the importance of oil import dependence, and the variety of motivations driving policymaker support for intervention in oil markets. The findings are robust across a battery of different estimation strategies, including an instrumental variables approach using unique characteristics of the oil industry to control for potential problems with endogeneity.

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1. Introduction

How will oil abundance affect U.S. policymakers' willingness to underwrite the international energy system? For decades oil import dependence has been offered by policymakers as an important reason the United States remains militarily engaged in the Middle East. Yet the United States is projected to vastly reduce imports of oil due to the rise of shale oil production in North Dakota, Texas, and elsewhere. The International Energy Agency (IEA) estimates that North America as a whole will become a net exporter by 2030 [25]. The shift to abundance thus raises the question of how it will affect U.S. policymakers' commitment to promote stability in the Middle East and elsewhere.

The possibility that a rise in oil production in the United States could affect its foreign policy behavior has generated debate in the popular media. Levine [32] notes the possibility that the U.S. may be unwilling to support military intervention to protect Kuwaiti oil, such as occurred in 1990, given the reduction in oil imports implied by greater domestic production. A commission composed of former senior diplomatic and military leaders argues in favor of retaining a forward presence in the Middle East despite the increase in

domestic production, but notes that “the rapid growth in domestic supplies and a declining import requirement have created a perception that America is primed to disengage from the Middle East” [14]. Congress has also debated the geopolitical implications of this change [44].

Theory suggests there is a relationship between levels of oil imports and the national security strategies states adopt, with governments investing in energy security-related measures when they are large energy importers [13]. Rovner and Talmadge [37] note that the United States, in particular, has used military power to secure access to Persian Gulf oil since at least 1980.¹ Hughes [23] discusses how the United States has used domestic and foreign policy instruments in response to the perceived risks associated with oil imports.² The increase of non-conventional oil production in the United States, coupled with rising imports in the Asia-Pacific, thus brings into question the balance of power that underwrites stability in the global oil market [24].

Inferring a relationship between changing levels of oil imports and U.S. security and foreign policy is nevertheless difficult because the perceived risk associated with oil imports is only one of a number of motivations for U.S. policymakers' willingness to support

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¹ See also [15].² On U.S. energy market governance see also [39].

military engagement internationally. Leiby [30] notes, for example, that “military activities, even in world regions that represent vital sources of oil imports, undoubtedly serve a broader range of security and foreign policy objectives than simply protecting oil supplies.” In the case of the Middle East, policymakers have a number of reasons for remaining engaged in the region in addition to oil security, including managing terrorist threats, and protecting Israel’s security interests, and each of these could shape foreign policy decision-making. Understanding the policy implications of oil abundance thus requires us to isolate the *marginal* effect of security of oil supplies on the policy preferences of U.S. policymakers, and ultimately U.S. foreign policy. Yet there is no obvious strategy that allows us to disentangle the multiple goals policymakers pursue in foreign policy. To take one example, it is plausible that presidents and legislators have an incentive to use oil security to mask for other interests when making public speeches, and may be seeking to pander to domestic constituents by talking about energy independence. This makes speech evidence an unreliable indicator.

This article offers a novel strategy for resolving this problem. Rather than attempting to separate the role of oil from other factors in shaping the foreign policy preferences of U.S. policymakers, the article focuses on *domestic* U.S. oil policy preferences. This is a valid approach because, as described below, policymaker support for increasing oil produced domestically has historically been treated as a complement to the use of foreign policy by policymakers as they seek to manage the perceived national security risks associated with oil import dependence.³ A preference for increasing domestic oil production should thus be associated with supporting foreign policies designed to manage the perceived risks of oil import dependence. It should *not*, on the other hand, be systematically associated with other reasons for supporting U.S. intervention in the Middle East and elsewhere, such as the defense of Israel or managing terrorist threats. Identifying who supports energy independence in *domestic* U.S. oil policy therefore offers a strategy for investigating whether changes in oil import dependence are likely to shape the *external* behavior of the United States in relation to oil.

Focusing on domestic oil policy nevertheless introduces at least two challenges of its own. First, while scholars show that the Congress matters in the design and implementation of foreign and security policies, a full accounting of the implications oil abundance for U.S. foreign policy requires analysis of the executive branch [31]. Empirical studies also show that whether control over the executive and legislative branches is united under a single party or not matter for U.S. trade policy, and it is plausible this is the case in oil policy as well [33]. Evidence also suggests the characteristics of presidents matter in determining choices over military intervention, which is one expression of U.S. security policy [38]. A study that focuses on congressional oil policymaking thus represents only a partial analysis of the foreign and security policy implications of increased oil production.⁴ Nevertheless, there is substantial evidence that the Congress plays an important role in foreign policymaking, including in relation to national security issues, justifying the approach used here [20,34].

Second, while domestic oil policy preferences should be correlated with preferences toward oil-related security and foreign policy, but be uncorrelated with other, non-oil related factors, focusing on domestic oil policies requires us to account for factors other than oil import dependence that could plausibly shape

the preferences of policymakers toward domestic oil policies. We control for these in the analysis. We also employ an instrumental variables approach – drawing on unique characteristics of the oil industry – to address endogeneity concerns.

Our results suggest that the shift from oil import dependence is likely to have an important, but conditional, effect on the collective preferences of policymakers. We present evidence that support for reducing oil import dependence by promoting domestic production is clustered around legislators who have unilateralist tendencies, defined as those that prefer maximizing freedom of action in the international system. By extension, this suggests the transformation of oil supply in North America toward greater oil abundance is likely to have an effect on the foreign policy preferences of these legislators. This effect is balanced, however, against the diversity of policymaker positions toward the importance of oil import dependence in U.S. foreign policy, as well as by institutional factors. Taken together, this suggests that while the shift toward oil abundance in the United States may have some effect on U.S. foreign policy, that effect will be muted.

We proceed in three sections. In the next section we describe how U.S. policymakers have responded to the perceived national security risks associated with importing oil, emphasizing the complementarity of foreign and domestic policy instruments. We then outline our strategy for isolating the marginal impact of oil on U.S. foreign policy, and presents the empirical analysis. In the third and final section we discuss the policy implications of the findings, and suggest avenues for further research.

2. Oil import dependence and U.S. policy

Oil differs from manufactured products because it is a non-renewable resource that is distributed unevenly around the world. This has caused policymakers in the United States and elsewhere to identify risks associated with oil imports as an important national security problem. As early as 1918, a study by the United States Geological Survey estimated domestic recoverable reserves in the United States would be exhausted by 1928 [48]. This led the State Department to support U.S. firms seeking to increase their control over oil reserves in the Middle East and elsewhere.⁵ Following the Iranian Revolution of 1979–1980, when Iranian oil production was shut in and oil prices increased markedly, President Carter declared that stability in the Middle East was of vital interest to the United States. In his State of the Union Address of January 23, 1980, President Carter drew a direct link between oil imports and national security, stating that any attempt “by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force.”

Oil import dependence has thus been framed as an important factor shaping U.S. military and foreign policy engagement in the Middle East [26]. This policy choices has had important implications for foreign policy. According to data from SIPRI, a mean of almost 3.2 billion dollars in arms were exported from the United States to the Middle East between 1980 and 2012, including 763 million dollars in arms exports annually to Saudi Arabia. Studies also suggest that oil import dependence has been an important driver of U.S. military spending designed to maintain force projection capabilities capable of ensuring stability in the Gulf States [37]. Stern [41] estimates the United States spends billions of dollars annually in order to manage the perceived national security costs associated with oil imports.

³ We make no claims about the efficacy of either of these approaches to managing security of oil supplies.

⁴ See [7,27,17] for discussions of oil foreign policy-making that incorporates the role of both the executive and legislative branches.

⁵ For a review of U.S. support for firms internationally see [1].

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