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SPIGOTS VERSUS GUZZLERS: A (POTENTIAL) RETURN TO BIPOLARITY AND THE IMPLICATIONS OF FOREIGN DEPENDENCE ON U.S. NATIONAL SECURITY

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The world is primed for a shift in power sharing. From an international relations perspective, America's continued reliance upon foreign oil could facilitate the return of a bipolar world, one consisting of oil haves (which I have termed "spigots") and oil have-nots (termed "guzzlers"). I argue that a return to bipolarity due to increasing foreign oil dependence severely damages the national security strategy of the Unites States. This paper assesses the likelihood and potential composition of a theoretical counterbalance to the United States; it also illustrates several policies that would mitigate threats to current American preeminence in economic and global affairs.

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INTERNATIONAL RELATIONS: THEORY AND APPLICATION

The study of international relations (IR) focuses upon the balance of power and order between countries. In an attempt to explain and categorize various situations across the span of history and the countries themselves, scholars typically explain the control of power through the use of a continuum (Mansfield 1993, 105). On one end of the spectrum exists unipolarity, where one country predominates politically, economically and militarily. The quintessential example of modern unipolarity resides in the United States in the twenty years following the end of the Cold War in 1991. America was an unchallenged superpower in any international aspect imaginable. Its political model has been used to reform and reincorporate former Soviet bloc countries into a largely capitalist world. The wealth of the average American skyrocketed in the 1990s due to phenomenal gains in the stock market and personal income, as well as from a strong currency. The only previous threat to American military might — the Soviet Union — quickly became a distant memory.

At the other end of the spectrum, multipolarity exists when many countries share in the balance of power. Numerous supranational organizations have attempted to level the power playing field by increasing the visibility and prominence of countries that traditionally held less influence. The United Nations applies a tempered approach to power sharing, primarily through the usage of ten rotating seats in the Security Council. These nations, however, frequently find their opinions relegated to second degree status in light of the five permanent Security Council members, each of whom possesses the power to veto any proposition, which can grind sanctions and legislation to a halt.

An intermediary situation, bookended by unipolarity and mutipolarity, is bipolarity. From the end of World War II to the early 1990s, the world segregated behind two superpowers — the United States and the Soviet Union — thus providing the classic instance of this IR model. In that bipolar world, national security strategies revolved around containment (i.e., preventing the adversary's expansion of ideology, influence or territory) and deterrence through nuclear armament and mutually assured destruction. One could argue, from an IR standpoint, that the world during the Cold War was highly ordered though filled with conflict — evidence that the existence of a bipolar power structure does not predict peace. The numerous conflicts, ranging from major wars in Korea and Vietnam to the Cuban Missile Crisis, attest to this fact. As opposed to explicitly fostering peace, bipolarity determines that countries behave in a stable, predictable fashion, particularly vis-à-vis their formulation of a national security strategy. For example, when the threat of a nuclear holocaust was tangible in the 1960s and 1970s, both the United States and the Soviet Union predictably increased their nuclear arms in a cat-and-mouse game to levels unimaginable only a couple of decades prior.

The fall of the U.S.S.R. caused a rapid shift in the balance of power. IR theorists almost universally predicted that a power-sharing model would replace the bipolar, Cold War world: "the conventional wisdom was that with the demise of the Soviet empire the bipolarity of the second half of the 20th century would yield to multipolarity" (Krauthammer 2005, 461). However, the past twenty years provides ample evidence that "the unipolar moment has become the unipolar era" (Krauthammer 2005, 461).

Interestingly, the two U.S. presidencies of this period facilitated unipolarity in strikingly different fashions. Under Bill Clinton, the United States' influence rose almost unintentionally, due in part to unprecedented advances in a deficit of prominent opposing political ideologies and the absence of a viable military threat to American hegemony. George W. Bush pursued a more deliberate approach towards unipolarity, notably by declaring that nations were either "with us or against us" in the Global War on Terror. IR theorists again failed in their predictions that the terrorist attacks of September 11, 2001 would be the demise of unipolarity. In a counterintuitive fashion, combating terrorism may actually promote a unilateralist approach due to the collective action problem: because the costs of fighting against a shifting enemy are so large and the benefits of "winning" a war against terror are so diffuse, many countries simply elect to go it alone and cannot successfully mount a multinational coalition to stamp out the threat over an extended period of time. As seen in the American-led campaigns in Afghanistan (2001) and in Iraq (2003), many countries initially supported the efforts against al Qaeda and Saddam Hussein, respectively, with troops and resources. Over time, the willingness of the citizens of those countries to support a protracted effort led to decreased enthusiasm and participation in these endeavors. It is likely that a combination of free riding by ideologically similar countries, and American confidence that it can act unchecked as a unipolar power, is responsible for the current balance of manpower in the Middle East.

Yet for all its economic and military might, the United States lacks a key strategic resource: oil. The remainder of this paper examines whether oil-exporting countries could form a contingent to counterbalance the United States and return the world to a bipolar structure. After projecting the composition of spigot countries—those nations that provide and export crude oil in large quantities to countries whose demand exceeds their internal production—the discussion will turn to what American security threats would look like in a bipolar world. It will also address as well as the presumptive security strategies for both spigot and guzzler countries—the latter defined as a country that consumes and imports oil due to a deficit of endogenous domestic resources. The paper concludes with an analysis of whether a return to bipolarity is desirable for the United States and other nation states, since the United States may continue to involve itself in international affairs relating to the demand for and possession of oil, regardless of how successful it is in reducing its own internal demand for the resource.

THE IMPORTANCE OF OIL

Oil is critically important to the United States. Despite comprising less than 5 percent of the world's population, the United States consumes approximately one quarter of all oil consumed in the world—9.8 million barrels of oil daily (CIA World Factbook). Americans import three-fifths of the oil they consume, with five countries comprising the source of 63 percent of all imports (see Appendix 1: "Crude Oil and Total Petroleum Imports Top 15 Countries"). Ten countries supply 83 percent of America's imported oil, signfying the concentrated nature of the crude oil industry. Canada is the largest supplier of petroleum to the United States, exporting nearly two million barrels daily for America's consumption. The other top countries, in order of production, include Saudi Arabia, Mexico and Venezuela. Notably absent from the top of this list is Russia, which is 13th on the U.S. monthly import table (Energy Information Administration, Crude Oil and Total Petroleum Imports, Top 15 Countries).

The Organization of the Petroleum Exporting Countries (OPEC) is the greatest influence on global oil exports. The thirteen OPEC member countries control 79 percent of the world's known crude oil reserves (see Appendix 2: "OPEC Share of World Crude Oil Reserves 2008"). Because the stated purpose of OPEC is to coordinate the supply of crude oil to world markets—and thereby influence the market price of a relatively inelastic commodity—member states Saudi Arabia and Venezuela pose the greatest threat to U.S. national security due to the relative prominence of each country's role as an oil exporter to the UnitedStates (see Appendix 3: "OPEC Flows of Crude and Refined Oil in 2007").

Canada's absence from OPEC's roster is arguably the greatest boon to American security interests. Canada has demonstrated no intention to restrict or coordinate its oil output with OPEC countries and appears likely to continue to independently and freely export oil across its southern border for the intermediate (twenty to thirty year) future, if only because doing so is clearly in Canada's best financial interests. Similarly, Mexico, the third largest exporter of oil to the United States, is not an OPEC member. It supplies oil to the United States with minimal restrictions, likely for economic reasons similar to Canada.

Russia is also not an OPEC member. Since the Russian oil industry is privatized, Igor Sechin, Russia's energy czar, noted "it would be irresponsible for Russia to join OPEC because we can't directly regulate the activity of our companies" (White 2009). Consequently, it is unlikely that Russia will join OPEC in the short run (five to ten years) simply due to the challenges posed by consolidating governmental influence in this abbreviated period. It would be an unexpected turn of events if the Russian government nationalized its country's oil reserves against the will of private owners. It would be equally difficult for one owner to acquire a significant enough stake in each of the country's oil firms such that he or she would be able to easily coordinate oil output in the fashion of a *de facto* internal cartel in this short time.

IMPLICATIONS OF IMPORTED OIL FOR U.S. NATIONAL SECURITY

In 2007, Paul Leiby noted that the world was primed for oil's return to prominence. Both geopolitical and and market forces contributed to a meteoric rise in the price of oil from a starting point of $50 per barrel in the beginning of 2007. The bursting of the most recent oil bubble sent the cost of a barrel of oil from nearly $150 in June 2008 to the mid-$30s by December 2008, leading to lower prices on everything from gasoline to fresh produce (which relies heavily on the transport industry). Cheaper commodity prices, however, were not enough to prevent the world from entering a global recession in late 2007 that many economists believe ended in the summer of 2009, albeit with many lingering effects (Associated Press 2009 and Wall Street Journal 2009). Interestingly, the predictability with which oil price spikes precede worldwide recessions is only one of a handful of ways in which dependence on oil compromises American national security interests. (While this phenomenon demonstrates correlation, it cannot be taken as proof of causation, *i.e.* high oil prices cause recessions.)

ECONOMIC RECESSIONS

Cleveland and Kaufmann note that "nearly every recession in the post-WWII period has been preceded by an increase in the price of oil" (Cleveland and Kaufmann 2003, 488. Also see Appendix 4: "Past Global Recessions and Oil Spikes"). Although the magnitude of the current recession can be most likely attributed to the credit crisis, economists pin the start of this economic downturn to December 2007, when oil prices hovered around $100 per barrel.[1]

In early 2009, Secretary of Defense Robert Gates called for cuts to the Air Force F-22 Raptor program as part of an attempt to curb military spending. I argue that this restraint was not a mere coincidence with the greatest economic downturn in a generation. In all likelihood, Gates' decision reflected a concerted effort by military leaders and the Obama Administration to sympathize with the economic challenges felt by the American public at that time. The full, future implications of this specific decision on national security policies are unknown. Nevertheless, curtailing a program that yields a plane "capable of almost hovering in place and killing an enemy more than 200 miles away" strongly indicates that the U.S. military is shying away from a revolutionary strategy of military transformation (Cole 2009).

TRADE DEFICITS

Appendix 5, "10 Year U.S. Trade Deficit," illustrates the impacts of expensive, imported crude oil on the American trade deficit. Reductions in the non-petroleum product trade deficit counteracted the declining share of American resources dedicated to purchasing imported oil from 2007 to 2008. This held the overall monthly trade deficit constant for the same period. The trade deficit did not decline, however, until the price of oil collapsed in mid-2008, when the monthly trade deficit shrunk by nearly 50 percent (Calculated Risk, Ten Year U.S. Trade Deficit).

According to macroeconomic theory, a negative trade balance causes a country's currency to depreciate, which decreases the attractiveness of foreign investment in that country's debt. Since the United States relies heavily on Chinese foreign investment (through the purchase of U.S. Treasury bonds), trade deficits exacerbated by expensive, imported oil may force the United States to offer greater political concessions to this trading partner. While the United States is weary of China's anti-democratic government and human rights record, it may be willing to temper its stance if it ensures that the Chinese continue to invest in U.S. debt, especially if debt purchasing partly or wholly subsidizes the United States' $693 billion annual defense budget (Brown and Fairclough 2009).

WEALTH TRANSFERS

Roger Stern argues that coalitions of oil producers negatively affect U.S. security by turning a remarkably abundant good into one of perceived scarcity (Stern 2006, 1650). When spigot countries charge a monopolistic price that exceeds the competitive price—which Stern estimates to be around $5 to $10 per barrel—massive wealth transfers ensue. For example, guzzler countries transferred $178 billion to spigot countries in 2003 and nearly $1 trillion in 2008. Consequently, it is the market power of oil producers, not the oil itself, that "actuate[s] security threats" (Stern 2006, 1650). Given that three-fourths of the world's known oil reserves are concentrated among OPEC members, it is plausible that market share could be the impetus

behind the establishment of an opposing bipolar force to act as a counterweight to the United States.

OPPOSING FOREIGN POLICY

In 2006, the non-partisan Council on Foreign Relations issued a report detailing the national security consequences of U.S. oil dependency. First, they asserted that "the control over enormous oil revenues gives exporting countries the flexibility to adopt policies that oppose U.S. interests and values" (Deutch and Schlesinger 2006, 26). Second, U.S. oil dependence promotes various "political realignments that constrain [its] ability…to form partnerships to achieve common objectives" (Deutch and Schlesinger 2006, 26). For example, China may be reluctant to support the United States on any number of fronts if it means opposing Iran, which is one of China's major oil suppliers (Xiao 2010). Consequently, fear displaces rationality in the marketplace and encourages undesirable consequences, such as oil price bubbles. Furthermore, the presence of artificially elevated oil prices can also undermine local governance, particularly if social welfare programs promoted by well-funded governments quell dissent from the general population. This disruption counters U.S. efforts worldwide to promote democracy, such as through recent military campaigns in Afghanistan and Iraq, and transparency, as seen in the repeated efforts this decade to engage both North Korea and Iran in nuclear disarmament talks (Knowlton 2009).

A NEW BIPOLARITY

The challenges stemming from these national security vulnerabilities are multifaceted. Not only do these threats pose a problem for U.S. policymakers, but they also strongly incentivize spigot countries to formally coordinate their efforts. Due to concentrated market power, spigot countries could gain enough prominence to act as a bipolar counterweight to the United States and other guzzler countries within the next two to three decades.

As noted above, Russia is not a current member of OPEC. Since Russia is the world's second largest oil exporter, the bipolar situation proposed has the greatest impact if Russia formally or informally coordinates its efforts with OPEC. The former arises if Russia nationalizes its oil industry. Coordinating output is infinitely easier if the power to export is concentrated within the Kremlin. However, the nationalization of Russian oil is not a prerequisite for cooperating with OPEC. Seeking economies of scale, a handful of oil owners could elect to informally coordinate their efforts with OPEC members by a series of agreements or could consolidate their efforts behind one individual, as suggested above. While individuals cannot become OPEC members, any form of coordination with a country that has yet to collude with OPEC would be advantageous for all allied with OPEC.

Russia is the critical cog in this proposal as it supplies a considerable amount of crude oil and natural gas to Western Europe, Asian countries (including India, Japan, and China) and countries formerly comprising the U.S.S.R. (including the Czech Republic and Slovakia) (Russia Energy Statistics). Russia's willingness to use oil as a political weapon considerably impacts U.S. oil markets. In early 2009, world crude oil prices jumped from $35 to $50 per barrel in a matter of weeks, due in part to worries that Russia would cut off natural gas supplies to the Czech Republic as a retaliatory measure for allegedly siphoning off Russian gas from a pipeline.

Russia illustrated the interrelated nature of the hydrocarbons markets, such that the removal of a substitute for oil could wreak havoc upon the price of the primary good paid by all guzzler nations. Predictably, controlling the export of oil itself would lead to even greater influences on price and yield even greater security challenges for guzzler countries.

As expected, the tensions envisioned in this new bipolar world cannot be perfectly superimposed on the precise challenges posed during the Cold War. For instance, the central premise of the new bipolarity is a highly fluid commodity—in the literal and figurative sense—and not an ideology. Seen this way, a new power-sharing structure between spigots and guzzlers might fully reverse the paradigm seen in the twentieth century, where the ideologies of communism and democracy were pursued with the commodities of nuclear warheads, blocs of countries with similar governance styles, etc. In the proposed bipolar world, it is conceivable that the exact *opposite* situation could arise, where the commodity of oil could be used to secondarily promote acceptance of an ideology or ideologies, ranging from the fervent, conservative practice of Islam to the outright acquiescence of guzzler countries to authoritarian or dictatorial governing styles.

Nevertheless, parallels to the Cold War could materialize to considerable effect. Spigot countries need not be contiguous to be an effective superpower, as illustrated by the Soviet Union's antagonism of the United States through proxy countries such as Cuba, North Korea and Vietnam that served as pawns in an ideological chess match throughout the second half of the twentieth century. Because the central premise of the new bipolarity is a highly fluid commodity — and not an ideology — partners acting in concert over this singular good could ensure a protracted conflict of at least as great a duration as the Cold War. Oil's fluidity also ensures that even if the United States reduces its demand for oil by "going green," the excess commodity could be transferred elsewhere, preserving market power and control. Although the United States might not be as directly affected by spigot actions in this instance, it might feel pressured — as it did during the Cold War — to assist allies (militarily, economically and politically) who remain dependent on oil, thus consuming U.S. resources. While an obvious solution to decreasing the prominence of spigot antagonists would be through a worldwide decline in oil demand, the sheer cost of full conversion from hydrocarbons (versus continuous consumption) as an energy source throughout the world practically guarantees the importance of such countries for decades, if not longer.

STRATEGY OF SPIGOT COUNTRIES IN A BIPOLAR WORLD

The OPEC of the future need not stray far from its current strategies to thwart America's actions. According to Ikenberry, "the key policy tool for states confronting a unipolar and unilateral America is to withhold cooperation in day-to-day relations with the United States" (Ikenberry 2005, 459). Venezuela, Iran and Iraq (before the 2003 invasion) perfectly coincide with this observation. Ikenberry also notes that even though spigot countries may not match the United States' military superiority, they can "make the United States pay a price in other areas" (Ikenberry 2005, 459). In the most literal interpretation of this statement, America already "pays" through wealth transfers, but Americans who give up their lives in military endeavors to secure countries that export oil (as seen in the Persian Gulf War) pay a price far greater than those forced to pay a few extra dollars each time they fill up a gas tank.

A NEW U.S. NATIONAL SECURITY STRATEGY

Traditional forms of deterrence, such as mutually assured destruction, have no role in a new bipolar order. However, utilizing deterrence mechanisms in a novel fashion should be a prominent component of a new national security strategy. Specifically, the United States should partner with spigot countries in an attempt to deter them from coordinating oil output with OPEC. It should act preemptively in this manner to prevent the emergence of a bipolar power structure that directly threatens its unipolar hegemony.

Canada would have little reason to deny the United States as much oil as it wishes to purchase, and it will likely remain an economic ally to America for the forseeable future. The greatest uncertainty rests in Mexico, which some scholars claim is on the verge of becoming a failed state. This is largely due to the current government's incapacity to address the drug war engulfing the U.S.-Mexican border. Presently, money from illegal drug activities provides drug traffickers with enormous clout and resources, leaving Mexico to "pay a heavy price in lost human lives and in economic activity that might otherwise bring a modicum of prosperity to the country" (Kurtzman 2009). Oil could be the economic tool through which Mexico reestablishes itself — or becomes increasingly unstable — and merits particular attention from the United States' national strategists.

The United States should also employ a unique twist on the Cold War strategy of containment. In particular, the United States must seek ways to mitigate its dependence on foreign oil. The green revolution currently thriving in American politics could be a key component to a preemptive national security policy, though it may be decades before reliance upon alternative energy sources sufficiently increases such that demand for oil drops significantly and consistently enough to present a credible threat to spigot countries.

LIMITATIONS OF THE THEORY

The possibility of spigots counterbalancing guzzler countries is limited by the following considerations. The first limitation involves the inherent instability of oil cartels. In the 1970s, when there truly was an oil shortage, third-country suppliers addressed excess demand that went unmet by OPEC members. It is possible that such countries would again take advantage of financial opportunities offered by selling oil reserves at a high price, thus dissipating any clout gained by organized spigot nations. Second, Canada has demonstrated its willingness to utilize alternate methods of oil extraction at the moderately high oil price levels seen in 2008. As the largest exporter to the United States, the viability of tar sands extraction will mitigate the effects of OPEC output restrictions. Third, Russia will most likely not elect to nationalize or informally coordinate its oil supply. Russian energy czar Sechin recently stated, "[t]here is no goal of nationalizing Russia's oil industry" (White 2009). The absence of Russian cooperation may be sufficient enough to prevent spigot countries from successfully threatening American unipolarity. Fourth, and most importantly, is the inherent interdependence that spigot and guzzler countries would need to have upon each other in a bipolar world. Unlike the Cold War, where the United States did not need any materials from the Soviet Union (and to a considerable extent,

vice versa), unpurchased oil residing in the ground or in pipelines does not immediately nor intrinsically further the interests of spigot countries.

One may question whether the United States has already begun an intentional retreat from unipolarity. While the Obama administration overtly seeks to increase its political prestige abroad through increased dialogue and power sharing, it is unlikely that increasing political interdependence will necessarily eliminate America's role as *the* military and economic superpower worldwide. Furthermore, the strength of the United States exceeds all other countries to such a considerable extent that relinquishing a small degree of power would not dethrone it from its current unipolar position.

It is also possible that the national security benefits of consuming less foreign oil are overstated. While some envision an oil-free America in the future, this outcome is extremely unlikely within the next twenty to thirty years (Gold and Campoy 2008). Furthermore, the ease with which oil can be transported implies that any decrease in American demand for imported oil could be countered by increased demand from developing countries. Barring expensive subsidization projects that would deter developing countries from adopting oil-intensive strategies to promote developing growth, it is highly plausible that nascent guzzler countries would replace diminishing U.S. demand, ensuring the continuation of massive wealth transfers to spigot countries.

BIPOLARITY: A DESIRABLE OUTCOME?

From the United States' perspective, a bipolar world necessarily identifies an adversary, which assists in the generation of a national security strategy. One recurrent challenge of combating terrorism is the difficulty in separating threats from non-threats; the more concrete design of a bipolar national security strategy may be considerably easier to formulate than locating terrorists hiding in mountainous border regions. This is not to say that the identification of a visible opponent mitigates the threat of terrorism. In fact, the bipolar situation proposed would add a unique and presently unaccounted for challenge to the national security strategy. In the worst-case scenario, the threats could become intertwined, complicating efforts to fight one at a time and necessitating a radically new approach. Furthermore, the existence of bipolarity intrinsically requires American dependence upon foreign oil. The potential threats of this reliance far outweigh any benefits to the United States.

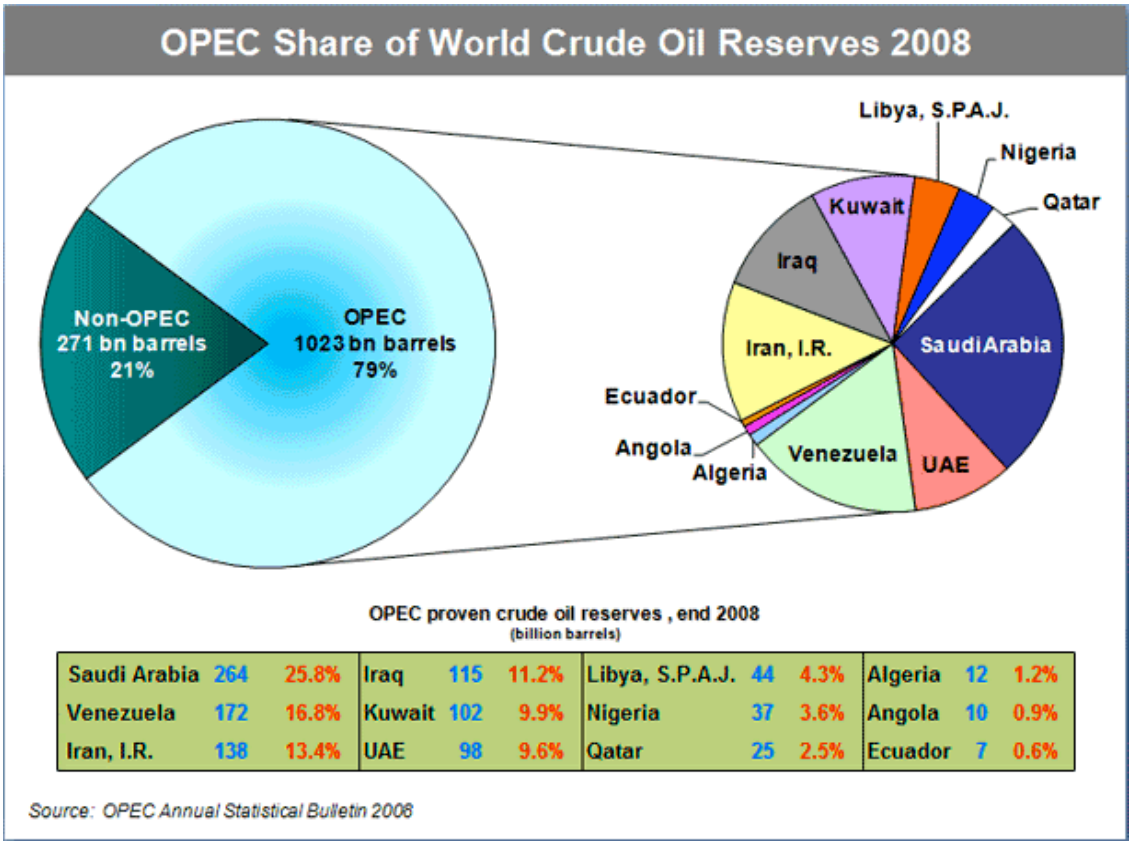
Other countries, however, may take a more welcoming view of the development of a bipolar world within the intermediate future. Depending upon how political partnerships form in a new world order, certain countries could emerge as stronger international figures. China, in particular, could benefit from subsidized oil in exchange for military or economic support of spigot countries. However, bipolarity may not be desired by all countries because of the likelihood for stratification within spigot and guzzler camps that clearly would establish dominance of certain countries over others. This caveat tempers—but does not exclude—the possibility that bipolarity will return to dominate IR theory in the next twenty to thirty years.

Appendix 1: Crude Oil and Total Petroleum Imports Top 15 Countries
Source Taken from: Energy Information Administration
http://www.eia.doe.gov/pub/oil_gas/petroleum/data_publications/company_level_imports/current/import.html

Crude Oil Imports (Top 15 Countries)
(Thousand Barrels per Day)

Country	Jan-09	Dec-08	YTD 2009
CANADA	1,946	2,033	1,946
SAUDI ARABIA	1,337	1,394	1,337
MEXICO	1,299	1,126	1,299
VENEZUELA	1,172	1,028	1,172
IRAQ	568	519	568
ANGOLA	527	553	527
NIGERIA	488	869	488
BRAZIL	397	208	397
ALGERIA	359	235	359
ECUADOR	272	252	272
KUWAIT	225	194	225
COLOMBIA	225	148	225
RUSSIA	157	54	157
GABON	118	69	118
EQUATORIAL GUINEA	118	64	118

Appendix 2: "OPEC Share of World Crude Oil Reserves 2008"
Taken from: Organization of the Petroleum Exporting Countries
http://www.opec.org/opec_web/en/data_graphs/330.htm

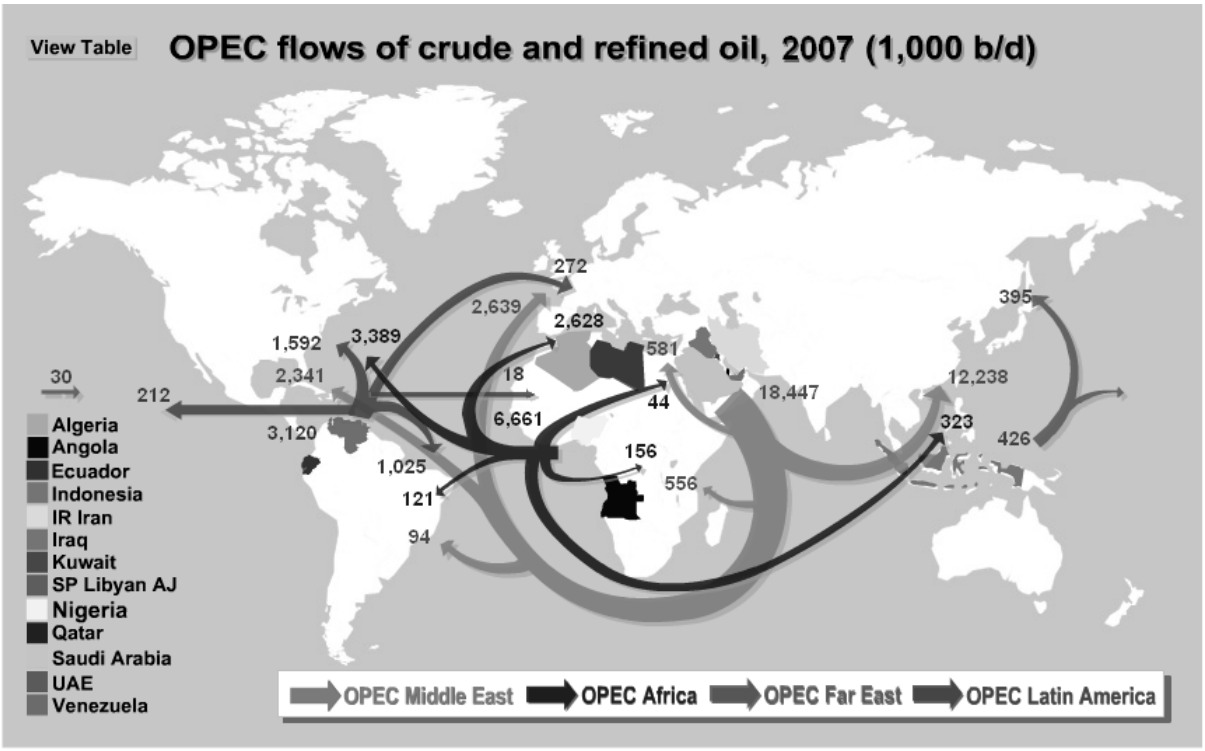


OPEC proven crude oil reserves , end 2008
(billion barrels)

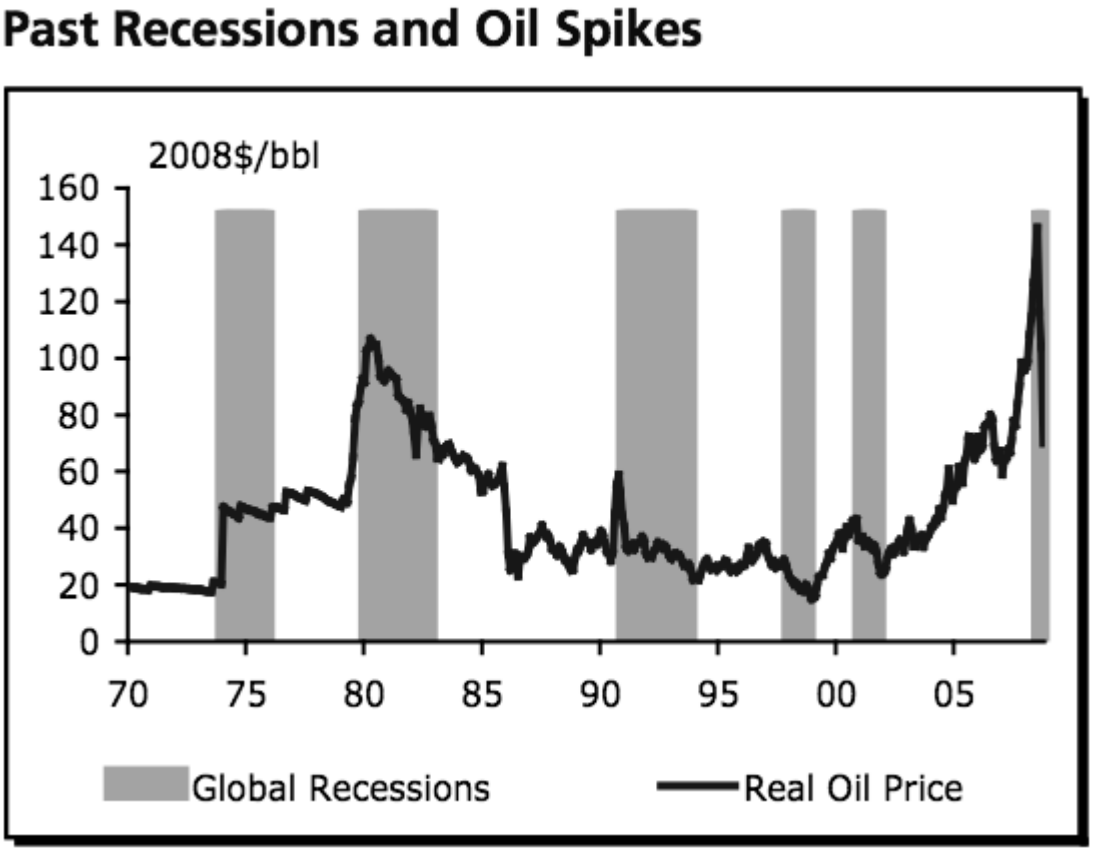
Saudi Arabia	264	25.8%	Iraq	115	11.2%	Libya, S.P.A.J.	44	4.3%	Algeria	12	1.2%
Venezuela	172	16.8%	Kuwait	102	9.9%	Nigeria	37	3.6%	Angola	10	0.9%
Iran, I.R.	138	13.4%	UAE	98	9.6%	Qatar	25	2.5%	Ecuador	7	0.6%

Source: OPEC Annual Statistical Bulletin 2006

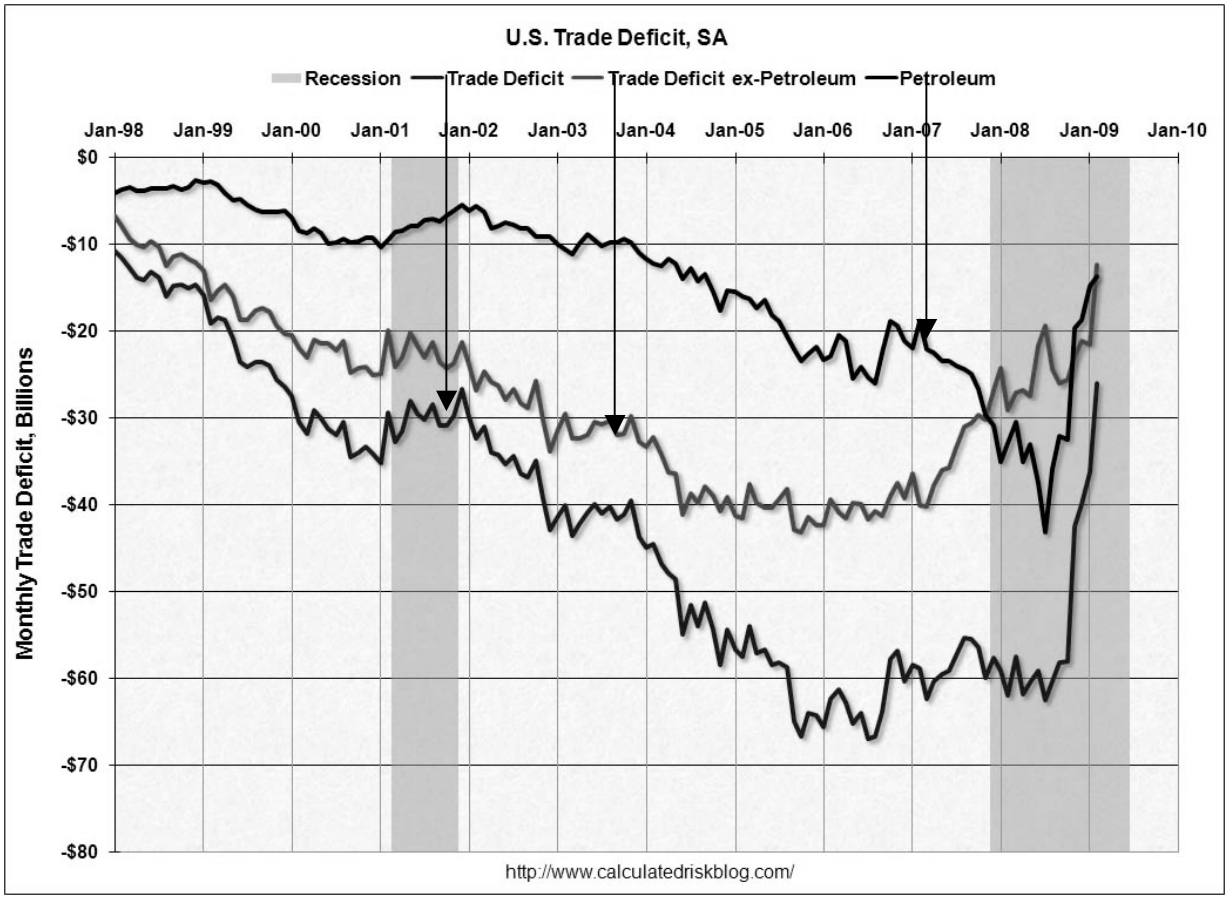
Appendix 3: "OPEC Flows of Crude and Refined Oil in 2007"
Taken from: Organization of the Petroleum Exporting Countries
http://www.opec.org/library/Annual%20Statistical%20Bulletin/interactive/FileZ/worldmapz.htm



Appendix 4: "Past Global Recessions and Oil Spikes"
Taken from: The Oil Drum
http://www.theoildrum.com/node/4727



Appendix 5: "Ten Year U.S. Trade Deficit"
Taken from: Calculated Risk
http://www.calculatedriskblog.com



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ENDNOTES

[1] Demonstrating that relatively high oil prices categorically cause recessions is practically impossible. To begin with, there have only been eleven recessions since WWII concluded, limiting the usefulness of any statistical analysis (Business Cycle Expansions and Contractions). However, Cleveland and Kaufmann's observations provide some data that are, at the very least, anecdotal and interesting.