

The New US Middle East Policy and Energy Security Challenges

Pierre Noël^(*)

I. The United States in the Middle East: From Policeman to Planner

1. From the Carter Doctrine...

The direct link between the United States' energy security policy and its military policy in the Persian Gulf can be traced back to the formulation of the Carter Doctrine in the late 1970s and the subsequent creation of the Rapid Deployment Force – ancestor to the US Central Command (CENTCOM) – in the early 1980s¹. The threat has evolved with the strategic context – from a Soviet incursion into the Gulf after the invasion of Afghanistan, to an Iranian attack against the Gulf monarchies after 1979, and then to the regional security implications of the Iraq-Iran war and to the threat posed by Saddam Hussein after the end of the war with Iran – but the objective has remained the same: to protect petro-monarchies of the Gulf, and especially Saudi Arabia, against any external threat; in other words, to prevent the heart of the world oil system from being caught into the regional political instability.

To use a term from classical liberal political philosophy, the US involvement in the Persian Gulf amounts to applying a “negative power”: it is meant at preventing people from doing certain things more than it aims at

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¹ On the genesis of the RDF and CENTCOM, see Jed. C. Snyder, *Defending the Fringe. NATO, the Mediterranean, and the Persian Gulf*. SAIS Papers in International Affairs No. 111. Boulder, CO. : Westview Press, 1987, pp. 116-119.

shaping the region. The US has made it impossible for Iran and Iraq, successively, to threaten the security of the production and export facilities in Saudi Arabia, Kuwait and the EAU, as well as the sea lanes of the Gulf and the straight of Ormuz. But the US has never tried to roll back the Islamist revolution in Iran, to prevent Iraq and Iran from fighting, to topple Saddam Hussein from power or to push for political reforms in the Gulf monarchies. The type of power that the United States has applied in the Middle East since the late 1970s is that of a policeman, not that of a planner.

2. ...to the Bush Doctrine

After the terrorist attacks of September 11, 2001, the Bush administration undertook a complete reorientation of the US policy in the Middle East. At the core of the new approach is the idea that to win the “war on terrorism”, the United States must take advantage of its unprecedented power to “advance freedom” – promote democracy and market economy – throughout the world, and especially across the Arab-Muslim world. The second aspect of the Bush Doctrine – as the new policy has come to be referred to – is the concept of “preemptive war”, which actually means *preventive* war: the nature of the threat confronting the United States – a combination of transnational terrorist networks, “evil regimes”, failed States and proliferation of unconventional weapons – requires that the US be ready to act preventively. This second pillar of the Bush Doctrine contributes to its “revolutionary” character but is of less importance for the purpose of this article than the policy of democracy promotion in the Middle East. The first comprehensive policy document presenting the Bush Doctrine was the *National Security Strategy of the United States of America* (NSS) released by the White House in September 2002. It was also conveyed to the American people and to the world in a series of speeches by Mr. Bush in 2002 and 2003². The latest NSS document, published in March 2006, tones down the doctrine of “preemption” – though it formally maintains it – but strongly reaffirms the strategic commitment to the “advancement of liberty”. In his introductory letter, President Bush reaffirms that “fighting and winning the war on terror and promoting freedom as the alternative to tyranny and despair” are the two “inseparable priorities” of the US foreign policy, and that “the advance of liberty will make America more secure”. The first sentence of the NSS itself states: “It is the policy of the United States to seek and support democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world³.” The Bush Doctrine has evoked an intense debate among foreign policy experts⁴ but, more than three years after the launch of the war in

² See President George W. Bush, “Speech at West Point, U.S. Military Academy”, June 1st, 2002; “Remarks at the 20th anniversary of the National Endowment for Democracy”, November 6, 2002; “Address at Whitehall palace, London”, November 19, 2003. All speeches are accessible through <www.whitehouse.gov>.

³ *The National Security Strategy of the United States of America*, Washington: The White House, March 2006, p. 1.

⁴ A good introduction to the issues raised by the Bush Doctrine is Robert Jervis, “Understanding the Bush Doctrine”, *Political Science Quarterly* 118, (3) 2003, pp. 365-388; by the same author, but more overtly critical of the doctrine itself: Robert Jervis, “Why the Bush Doctrine Cannot Be Sustained”, *Political Science Quarterly* 120, (3) 2005, pp.351-377; for a sharp critique of the policy of promoting

Iraq, the promotion of political freedom is still the guiding principle of the Bush administration's Middle East policy.

This is no small change: the way the US now conceives of its role in the region is more that of a planner, or even a *political engineer*, than that of a policeman. It very much exerts a *positive power*, not only a negative one. This new policy had long been in the making inside so-called "neo-conservative" circles in Washington during the 1990s, where the realist calculus behind the traditional US Middle East policy – which could be summarized as: "oil market stability first" – was sharply criticized as short-sighted and ultimately dangerous for US interests, and a more "transformative" agenda was promoted. The decision not to push to Baghdad after having liberated Kuwait in 1991 came to be considered as an illustration of this short-sighted realism, and the toppling of the Iraqi regime became a central piece of the neo-conservative Middle East policy agenda⁵.

The invasion of Iraq in 2003 was meant as both a preventive war and as an attempt to create an example of democracy in the heart of the Middle East – an operation of regional political engineering. Even if the preventive aspect of the war is now known to have been – at least – overplayed by the US (and British) government, there is ample evidence that the Bush administration is seriously committed to overseeing the emergence and stabilization of democratic institutions in Iraq, from which they expect positive implications for the whole region. Apart from the war itself and a sustained effort of public diplomacy, the US policy of democracy promotion in the Middle East is being implemented through four main initiatives: the Middle East Partnership Initiative (MEPI) launched in 2002 by the US Department of State⁶; the Broader Middle East and North Africa Partnership Initiative (BMENA), launched at the G8 summit in June 2004; a broad and sustained effort by the office of the United States Trade Representative (USTR) to negotiate trade and investment agreements throughout the Middle East⁷ – the goal of negotiating a free trade agreement between the United States and the Middle East and North Africa region has also been announced by US officials; and finally the recently announced Foundation for the Future and Fund for the Future. These initiatives have little in common with the Iraq war, except their goal⁸.

democracy in the Middle East, see David Hendrickson and Robert Tucker, "The Freedom Crusade", *The National Interest* 81, Fall 2005, pp. 12-21; a critique centered on the preventive use of force can be found in: Andrew Bacevitch, "Requiem for the Bush Doctrine", *Current History*, December 2005, pp. 411-417; for a collection of (mostly) apologetic essays, see: "Defending and Advancing Freedom: a Symposium", *Commentary* November 2005, pp. 21-68 (the editor's introduction is a short but clear summary of the Bush Doctrine); for a European critique see: Katerina Dalacoura, "US Democracy Promotion in the Arab World since 11 September 2001: a Critique", *International Affairs* 81, (5) 2005 pp.963-979.

⁵ See the letter to President Clinton on Iraq, by a group of neo-conservative personalities (several of whom would later hold senior positions in the Bush administration), dated January 26, 1998 (available on the web site of the Project for a New American Century: <www.newamericancentury.org>).

⁶ For details about MEPI, see <<http://mepi.state.gov/mepi/>>.

⁷ An update on the "US-Middle East Free Trade Effort" can be found at: <www.ustr.gov> (accessed April 13, 2006). For a review of these agreements with a focus on the energy-relevance of US investment treaties, see: Pierre Noël, "US Investment Treaties as Energy Policy Instruments: From 'Market-Building' Tools to 'Consultation' Frameworks", Ifri, PowerPoint presentation, April 2005. Available at: <www.ifri.org/Files/CFE/PN_US_Treaties.pdf>.

⁸ On the US international economic policy goals in the Middle East, see: Robert B. Zoellick, "Global Trade and the Middle East", World Economic Forum, Dead Sea, Jordan, June 23, 2003 (available at <www.ustr.gov>); Walid Al-Saqaf, "Mideast Free-Trade Plan Inches Forward", *The Wall Street Journal*, August 23, 2005, p. A4.

Therefore, it seems reasonable to say that beyond the war and the occupation of Iraq, the push for democracy and market economy in the Middle East – the “transformation of the region”, to borrow a phrase from the Bush administration’s rhetoric –, which is the main substantive pillar of the Bush Doctrine, is now the organizing principle of the new US Middle East policy, itself at center of the Bush administration’s foreign policy.

II. “Read Between the Pipelines”: A Hidden Energy Security Agenda?

The energy security dimension of the traditional American policy in the Persian Gulf was clear: preventing a major disruption in world oil supply arguably was not the only reason why a “policeman” was needed in the region, but it certainly was an important one. The relationship between the new US policy in the region and energy security considerations is far less straightforward. Was the war of 2003 a “war for oil”⁹ – and if yes what type of benefits exactly did the Bush administration expect, or what type of risk did they intend to manage by toppling the regime of Saddam Hussein? Is there an energy security rationale behind the ambition to “transform” the region? Could energy security considerations have led the Bush administration to devise its ambitious plan to promote political freedom and freer economies across the region? If that is the case, what type of reasoning may have led to this conclusion?

There is nothing in the National Security Strategy documents or in President Bush’s national security speeches since 2002 or other major recent foreign policy documents that would give credence to the claim that the broad political transformation of the Middle East that the US places at the center of its foreign policy is governed by energy-related considerations. Similarly and more importantly – and contrary to what many scholars have argued, including the three ones mentioned here in note 9 – there is nothing in the so-called “Cheney report”¹⁰, or in subsequent Bush administration’s energy policy documents, testimonies and speeches, that would imply that a radically new US Middle East policy is required to ensure the US energy security¹¹. Substantiating this claim would require a lengthy discussion which is not possible here. Two questions will be addressed here: (1) What are the challenges to the US energy security in the current context? and (2) Under which circumstances could the “transformative”

⁹ Examples of scholars who made the case that this was a “war for oil” include Jeffrey Sachs, who published a series of syndicated op-ed articles which appeared in leading newspapers worldwide; see for example: “Oil is America’s Motive for War”, January 2003, *Project Syndicate* (<<http://www.project-syndicate.org>>); see also Anatol Lieven, “The Push for War”, *London Review of Books* 24, no. 19 (2002):2, accessed electronically at: <<http://www.lrb.co.uk>>; or Michael Klare, *Blood and Oil. The Danger and Consequences of America’s Growing Dependency on Imported Petroleum*, 2nd ed., New York: Henry Holt and Company, 2005).

¹⁰ *National Energy Policy*, Report of the National Energy Policy Development Group, Washington, Government Printing Office, May 2001 (available on <www.whitehouse.gov> and <www.energy.gov>).

¹¹ Many influential people in Washington now seem convinced that ensuring the U.S. energy security requires a radically new *domestic* oil policy – an idea even President Bush now seems to share.

Middle East policy of the Bush administration provide solutions to these energy security problems?

1. The risk of supply disruption

Because the oil market is globally integrated and oil is a fungible commodity, any disruption in oil supply, wherever it happens, impacts all consumers through a globally-felt price spike. The Middle East has been historically, and still is, a major contributor to the risk of disruption in the global oil flows. This is because of a combination of large oil producing and exporting facilities and continuing regional political instability, at least since the early 1970s – and even, to a lesser extent, before that. The United States has responded to this risk by two different policy measures, both decided at the end of the 1970s and implemented aggressively in the 1980s and 1990s. First, it has built and maintained a large emergency oil inventory, the Strategic Petroleum Reserve (SPR). The SPR is a 700 million barrels crude oil inventory held and operated by the US federal government. The decision to release oil from the SPR is left at the entire discretion of the US President¹². Building and maintaining the SPR amounts to buying an insurance policy against the risk of oil price shocks induced by disruptions in global oil flows. Through its membership of the International Energy Agency, the US coordinates its emergency oil stock with other OECD member governments. But the SPR is by far the largest such stocks in the world and, given its size and release capacity, is theoretically large enough to mitigate the impact of a significant oil supply disruption even in the absence of any foreign contribution. The other measure is the continued military protection – some say the “sanctuarization” – of Saudi Arabia, which can be traced back to the formulation of the Carter Doctrine (cf. *supra*). As an oil security policy measure, it addresses the same risk as the SPR, though it is politically and technically very different from it.

Does the political transformation of the Middle East make sense as an alternative or supplementary policy to deal with the risk of oil supply disruption? The underlying reasoning is that the United States has chosen to move from a policy of a mix of risk management and crisis management to a policy of engineering a lasting solution through structural change in the regional politics – which, according to the Bush Doctrine, requires profound change in the way the countries are governed. Arguably, a Middle East where mature democracies coexisted pacifically would certainly present a lower risk of oil supply disruption. But this reasoning is little more than a tautology, unless one includes into the analysis the process of moving from the *ex ante* situation to this new, transformed Middle East. Three years after the Bush Doctrine started to be implemented it is clear that this is a very *destabilizing* one, for the regional politics and for the oil market, at least in the short and medium-term – and this characterization holds even if one thinks that a “democratic peace” is achievable in the longer run.

¹² The web site of the US Department of Energy states that the SPR “exists, first and foremost, as an emergency response tool the President can use should the United States be confronted with an economically-threatening disruption in oil supplies.” See: <<http://www.fossil.energy.gov/programs/reserves/spr/spr-drawdown.html>> (accessed April 10th 2006).

Devising the new US Middle East policy as a way to reduce the risk of oil supply disruption would have required, from the Bush administration, giving a very high value to the long-term – hypothetical – benefits and a very low value to the short-term – highly probable – increase in the oil security risk.

The risk of oil supply disruption has almost certainly increased over the last 10 years, and a large part of the extra risk comes from the Middle East¹³. Not only small disruptions are more likely due the regional situation, but some new trends – like the terrorist activities in Saudi Arabia – make large disruptions also more likely. Part of the most recent rise in the probability of oil disruptions may be attributable to the Iraq war and its aftermath, but the risk probably had already increased between the mid-1990s and the year 2000. In any case, it is difficult to imagine that the rise in the risk of disruption in itself might have led the Bush administration to devise a policy like the war in Iraq and the transformation of the region – to the extent that it was recognized, the increase in the risk of oil market disruption might have instead been a cause for caution. The obvious US response to a perceived rise in the risk of oil supply disruption is to expand the size – and possibly the draw-down capacity – of the emergency oil stockpile (the SPR). The cost of expanding the SPR is far from negligible, but in any case would remain a fraction of the economic cost of the war in Iraq¹⁴ and the new US Middle East policy – not to speak about its political cost.

It has become clear recently that the Bush administration has acknowledged the negative impact of the Iraq war and its aftermath in terms of oil security; the Energy Policy Act of 2005 that President Bush signed into law in August 2005 calls for an expansion of the SPR to one billion barrel¹⁵. This energy security policy decision has not been accompanied by a reassessment of the administration's Iraq and Middle East policy.

2. The risk of growing concentration on the Middle East

The other oil security challenge that the United States, like all consumers, faces is that of a growing concentration of world oil supply – and hence of US oil imports – on the Middle East as more and more of the net increase in oil supply comes from this region. It should be noted that the rise in the market share of Persian Gulf producers – a common feature of the latest “reference case” projections by the International Energy Agency and the US Energy Information Administration alike¹⁶ – has long been expected but, so far, has not happened. This is not to say that the conditions for such a re-concentration will never materialize; it depends on the dynamic interaction between the price of oil, world oil demand growth and supply outside the

¹³ See Philip Beccue and Hillard Huntington, “An Assessment of Oil Market Disruption Risk”, Stanford University, Energy Modeling Forum, Final Report SR8, October 2005, pp. 26-30.

¹⁴ On the cost of the war in Iraq, see Linda Bilmes and Joseph Stiglitz, “The Economic Cost of the Iraq War: An Appraisal Three Years After the Beginning of the Conflict”, Harvard University, Kennedy School of Government, Faculty Research Working Paper Series, RWP06-002, January 2006.

¹⁵ See Energy Policy Act of 2005, Title III, SEC. 301.

¹⁶ See International Energy Agency, *World Energy Outlook 2005*, Paris: OECD/IEA, 2005; U.S. Energy Information Administration, *International Energy Outlook 2005*, Washington: DOE/EIA, 2005.

Middle East, including so-called “non-conventional” liquids. Currently, the Middle East covers roughly 30% of the world oil supply and this market share is very stable since the early 1990s, with no upward trend; Middle East oil supplies 20% of the US oil imports (a bit more than 10% of consumption), a share which has gone slightly down since 2000 but is relatively stable since the end of the 1980s.

Whatever the seriousness of this energy security risk for the United States, it cannot be mitigated by a new Middle East policy. By definition, limiting the rise in the market share of Middle East producers requires maximizing oil production *outside* this region. Since the early 1980s, the US has systematically pursued a policy of building and expanding the international market for oil and gas exploration and production rights (enlarging the playing field of the private multinational oil companies), the goal of which was to make non-OPEC – and especially non-Middle East – oil resources widely accessible to exploration and production capital and technology. This policy has been implemented world-wide – with Latin America, the former Soviet Union, Sub-Saharan Africa as successive “hot spots” – with various levels of success. The best the United States can do to deal with the risk of concentration on the Middle East is to reenergize a policy that it has been pursuing for 25 years, which is mostly a policy of “access to non-Middle East oil”¹⁷. (Arguably, this policy has now entered a phase of diminishing returns, for both energy reasons and political reasons.)

It is very hard to conceive of the Bush administration’s Middle East policy as a way to deal with the risk of rising concentration of the world oil supply. Except in an indirect way, if one believes that increasing levels of production and exports from the Gulf raise the stakes of regional political instability and its impact on the oil market, calling for a radically new approach to securing oil flows by transforming the region’s politics – which would take us back to issues dealt with in the previous section.

3. The risk of under-investment in the Middle East

The trouble is that the most likely reason for the re-concentration on the Middle East not to happen is that the oil producing countries in the Persian Gulf would fail to increase their production capacities faster than oil demand growth – or to increase it at all – either as a choice or because they are unable to do so. This is another potential oil policy challenge that the United States faces: the risk of under-investment in the Middle East oil industry, possibly resulting in a prolonged period of very high oil prices, or recurrent oil price shocks in the coming decades.

Many authors have suggested, implicitly or explicitly, that the new US Middle East policy was intended to tackle this challenge. The critique of the Bush Doctrine here is not that democracy promotion is a smoke screen that hides the search for greater control over the region’s oil riches, but that the push for greater political freedom across the region is itself motivated by

¹⁷ The 8th chapter of the “Cheney report” of May 2001 suggests exactly that: the continuation and boosting of the traditional US approach to “market-building” and “market expansion”.

oil policy considerations. The gradual democratization of the Middle East countries, goes the “freedom oil” theory¹⁸, will be accompanied by the liberalization of their oil industry, its opening to foreign investors, and eventually a more intensive exploitation of the resource base.

The severity of this challenge as an oil security threat to the United States is questionable. The past three years have shown that the US and the world economy can live with oil prices much higher than the average of the last twenty years. Moreover, high oil prices foster development and market penetration of alternative supply and demand technologies, conducive to lower levels of demand growth and higher levels of supply diversity. In other words, there is a tradeoff between a larger reliance (or “dependence”) on the Persian Gulf and higher oil prices: the latter buy the United States and the world a lower level of dependence both on oil in general and on the Middle East specifically. Of course there is no guarantee that the impact of severe constraints on the availability of extra Middle East oil will remain benign. But it would require deep pessimism about energy market dynamics – maybe even an apocalyptic view of the future of world energy supply – to justify a major geopolitical bet such as the Bush administration’s Middle East policy and the Iraq war as a way to prevent underdevelopment of the oil production capacities. Nothing in the “Cheney report” of 2001 or subsequent energy policy documents from the administration suggest that such a pessimism prevails. Recently President Bush has made a widely noted call for the US to reduce its dependence on oil from the Middle East – which implies there is too much, not too little, Persian Gulf oil on the market.

Even if the new US Middle East policy was really meant at ensuring a more intensive exploitation of the region’s oil resources, it would probably be bound to fail. The reason is that countries with significant oil resources which have more or less democratic regimes tend to be the less liberal oil producers in the world – the exceptions are the oil producing countries with highly developed and diversified economies like the United States, Canada and the UK, but even in this group, a country like Norway has long implemented a fairly nationalistic oil policy. In Mexico, despite decades of external “encouragement” and years of internal democratic debate, there is still no realistic prospects of a real opening of the oil and gas industry to foreign investors. In Venezuela – admittedly a flawed democracy, but still a democracy – the strong popular support for the Chavez government’s oil policy revealed that the *apertura* policy of the 1990s – irrespective of its merits – had very little support beyond an elite of “westernized” technocrats and oil managers. In the Middle East, the nationalistic oil culture is almost as firmly grounded as it is in a country like Mexico; the nationalization of the oil industry played a key role in the emergence of Iran and Iraq as modern, independent nation-states. In Kuwait an Iran, parliamentary deliberations have delayed, complicated or killed proposal to reopen the oil industry to foreign investors for more than a decade. It is difficult to imagine that a gradual generalization of democratic deliberations about oil policy in Middle East countries would reveal a significant popular base in support of

¹⁸ See Philippe Le Billon and Fouad El Khatib, “From Free Oil to ‘Freedom Oil’: Terrorism, War and US Geopolitics in the Persian Gulf”, *Geopolitics* 9(1), Spring 2004, pp. 126 sq. Also: Andrew Higgins, “In Quest for Energy Security, US Makes New Bet: on Democracy”, *The Wall Street Journal*, February 4, 2004, p. A1.

liberalization, opening to foreign investors, and a more intensive exploitation of the resources.

Determining what role exactly has oil considerations played in the Bush administration's policy thinking about the Middle East, and especially in the decision to topple the regime of Saddam Hussein, is and will probably remain impossible. What has been attempted here is to clarify the conditions – or the assumptions – under which the Bush administration's Middle East policy would make sense as a rational (or reasonable) oil security policy. Hopefully, these conditions appear serious enough to shift at least part of the burden of proof on those who claim that this was, and still is, "all about oil".