OIL 2.0

UQ: Stable Oil Prices 2
UQ: Stable Oil Prices 3
UQ: Falling Oil Prices 4
UQ: Oil Demand down 5
UQ: Oil Dependency - YES 6
UQ: Oil Dependency – Middle East – YES 7
Internal Link: Perception Key to Oil Prices 8
Dependence Good: Economy & Trade & Peace 9
Dependence Good: ↑ U.S. Leverage & Peace 10
Dependence Good: ↑ U.S. Leverage & Peace 11
Independence NOT solve Middle East & Terrorism 12
A/T: Oil embargo 13
↓ U.S. Oil Demand = ↓ Revenue for Producers 14
Dependence Bad: ↓ Suppliers' Democracy 15
Dependence Bad: ↓ Suppliers' Democracy 16
Dependence Bad: ↓ Suppliers' Democracy 17
Dependence Bad: ↓ Suppliers' Democracy 18
Impact: Democracy Good - Laundry List 19
Dependence Bad: ↓ Hegemony 20
Dependence Bad: ↓ Hegemony 21
Dependency Bad: Middle East 22
Dependence → Terrorism 23
Dependence → Terrorism 24
Dependence → Terrorism 25
Dependence → Terrorism 26
Dependence → Terrorism 27
Dependence → Terrorism & Dictatorship 28
Dependence → Supplier State Wars 29
Dependence → Supplier State Wars 30
Dependence → Supplier State Wars 31
Dependence → Supplier State Wars 32
Resource Curse 33
Resource Curse – Extensions 34
Resource Curse – Extensions 35
Resource Curse – Extensions 36
Resource Curse – Extensions 37
Resource Curse – Extensions 38
Resource Curse – Extensions 39
Resource Curse – Extensions 40
Resource Curse – Extensions 41
Resource Curse – Extensions 42
Energy competition → War in Asia 43
Impact: Asian Wars Escalate 44
Russian Liberalization Turn 45
Russia Inflation Turn 46
Russia "Petro-State" Turn 47
Weak Russia Impact 48
Politics Link: Energy Independence Popular 49
Cellulosic Ethanol Good: Solves Dependency, Stops Iran Prolif 50
Impact: Iran Prolif 51
Impact: Iran Prolif 52
Ethanol Bad: ↓ Oil Refinery investment 53

UQ: Stable Oil Prices

Oil prices will hover near $50 per barrel as investors look to future demand

New York Times 4-23-09

[By JAD MOUAWAD, "Oil Prices Resist the World's Recession Trend," http://www.nytimes.com/2009/04/23/business/global/23oil.html?_r=1&hpw download date: 4-25-09]

In recent months, oil prices plunged as consumers curtailed fuel use around the world, with some analysts predicting that the dire economic situation would cause oil to fall to $20 a barrel or less.

But in a twist, oil prices have stabilized at close to $50 a barrel. While prices may have fallen by two-thirds since their peak last summer, oil remains expensive by historical standards.

The resilience shown by the oil markets is not because of any improvement in the global economy or rise in oil consumption. Global demand remains on course for its steepest drop since the early 1980s, and oil inventories are at their highest levels in 19 years.

Instead, analysts said, oil is once again being sought by investors as a refuge against a slumping dollar and rising inflation. Stabilization of the oil price is also a victory for the OPEC cartel, which has succeeded in cutting output sharply to match lower demand.

After helping to drive prices to record levels last summer, investors had deserted oil markets in the wake of the financial crisis, in a frantic flight to cash. Oil, which peaked above $140 a barrel in July, tumbled to $33 a barrel in December.

But oil futures in New York have since rebounded and have been fluctuating between $40 and $50 a barrel. Oil settled at $48.85 a barrel on Wednesday, up $2.34. This week, despite a broad swoon in the markets, oil never fell below $45 a barrel.

As a result, American drivers should expect to see higher prices at the pump this summer, when driving is at its peak. Gasoline prices could rise to an average of $2.23 a gallon this summer, according to government estimates. Prices had fallen as low as $1.60 a gallon in December but have been holding above $2 a gallon for several weeks.

Serious questions loom over the global economy that would suggest lower, not higher, prices. Unemployment is rising sharply in the United States, the Chinese economy is sputtering and its exports are falling, Europe is stagnant and Japan is contracting. The World Bank forecasts that the global economy will shrink by 1.3 percent this year, the first decline in global output since World War II.

"At some point, you'd think that reality has to set in," said Tom Bentz, a senior energy analyst at BNP Paribas in New York. "All the news is pretty negative, and certainly demand continues to take a hit. And yet prices are still hanging on."

The action of oil producers has been critical in providing a floor for prices. Members of the Organization of the Petroleum Exporting Countries have shown uncharacteristically strong discipline in recent months in sticking with their pledges to reduce output.

Saudi Arabia and other producers have slashed their overall production by about 3.5 million barrels a day since September, according to estimates by the Middle East Economic Survey and others, amounting to 75 percent of their commitments to reduce production.

OPEC's success has provided an opening for investors to renew their bets on oil prices. The perception remains well ingrained in the market that oil supplies, while plentiful today, may prove insufficient once demand picks up again.

Unrest in Nigeria, where crude oil exports have again been interrupted, is also lending support to the market.

"Investors have come back, yes, but not in a huge way," said Roger Diwan, a managing director at PFC Energy, a consulting firm. "One of the main reasons that oil is at $50 is that you had a sharp curtailing of supply."

UQ: Stable Oil Prices

OPEC will keep oil prices modest and supplies steady in Status quo

Lewis 3-16-09

[Barbara Lewis, Analyst at Reuters, "OPEC bows to weak economy, Obama effect," http://www.reuters.com/article/ousiv/idUSTRE52F1FD20090316 download date: 3-23-09]

OPEC's decision on Sunday to resist new supply cuts laid the ground not just for cheaper oil to help heal the economy, but for warmer relations with the world's biggest energy consumer.
Two days after U.S. President Barack Obama called Saudi King Abdullah, OPEC said it would stick to existing supply targets, even though fuel inventories have swollen and oil prices are much lower than it would like.
The Organization of the Petroleum Exporting Countries said the weakness of the world economy, which effectively receives a financial stimulus from cheaper oil, was a central motivation.
It also gave a tentative welcome to the new U.S. administration.
"I don't want to say that I voted for Obama, but we can see a different tone ... that we didn't see in the past," OPEC Secretary General Abdullah al-Badri told reporters.
"We have seen a positive approach. They are ready for dialogue and we are ready for dialogue and ready for talk."
U.S. Energy Secretary Steven Chu said he was pleased with OPEC's latest output decision, although he restated the U.S. commitment to ending its dependence on foreign oil.
For OPEC, as for the rest of the world, the real issue was the economy, analysts said. Sheer self-interest dictated the group needed to avoid the kind of damage to growth that would only further limit energy consumption.
"At the moment, getting the world back on its feet is more important than lifting the oil price by a further $10 a barrel," said Lawrence Eagles of JP Morgan in New York.
"The world economy is crucial. Short-term gain would be to the long-term detriment of OPEC."
But analysts also said any gentle pressure from Obama, as opposed to from former president George W. Bush, might have been less disruptive to the producer group's debate, making consensus easier to achieve.
As well as U.S. ally Saudi Arabia, OPEC's members include established U.S. adversaries Venezuela and Iran, who went along quietly with Sunday's OPEC decision.

UQ: Falling Oil Prices

Oil prices will fall as global demand declines

New York Times 4-23-09

[By JAD MOUAWAD, "Oil Prices Resist the World's Recession Trend," http://www.nytimes.com/2009/04/23/business/global/23oil.html?_r=1&hpw download date: 4-25-09]

Investor enthusiasm for oil could prove to be ill-timed. In the United States, the world's biggest consumer of oil, demand is down sharply, pushing up commercial oil stocks, which have now reached their highest level since 1990. China is faring only marginally better. Because of a $585 billion stimulus plan, the Chinese economy is projected to grow 5 to 7 percent this year, according to various estimates. But that is less than half the country's recent growth rate, and not enough to lift the rest of the Asian economies, according to a report from PFC Energy this month.

"This is a measure of just how abruptly the world economy has fallen in recent months, and how dire and uncertain its future prospects have become," PFC said in a recent report. "De-globalization may already have begun."

Oil demand is expected to tumble this year. In its latest forecast, the International Energy Agency, an adviser to industrialized nations, expects oil consumption to fall 2.4 million barrels a day this year, or 2.8 percent, to 83.4 million barrels a day, the steepest decline since the early 1980s.

Prices could yet fall if the economy weakens further or if the stimulus measures adopted by the United States and other nations fail to take hold.

"The market is trying to work out whether the economy is improving," said Costanza Jacazio, an energy analyst at Barclays Capital.

UQ: Oil Demand down

Oil Demand falling globally in Status Quo

Verrastro and Frank, CSIS, '9

[Frank Verrastro and Matthew Frank, CSIS = Center for Strategic & International Studies, "New Forecasts Paint a Bleak Picture for Global Oil Markets in 2009," January 20, 2009 http://www.csis.org/component/option,com_csis_pubs/task,view/id,5248/ download date: 3-20-09]

Earlier this month, the International Energy Agency (IEA), the U.S. Energy Information Administration (EIA) and the Organization of Petroleum Exporting Countries (OPEC) all released revised outlooks for global oil supply and demand reflecting increasingly pessimistic assessments of global economic conditions.
The January IEA forecast, which projected a sharp contraction in global oil demand this year, represented the largest single monthly revision that the agency has made in recent memory and a downward adjustment of some 2.5 million barrels per day (mmb/d) below the forecast the agency developed for 2009 only six short months ago. The new outlook calls for 2009 global liquids demand to average 85.3 mmb/d – nearly 500 mmb/d less than total liquids demand in 2008. An obvious contributor to the reduction was the IEA's revised estimate for global gross domestic product (GDP) growth, which at 1.2% is now half the level of previous forecasts. In the latest IEA projection, U.S. and EU demand continue to decline and even Chinese year-on-year growth dropped to less than 100 mmb/d, reflecting GDP growth at 6.5%.
The combined IEA, EIA and OPEC estimates put 2008 demand between 85.77 (IEA) and 85.91 mmb/d (EIA). The projected range of 2009 demand is between 85.10 (EIA) and 85.66 mmb/d (OPEC), indicating a year-on-year drop of between 200 and 800 mmb/d.

UQ: Oil Dependency - YES

U.S. is dependent on foreign oil now – import 60%

Frost, former Congressman, '7

[Martin, D-TX, served in Congress for 26 years, now a contributor to Fox News Channel & partner in the law firm of Polsinelli, Shalton, Flanigan and Suelthaus; "U.S. Must Get Head out of Sand on Oil Dependency," April 3, 2007, http://www.foxnews.com/story/0,2933,263284,00.html download date: 3-11-09]

Just a little more than a year ago, President Bush pledged to move our nation away from an oil-dependent economy. Like so many other Bush pronouncements, it turned out to be a statement made for political expediency with no substance or commitment behind it. Now the new Democratic Congress is appropriately raising the issue of energy dependence and the critical need to free us from the financial and security risks of an oil-base economy. We will see over the coming months whether Democrats in Congress are willing to call for the sacrifices and changes that industry and individual Americans must make to actually solve the problem. The House Committee heard from two extraordinary witnesses – Daniel Yergin, author of the definitive history of the oil industry, "The Prize: The Epic Quest for Oil, Money and Power," and former CIA Director John Deutch, co-chair of a recent Council on Foreign Relations task force report on "The National Security Consequences of U.S. Oil Dependence." Foreign Affairs Committee Chair U.S. Rep. Tom Lantos, D-Calif., set the tone in his opening remarks. He noted, "With 5 percent of the world's population, we are using fully one-quarter of the oil consumed on this planet. Worse yet, the bulk of the stuff is under the soil of hostile or despotic states, and to get hold of it we are making compromises that undermine our foreign policy." He added, "more than 70 percent of the global oil reserves are controlled by countries with which the United States has tenuous and troubled relations, such as Venezuela, Russia and Saudi Arabia. ... Our insatiable quest for more and more [oil] has got to come to an end. It is a matter not only of financial stability and environmental imperative, but it also goes to the core of our national security policy." Yergin, chairman of Cambridge Energy Research Associates, pointed out that we import 60 percent of the oil we use and that over the next 25 years world oil consumption could increase by 45 percent with over half of the future growth in world oil demand taking place in Asia. He echoed Lantos' concerns by noting that "a good part of the growth in world energy supply after 2010 will occur in countries going through transitions or subject to turbulence."

UQ: Oil Dependency – Middle East – YES

U.S. is dependent on Middle Eastern

Cohen, Senior Fellow, Heritage Foundation, '6

[Ariel Cohen, PhD in Law & Diplomacy from Tufts, Senior Research Fellow, The Kathryn and Shelby Cullom Davis Institute for International Studies at the Heritage Foundation. Cohen is a member of the Council of Foreign Relations, International Institute of Strategic Studies in London, and Association for the Study of Nationalities. "Reducing U.S. Dependence on Middle Eastern Oil," Backgrounder #1926, April 7, 2006, http://www.heritage.org/Research/Features/NationalSecurity/bg1926.cfm download date: 3-20-09]

The United States is the largest oil importer in the world, bringing in 13.5 million barrels per day (mbd), which accounts for 63.5 percent of total U.S. daily consumption (20.6 mbd). [1] Oil from the Middle East (specifically, the Persian Gulf) accounts for 17 percent of U.S. oil imports, and this dependence is growing.

Internal Link: Perception Key to Oil Prices

Expectations and perceptions drive Oil prices, not real changes in demand or supply

Butler, Chairman, Center for Energy Studies, Cambridge, '8

[Nick, chairman, Center for Energy Studies, Judge Business School, University of Cambridge (UK), "The low oil price calls for a fresh set of rules," *Financial Times*, http://www.ft.com/cms/s/0/3239b2fa-cadd-11dd-87d7-000077b07658.html?nclick_check=1 download date: 3-11-09]

The question for the London meeting is whether anything can be done to restore some degree of stability. The answer is Yes, and the way forward lies in an examination of the causes of volatility over the past 12 months.

The ups and downs of oil prices have not been driven by changes in real consumption or supply. Demand this year has followed the normal seasonal pattern, matching industry predictions of a 1 to 2 per cent increase over the first half year and then falling marginally in the past few months as the economy has turned down. Equally there have been no surprises on the supply side. Despite conflict in the Middle East and a shooting war in Georgia, supply has matched demand at all times.

The volatility reflects fears and expectations not physical realities. The fear relates to what may happen to supplies from Russia or Iraq, expectations first of surging demand in China and India and then more recently of a deep economic depression leading to a sharp reduction in oil consumption.

Fears and expectations are part of most trading markets. In the case of oil their impact has been compounded by the absence of stabilising mechanisms and by the activity of speculators happy to conduct paper trades in products they have no intention of using.

If the energy ministers want to stabilise the market they should begin by commissioning a detailed, independent analysis of what went wrong. They should then develop the stabilising mechanisms that would limit the possibility of any repetition of 2008.

Dependence Good: Economy & Trade & Peace

Free flow of oil imports boosts the economy and builds interdependence, which boosts world peace and security

Bast, Heartland Institute, '8

[Joseph L., President and CEO of The Heartland Institute, Author of 12 books and dozens of articles, "The Mystery of Energy Independence," *Heartlander*, June-July 2008, Publication date: 06/01/2008, Publisher: The Heartland Institute, http://www.heartland.org/policybot/results.html?artId=23416 download date: 12-6-08]

Why Do We Import Energy?
Despite plentiful domestic reserves, we import more than half the oil we need for two reasons. First, federal and state laws ban commercial access to billions of barrels of oil, trillions of cubic feet of natural gas, and billions of tons of low-sulfur coal. These laws were passed under pressure from environmentalist lobbies supposedly to protect wilderness areas, but the actual intent and real effect have been to restrict access to domestic sources of energy.
The second reason is economic: When the cost of imported oil is low, it is plainly in the interests of U.S. businesses and consumers to buy it, just as buying other goods and services from other countries when they are inexpensive is a boon to American consumers. Free trade benefits both parties to every transaction, and by encouraging greater specialization of labor it boosts productivity and therefore total wealth.
When the cost of imported oil is high, as it currently is, we import energy until domestic producers, alerted to profit opportunities by the higher prices, re-enter the market. Domestic supplies eventually increase, thereby moderating prices and once again benefitting consumers. This response, however, takes time and inflicts hardship in the short term. Increasing domestic supplies also can be slowed or even stopped by government policies such as restrictions on drilling and mining on public lands and "windfall" taxes.
Independence Is a Chimera
Some people say we should pursue energy independence regardless of the short-term costs. This would be foolish for several reasons.
First, genuine energy independence would require energy isolationism--the erection of barriers to free trade with other countries--which is known to slow economic growth and invite retaliation by trading partners. Free trade, not isolationism, is the way to enhance energy security and world peace.

Dependence Good: ↑ U.S. Leverage & Peace

Oil dependency increases U.S leverage – it controls the demand and key technologies that producers need

Howard '8

[Roger, writer and broadcaster specializing in the Middle East. His most recent publication is *Iran Oil: The New Middle East Challenge to America* and *The Oil Hunters: Exploration and Espionage in the Middle East, 1880-1939*, article: "An Ode to Oil," *Wall Street Journal*, November 29, 2008, http://sec.online.wsj.com/article/SB122791647562165587.html#printMode download date: 12-6-08

Instead, the dependency of foreign oil producers on their customers plays straight into America's strategic hands. Washington is conceivably in a position to hold producers to ransom by threatening to accelerate a drive to develop or implement alternative fuels, realizing the warning once uttered by Sheikh Ahmed Zaki Yamani, the former Saudi oil minister who pointed out that "the Stone Age did not end for lack of stone." Back in 1973, as they protested at Washington's stance on the Arab-Israeli dispute, Middle East producers were in a position to impose an oil embargo on the Western world. But a generation later, technological advances, and the strength of public and scientific concern about global warming, have turned the tables.

The United States has powerful political leverage over producers because it holds the key to future oil supply as well as market demand. The age of "easy oil" is over, and as fears grow that oil is becoming harder to get, so too will the dependency of producers on increasingly sophisticated Western technology and expertise.

Such skills will be particularly important in two key areas of oil production. One is finding and extracting offshore deposits, like the massive reserves reckoned to be under the Caspian and Arctic seas, or in Brazil's recently discovered Tupi field. The other is prolonging the lifespan of declining wells through enhanced "tertiary" recovery. Because Western companies have a clear technological edge over their global competitors in these hugely demanding areas, Washington exerts some powerful political leverage over exporters, many of whom openly anticipate the moment when their production peaks before gradually starting to decline.

Dependence Good: ↑ U.S. Leverage & Peace

Syria and Libya prove – Need for America oil tech compels them to peacefully compromise with U.S.

Howard '8

[Roger, writer and broadcaster specializing in the Middle East. His most recent publication is *Iran Oil: The New Middle East Challenge to America* and *The Oil Hunters: Exploration and Espionage in the Middle East, 1880-1939*, article: "An Ode to Oil," *Wall Street Journal*, November 29, 2008, http://sec.online.wsj.com/article/SB122791647562165587.html#printMode download date: 12-6-08

Syria illustrates how this leverage can work. Although oil has been the primary source of national income for more than 40 years, production has recently waned dramatically: Output is now nearly half of the peak it reached in the mid-1990s, when a daily output of 600,000 barrels made up 60% of gross domestic product, and can barely sustain rapidly growing domestic demand fueled by a very high rate of population growth. With enough foreign investment Syrian oil could be much more productive and enduring, but Washington has sent foreign companies, as well as American firms, a tough message to steer well clear. It is not surprising, then, that the Damascus regime regards a rapprochement with the U.S. as a political lifeline and in recent months has shown signs of a new willingness to compromise.
The same predicament confronted Libya's Col. Moammar Gadhafi, who first offered to surrender weapons of mass destruction during secret negotiations with U.S. officials in May 1999. Facing a deepening economic crisis that he could not resolve without increasing the production of his main export, oil, Col. Gadhafi was prepared to bow to Washington's demands and eventually struck a path-breaking accord in December 2003. Col. Gadhafi had been the "Mad Dog" of the Reagan years, but oil's influence had initiated what President Bush hailed as "the process of rejoining the community of nations."

Independence NOT solve Middle East & Terrorism

Reducing oil dependence would not solve – Mid-East supplies only a fraction of U.S. imports and other reasons for U.S. involvement remain, including Israel

Bast, Heartland Institute, '8

[Joseph L., President and CEO of The Heartland Institute, Author of 12 books and dozens of articles, "The Mystery of Energy Independence," *Heartlander*, June-July 2008, Publication date: 06/01/2008, Publisher: The Heartland Institute, http://www.heartland.org/policybot/results.html?artId=23416 download date: 12-6-08]

The benefits of energy independence also are a chimera. Reducing oil imports would not affect U.S. foreign policy. Oil from the Mideast accounts for only 17 percent of all U.S. oil imports. Canada and Mexico are the two largest sources of oil imported to the U.S. Oil is bought, sold, and consumed globally. According to some experts, newly discovered oil reserves in Russia, Central Asia, and West Africa are larger than those in Saudi Arabia and Iraq, and as they come online the U.S. will rely less on the Mideast. The U.S. has historically maintained a military presence in the Mideast for several reasons, including to stop Soviet expansionism, protect Israel from its Arab neighbors, and most recently to stop the spread of Islamic terrorism. If the U.S. stopped buying oil from the Mideast, other countries would buy it instead, freeing up oil that the U.S. would then import. The U.S. cannot unilaterally "de-fund" Islamic fundamentalists by reducing its oil imports from the Mideast.

A/T: Oil embargo

No embargo – Suppliers fear hurting their own economies and fear demand destruction

Howard '8

[Roger, writer and broadcaster specializing in the Middle East. His most recent publication is *Iran Oil: The New Middle East Challenge to America* and *The Oil Hunters: Exploration and Espionage in the Middle East, 1880-1939*, article: "An Ode to Oil," *Wall Street Journal*, November 29, 2008, http://sec.online.wsj.com/article/SB122791647562165587.html#printMode download date: 12-6-08

Alarming as these scenarios are, they disguise the true picture, one that is really much more complicated and much more reassuring. While there are, of course, circumstances in which oil can exacerbate tensions and be a source of conflict, it can also act as a peacemaker and source of stability. So to identify America's "foreign oil dependency" as a source of vulnerability and weakness is just too neat and easy.

This identification wholly ignores the dependency of foreign oil producers on their consumers, above all on the world's largest single market -- the United States. Despite efforts to diversify their economies, all of the world's key exporters are highly dependent on oil's proceeds and have always lived in fear of the moment that has now become real -- when global demand slackens and prices fall. The recent, dramatic fall in price per barrel -- now standing at around $54, less than four months after peaking at $147 -- perfectly exemplifies the producers' predicament.

So even if such a move were possible in today's global market, no oil exporter is ever in a position to alienate its customers. Supposed threats of embargoes ring hollow because no producer can assume that its own economy will be damaged any less than that of any importing country. What's more, a supply disruption would always seriously damp global demand. Even in the best of times, a prolonged price spike could easily tip the world into economic recession, prompt consumers to shake off their gasoline dependency, or accelerate a scientific drive to find alternative fuels. Fearful of this "demand destruction" when crude prices soared so spectacularly in the summer, the Saudis pledged to pump their wells at full tilt. It seems that their worst fears were realized: Americans drove 9.6 billion fewer miles in July this year compared with last, according to the Department of Transportation.

↓ U.S. Oil Demand = ↓ Revenue for Producers

Suppliers are dependent upon the U.S market – decline in U.S. demand hurts their economies

Howard '8

[Roger, writer and broadcaster specializing in the Middle East. His most recent publication is *Iran Oil: The New Middle East Challenge to America* and *The Oil Hunters: Exploration and Espionage in the Middle East, 1880-1939*, article: "An Ode to Oil," *Wall Street Journal*, November 29, 2008, http://sec.online.wsj.com/article/SB122791647562165587.html#printMode download date: 12-6-08

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Dependence Bad: ↓ Suppliers' Democracy

Oil wealth strengthens dictators, erodes democracy

Ross, Associate Professor of Political Science, UCLA, '8

[Michael L. Ross is Associate Professor of Political Science at the University of California, Los Angeles. "Why Oil Wealth Fuels Conflict," *Foreign Affairs,* This piece appeared first in the May/June 2008 edition of Foreign Affairs. http://www1.realclearpolitics.com/articles/2008/05/why_oil_wealth_fuels_conflict.html download date: 3-14-09]

Oil wealth also has political downsides, and those are often worse than the economic ones. Oil revenues tend to increase corruption, strengthen the hands of dictators, and weaken new democracies. The more money the governments of Iran, Russia, and Venezuela have received from oil and gas exports, the less accountable they have become to their own citizens -- and the easier it has been for them to shut up or buy off their opponents. A major boom in oil prices, such as the one that took the price of a barrel from less than $10 in February 1999 to over $100 in March 2008, only heightens the danger.

Dependence Bad: ↓ Suppliers' Democracy

Oil undermines democracy in supplier countries

Sandalow, Senior Fellow, Brookings, '8

[David B., Senior Fellow, Foreign Policy @ Brookings "Rising Oil Prices, Declining National Security," May 22, 2008, http://www.brookings.edu/testimony/2008/0522_oil_sandalow.aspx download date: 3-22-09]]

Finally, oil dependence undermines democracy and good governance around the world. Oil wealth corrodes democratic institutions. This dynamic is not inevitable, but it is widespread. A growing body of scholarly work explores this topic, concluding that oil wealth is strongly associated with corruption and authoritarian rule. New York Times Foreign Affairs columnist Tom Friedman has written about the "First Law of Petropolitics" -- that the price of oil and pace of freedom move in opposite directions. A few examples underscore these trends. Bahrain, the Persian Gulf country with the smallest oil reserves, was also the first to hold free elections. As oil prices climbed in recent years, both Vladmir Putin and Hugo Chavez moved away from democratic institutions and toward more authoritarian rule. In Nigeria, oil abundance contributes to widespread corruption.

Dependence Bad: ↓ Suppliers' Democracy

Dependence kills democracy and democracy promotion

Luft, Institute for the Analysis of Global Security, '5

[Gal Luft, Executive director of the Institute for the Analysis of Global Security, associate fellow at the Washington Institute for Near East Policy, former lieutenant colonel in the Israel Defense Forces, holds degrees in international relations, international economics, Middle East studies and strategic studies, PhD in strategic studies from Johns Hopkins. "America's oil dependence and its implications for U.S. Middle East policy" Testimony presented before the Senate Foreign Relations Committee on near Eastern and South Asian Affairs, October 20, 2005, http://www.senate.gov/~foreign/testimony/2005/LuftTestimony051020.pdf download date: 3-19-09]]

The sudden enrichment of OPEC members will undercut efforts to promote democracy and political and economic reforms in the Middle East. It is a sad fact of life that most of the world's leading oil producing countries are either politically unstable and/or at serious odds with the U.S. With the exception of Canada and Norway, all major oil-exporting countries suffer from severe social illnesses due to their failure to absorb the shock of an oil jackpot and distribute the wealth on an equitable basis. This is not an accident. Countries rich in easily extracted and highly lucrative natural resources do not have to invest in education, productivity, or economic diversification. In addition, the government does not feel obligated to be accountable or transparent to its people and it denies them representation. They also have no imperative to educate women and grant them equal rights. While their oil wealth allows them to be the strategic pivot of world politics and economy, these "trust fund states'" record on human rights, political stability and compliance with international law is abysmal. Only three of the world's ten largest oil producers are democracies and only 9 percent of the world's proven oil reserves are in the hands of countries ranked free by Freedom House. America's current oil policy is inconsistent with the hallmark of the Bush Administration's foreign policy: bringing democracy and political reform to areas where democracy is in deficit. Oil revenues help despots sustain anti democratic social and political systems giving them disincentives to embrace social and economic reforms. Our dependence on foreign oil often prevents the U.S. from expressing its true feelings about the some of the conducts and practices of oil producing countries. Only last month the Bush Administration waived sanctions against Saudi Arabia, Kuwait and Ecuador, three of the world's worst offenders in human trafficking. In the case of Saudi Arabia and Kuwait the administration's explanation was that it was "in U.S. interest to continue democracy programs and security cooperation in the war on terrorism." One could only wonder if those two countries would have received the same treatment had they been major exporters of watermelons. While in many cases the U.S. can turn a blind eye to human rights violations by major energy producers, in some cases the violations are so blunt and atrocious that a strong castigation is unavoidable. But with China joining the great oil game such incidents result in significant weakening of U.S. geopolitical posture. In the most recent incident when the U.S. had to choose between oil and its values the cost was high: the U.S. publicly expressed dismay over the killing of hundreds of demonstrators in Uzbekistan only to be asked to remove its military forces from there within 180 days. A $600 million gas deal signed between Uzbekistan and China bolstered Islam Karimov's confidence in China's diplomatic support to the degree that he was willing to show the U.S. the door. The Uzbek case is a harbinger of things to come. Unlike the U.S. which bars companies from doing business with some unsavory regimes China's state-owned companies turn a blind eye to the way petrodollars are used by the local governments. In the global contest for oil the U.S. loses ground as a result of its pressure for government reform. Dictators who view democracy with suspicion don't like to be pressured to reform especially when U.S. pressure can bring an end to their regimes. They much more prefer selling their oil to countries which turn a blind eye to the way petrodollars are used and who are willing to pay top dollars for oil and not lecture to them on democracy and human rights.

Dependence Bad: ↓ Suppliers' Democracy

Oil revenues undermines democracy

Deutch & Schlesinger '6

[John Deutch, former Director of Central Intelligence, and James R. Schlesinger, former Secretary of Defense and former Secretary of Energy, "The National Security Consequences of U.S. Oil Dependency," Independent Task Force Report No. 58, Project Director: David G. Victor, Council on Foreign Relations, Council on Foreign Relations Press, October 2006, http://www.cfr.org/content/publications/attachments/EnergyTFR.pdf download date 3-19-09]

Fourth, revenues from oil and gas exports can undermine local governance. The United States has an interest in promoting good governance both for its own sake and because it encourages investment that can increase the level and security of supply. States that are politically unstable and poorly governed often struggle with the task of responsibly managing the large revenues that come from their oil and gas exports. The elements of good governance include democratic accountability, low corruption, and fiscal transparency. Production in fragile democracies, such as in Nigeria, can be undermined when politicians or local warlords focus on ways to seize oil and gas rents rather than on the longer-term task of governance. Totalitarian governments that have control over those revenue flows can entrench their rule. When markets are tight, large oil consumers have tended to become especially focused on securing supply and ignore the effects of their investments on corruption and mismanagement. In Sudan, for example, despite civil war and widespread human rights abuses, the Chinese government and its oil enterprises are funding extensive oil supply and infrastructure projects. China has used its threat of a veto in the UN Security Council to thwart collective efforts by other countries to manage the Darfur crisis in Sudan. Similarly, China, India, and several Western European countries continue to invest in Iran despite the need to contain its nuclear aspirations.

Impact: Democracy Good - Laundry List

Democracy is essential to prevent many scenarios for war and extinction

Diamond, Senior Fellow, Hoover Institution, '95

[Larry Diamond, senior fellow at the Hoover Institution, "Promoting Democracy in the 1990s," December 1995, http://www.wilsoncenter.org/subsites/ccpdc/pubs/di/fr.htm download date: 3-27-09]

OTHER THREATS This hardly exhausts the lists of threats to our security and well-being in the coming years and decades. In the former Yugoslavia nationalist aggression tears at the stability of Europe and could easily spread. The flow of illegal drugs intensifies through increasingly powerful international crime syndicates that have made common cause with authoritarian regimes and have utterly corrupted the institutions of tenuous, democratic ones. Nuclear, chemical, and biological weapons continue to proliferate. The very source of life on Earth, the global ecosystem, appears increasingly endangered. Most of these new and unconventional threats to security are associated with or aggravated by the weakness or absence of democracy, with its provisions for legality, accountability, popular sovereignty, and openness. LESSONS OF THE TWENTIETH CENTURY The experience of this century offers important lessons. Countries that govern themselves in a truly democratic fashion do not go to war with one another. They do not aggress against their neighbors to aggrandize themselves or glorify their leaders. Democratic governments do not ethnically "cleanse" their own populations, and they are much less likely to face ethnic insurgency. Democracies do not sponsor terrorism against one another. They do not build weapons of mass destruction to use on or to threaten one another. Democratic countries form more reliable, open, and enduring trading partnerships. In the long run they offer better and more stable climates for investment. They are more environmentally responsible because they must answer to their own citizens, who organize to protest the destruction of their environments. They are better bets to honor international treaties since they value legal obligations and because their openness makes it much more difficult to breach agreements in secret. Precisely because, within their own borders, they respect competition, civil liberties, property rights, and the rule of law, democracies are the only reliable foundation on which a new world order of international security and prosperity can be built.

Dependence Bad: ↓ Hegemony

Oil dependence is the greatest threat to U.S. Hegemony in 20 years

Leverett and Noel '6

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While Washington is preoccupied with curbing the proliferation of weapons of mass destruction, avoiding policy failure in Iraq and cheering the "forward march of freedom", the political consequences of recent structural shifts in global energy markets are posing the most profound challenge to American hegemony since the end of the Cold War. The increasing control that state-owned companies exercise over the world's reserves of crude oil and natural gas is, under current market conditions, enabling some energy exporters to act with escalating boldness against U.S. interests and policies. Perhaps the most immediate example is Venezuela's efforts to undermine U.S. influence in Latin America. The most strategically significant manifestation, though, is Russia's willingness to use its newfound external leverage to counteract what Moscow considers an unacceptable level of U.S. infringement on its interests. At the same time, rising Asian states, especially China, are seeking to address their perceived energy vulnerability through state-orchestrated strategies to "secure" access to hydrocarbon resources around the world. In the Chinese case, a statist approach to managing external energy relationships is increasingly pitting China against the United States in a competition for influence in the Middle East, Central Asia and oil-producing parts of Africa. We describe these political consequences of recent structural shifts in global energy markets by the shorthand "petropolitics." While each of these developments is challenging to U.S. interests, the various threads of petropolitics are now coming together in an emerging "axis of oil" that is acting as a counterweight to American hegemony on a widening range of issues.2 At the center of this undeclared but increasingly assertive axis is a growing geopolitical partnership between Russia (a major energy producer) and China (the paradigmatic rising consumer) against what both perceive as excessive U.S. unilateralism. The impact of this axis on U.S. interests has already been felt in the largely successful Sino-Russian effort to rollback U.S. influence in Central Asia. But the real significance is being seen in the ongoing frustration of U.S. objectives on the Iranian nuclear issue. This will likely be a milestone in redefining the post-Cold War international order--not merely because Iran is likely to end up with at least a nuclear-weapons option, but because of what that will imply about the efficacy of America's global leadership.

Dependence Bad: ↓ Hegemony

Foreign oil dependency constrains the U.S. – the longer we wait to solve, the worse the damage will be

Deutch & Schlesinger '6

[John Deutch, former Director of Central Intelligence, and James R. Schlesinger, former Secretary of Defense and former Secretary of Energy, "The National Security Consequences of U.S. Oil Dependency," Independent Task Force Report No. 58, Project Director: David G. Victor, Council on Foreign Relations, Council on Foreign Relations Press, http://www.cfr.org/content/publications/attachments/EnergyTFR.pdf download date 3-19-09]

The lack of sustained attention to energy issues is undercutting U.S. foreign policy and U.S. national security. Major energy suppliers— from Russia to Iran to Venezuela—have been increasingly able and willing to use their energy resources to pursue their strategic and political objectives. Major energy consumers—notably the United States, but other countries as well—are finding that their growing dependence on imported energy increases their strategic vulnerability and constrains their ability to pursue a broad range of foreign policy and national security objectives. Dependence also puts the United States into increasing competition with other importing countries, notably with today's rapidly growing emerging economies of China and India. At best, these trends will challenge U.S. foreign policy; at worst, they will seriously strain relations between the United States and these countries. This report focuses on the foreign policy issues that arise from dependence on energy traded in world markets and outlines a strategy for response. And because U.S. reliance on the global market for oil, much of which comes from politically unstable parts of the world, is greater than for any other primary energy source, this report is mainly about oil. To a lesser degree it also addresses natural gas. Put simply, the reliable and affordable supply of energy—''energy security''—is an increasingly prominent feature of the international political landscape and bears on the effectiveness of U.S. foreign policy. At the same time, however, the United States has largely continued to treat ''energy policy'' as something that is separate and distinct—substantively and organizationally—from ''foreign policy.'' This must change. The United States needs not merely to coordinate but to integrate energy issues with its foreign policy. The challenge over the next several decades is to manage the consequences of unavoidable dependence on oil and gas that is traded in world markets and to begin the transition to an economy that relies less on petroleum. The longer the delay, the greater will be the subsequent trauma. For the United States, with 4.6 percent of the world's population using 25 percent of the world's oil, the transition could be especially disruptive.

Dependency Bad: Middle East

Oil profits that drive Mid East impacts – terrorism, prolif, dictatorship, warfare. Curbing U.S oil consumption would reduce all of those

Hanson, Senior Fellow, Hoover Institution, '7

[Victor Davis Hanson, Ph.D. from Stanford, currently the Martin and Illie Anderson Senior Fellow in Residence in Classics and Military History at the Hoover Institution, Stanford University, a professor of Classics Emeritus at California State University, Fresno, and a nationally syndicated columnist for Tribune Media Services. He was awarded the National Humanities Medal in 2007 and the Bradley Prize in 2008. "It's the Oil, Stupid," Real Clear Politics, April 12, 2007, http://www.realclearpolitics.com/articles/2007/04/its_the_oil_stupid.html download date: 3-11-09]

It is usually silly to offer a single solution to complex problems. But it's hard not to when looking at the serial savagery in Iran and the Arab world.

Oil -- the huge profits it provides and the insidious influence it gives those selling it -- explains most of the world's worries over the Middle East.

No, that does not mean the United States is fighting in Iraq to get control of its petroleum. For all the charges of "No blood for oil," the American occupation has neither been able to reverse a decline in oil production in Iraq nor alleviate skyrocketing oil prices worldwide. And, recently, the first new contracts of the now-transparent Iraqi oil ministry went to non-American companies.

What it does mean, though, is that the vast imported-petroleum needs of the West, India and China, and the resulting huge profits that pour into oil-exporting states, have super-sized the Middle East's problems.

Currently, much of the Islamic world is struggling to come to grips with modernity and globalization. Yet while the West pays little attention to disenchanted Muslims in India, Indochina or Malaysia, we focus our attention on Iranian and Arab radicals. They alone, thanks to oil, have the cash to fund jihadists and hate-filled madrassas.

The Palestinian problem illustrates this point. Since Israel's occupation of land taken after the 1967 war, much of the world has seen this issue as threatening to regional and global peace.

Such old territorial disputes are, of course, common -- and go relatively unnoticed -- throughout the world. Japan's Kurile Islands are still held by Russia. Tibet has been absorbed by China. Nuclear Pakistan and nuclear India fight over Kashmir. The list goes on.

Yet it's the anger over the tiny West Bank that in the past caused the Arab patrons of the Palestinians to embargo oil to the West and create long gas lines in Europe and America. As a result, a single suicide bomber from Jericho earns more press than anonymous thousands slaughtered in Darfur.

Today, terrorists operate from East Timor to Peru. But global anxiety has been continually focused on Middle Eastern terrorists, from the Palestinian assassins and hijackers of the 1970s to al-Qaida's suicide bombers. These killers alone have had the means to disrupt the Western way of life. Take away Hezbollah's Iranian petrodollars and it could never afford weapons and foot soldiers to slaughter Westerners in the Middle East and beyond.

An oil-rich Saddam Hussein was a threat only because he had purchased more military hardware than is owned by most European powers -- and used it to attack oil-exporting neighbors in a bid to control more of the world's petroleum reserves.

In Iran, President Mahmoud Ahmadinejad is confident that powerful nations abroad will overlook his thuggery in hopes of getting a chance to buy his country's oil -- or in worry that any tension would send world prices even higher. Ahmadinejad also knows -- and fears -- that without supporting terrorists or trying to acquire a nuclear bomb that he'd be just another tinhorn loudmouth like Cuba's Fidel Castro or Zimbabwe's Robert Mugabe.

At the same time, vast oil profits do little to help -- and probably much to harm -- Middle Eastern countries. Unlike in places where economic achievement is the result of savvy business leaders, a hardworking labor force and a literate public, tribal hierarchies in the Middle East simply metamorphosed into billion-dollar nations by virtue of sitting atop crude oil.

One result is a big inferiority complex in the Middle East. There is always the fear that gas and oil reserves will dry up, leaving a Libya, Iran or Saudi Arabia with as much global attention as a Chad or Bulgaria.

Another result is unstable societies. When nations acquire collective wealth gradually through their own industry, a middle class can arise. But in the Middle East, a few tribal and religious sects with oil are fabulously wealthy; most everyone else is abjectly poor. Illegitimate monarchies and jittery dictatorships -- always in fear of coups, terrorists and revolutions -- depend upon oil-needy foreigners, trading scarce oil and endless petrodollars for export goods and protection.

If the United States could curb its voracious purchases of foreign oil by using conservation, additional petroleum production, nuclear power, alternate fuels, coal gasification and new technologies, the world price might return to below $40 a barrel.

That decline would dry up the oil profits of those in the Middle East who now so desperately use them to ensure that their own problems must also be the world's.

Dependence → Terrorism

Oil dependence fosters terrorism

Sandalow, Senior Fellow, Brookings Institution, '7

[David B. Sandalow,Senior Fellow, Foreign Policy Studies in Brookings Institution, J.D., University of Michigan Law School. He was Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs, U.S. State Department. "Ending Oil Dependence," January 22, 2007, http://www.brookings.edu/views/papers/fellows/sandalow20070122.pdf download date: 3-8-09]

Oil dependence lies behind the jihadist threat – not as the only cause, but as an important one. For example, according to Brent Scowcroft, National Security Adviser at the time of the first Gulf War, "…what gave enormous urgency to [Saddam's invasion of Kuwait] was the issue of oil." After removing Saddam from Kuwait in 1991, U.S. troops remained in Saudi Arabia where their presence bred great resentment. Osama bin Laden's first fatwa, in 1996, was titled "Declaration of War against the Americans Occupying the Land of the Two Holy Places."
Today, deep resentment of the U.S. role in the Persian Gulf remains a powerful recruitment tool for jihadists. That resentment grows not just from the war in Iraq, but from the U.S. relationship with the House of Saud, the presence of U.S. forces throughout the region and more. Yet the United States faces severe constraints in responding to this resentment. With half the world's proven oil reserves, the world's cheapest oil and the world's only spare production capacity, the Persian Gulf will remain the indispensable region for the global economy so long as modern vehicles run only on oil. To protect oil flows, the U.S. policymakers will feel compelled to maintain relationships and exert power in the region in ways likely to fuel the jihadist movement.

Dependence → Terrorism

Oil dependence fuels terrorism against the U.S. – it's our greatest vulnerability

Gartenstein-Ross, Foundation for Defense of Democracies, '8

[Daveed Gartenstein-Ross, Vice president of research at the Foundation for Defense of Democracies, and the director of its Center for Terrorism Research. He is also a Ph.D. candidate in world politics at the Catholic University of America.He earned a J.D., magna cum laude, from the NYU Law, where he was a member of the Law Review. He earned a B.A. from Wake Forest, where he won the 1997 National Debate Tournament. "The High Cost of Oil Dependence," Counterterrorism Blog, http://counterterrorismblog.org/2008/05/the_high_cost_of_oil_dependenc.php download date: 3-11-09]

With the price of oil over $125 a barrel and U.S. gasoline prices hovering around $4 a gallon, high energy costs have been a top news headline lately. Though the economic effect of these surging prices has been most prominently noticed, the high cost of oil dependence extends far beyond that. Today I have a policy briefing at FDD's web site analyzing the geopolitical implications of our dangerous dependence on foreign oil -- including the impact this has on our war-on-terror policies. An excerpt:
[T]he impact of oil dependence on terrorism extends beyond the financial windfall it entails for terrorist groups and the ideology that drives them: terrorists also understand that our oil dependence is our greatest strategic vulnerability.
Although Osama bin Laden initially declared Saudi Arabia's oil resources off limits as a military target because they were "a great Islamic wealth," his thinking on the matter shifted as he came to understand how much the U.S.'s fortunes were tied to its access to cheap oil. In a mid-December 2004 audiotape, he instructed al-Qaeda operatives: "One of the main causes for our enemies' gaining hegemony over our country is their stealing our oil; therefore, you should make every effort in your power to stop the greatest theft in history of the natural resources of both present and future generations, which is being carried out through collaboration between foreigners and [native] agents. . . . Focus your operations on it [oil production], especially in Iraq and the Gulf area, since this [lack of oil] will cause them to die off [on their own]."
Since then, other prominent voices within al-Qaeda have affirmed the group's desire to strike the oil supply. In a December 2005 video, Ayman al-Zawahiri stated: "I call on the holy warriors to concentrate their campaigns on the stolen oil of the Muslims, most of the revenues of which go to the enemies of Islam." Sawt al-Jihad, Al Qaeda in the Arabian Peninsula's online magazine, noted in February 2007 that "cutting oil supplies to the United States, or at least curtailing it, would contribute to the ending of the American occupation of Iraq and Afghanistan."
Actual terrorist targeting has made clear that this is not empty rhetoric.... Indeed, former CIA agent Robert Baer warned back in 2003 that tactics in which al-Qaeda already had a demonstrated proficiency could succeed in taking a great deal of Saudi oil off the market instantaneously. He stated that "a single jumbo jet with a suicide bomber at the controls . . . would be enough to bring the world's oil-addicted economies to their knees" if crashed into a major offshore loading facility.
Following such an attack, the substantially reduced worldwide supply of oil would be joined by an inflated risk premium. While it is difficult to determine the ceiling for oil prices if such a scenario unfolded, Sawt al-Jihad may have been correct: diminished access to the military's lifeblood could spell doom for the U.S. ventures in Afghanistan and Iraq.

Dependence → Terrorism

Dependency funds terrorism and dictatorial regimes

Luft, Institute for the Analysis of Global Security, '5

[Gal Luft, Co-Director @ Institute for the Analysis of Global Security, Committee on Senate Foreign Relations Subcommittee on Near Eastern and South Asian Affairs, "THE U.S., THE MIDDLE EAST AND PETROLEUM", CAPITOL HILL HEARING TESTIMONY, October 20, 2005, Lexis]

These projections require that we take a sober long term look at the impact of our growing dependence on our strategic posture in the Middle East. Oil prices are not going down any time soon. The rise in oil prices will yield large financial surpluses to the Middle Eastern oil producers. This petrodollar windfall will strengthen the jihadists while undermining the strategic relationship the region's oil producers have with the U.S. As President Bush said last April, U.S. dependence on overseas oil is a "foreign tax on the American people." Indeed, oil imports constitute a quarter of the U.S. trade deficit and are a major contributor to the loss of jobs and investment opportunities. According to a study on the hidden cost of oil by the National Defense Council Foundation, the periodic oil shocks the U.S. has experienced since the 1973 Arab oil embargo cost the economy almost $2.5 trillion. More importantly, while the U.S. economy is bleeding, oil-producing nations increase their oil revenues dramatically to the detriment of our national security. The numbers speak for themselves: In November 2001, a barrel of oil was selling for $18. In less than four years the price jumped to $70. This means that Saudi Arabia, which exports about 10 mbd, receives an extra half billion dollars every day from consuming nations and Iran, which exports 2.5 mbd, an extra $125 million. This windfall benefits the non-democratic governments of the Middle East and other producers and finds its way to the jihadists committed to America's destruction as petrodollars trickle their way through charities and government handouts to madrassas and mosques, as well as outright support of terrorist groups. It is widely accepted that Saudi Arabia's oil wealth has directly enabled the spread of Wahhabism around the world. The Saudis use oil funds to control most of the Arabic language media and are now moving to gain growing control over Western media. Only last month Saudi Prince Al-Waleed bin Talal, the world's fifth richest man, purchased 5.46 percent of Fox News corporation. Petrodollars garnered from the U.S. and other countries are also being used by Saudi Arabia systematically to provide social services, build "Islamic centers" and schools, pay preachers' salaries and, in some cases, fund terror organizations. In July 2005 undersecretary of the Treasury Stuart Levey testifying before the Senate Committee on Banking, Housing, and Urban Affairs noted "Wealthy Saudi financiers and charities have funded terrorist organizations and causes that support terrorism and the ideology that fuels the terrorists' agenda. Even today, we believe that Saudi donors may still be a significant source of terrorist financing, including for the insurgency in Iraq." The U.S. in an odd situation in which it is funding both sides in the war on terrorism. We finance the defense of the Free World against its sworn enemies through our tax dollars. And at the same time we support hostile regimes through the transfer of petrodollars. If we don't change course we will bleed more dollars each year as our enemies gather strength. Steady increase in world demand for oil means further enrichment of the corrupt and dictatorial regimes in the Persian Gulf and continued access of terrorist groups to a viable financial network which allows them to remain a lethal threat to the U.S. and its allies.

Dependence → Terrorism

Oil money funds terrorists; reducing dependence is key

Zuckerman '6

[Mortimer B., Owner & Publisher of the New York Daily News, Editor-in-Chief of U.S News and World Report, "Let's Get Serious About Oil. Four Key Steps Can Stop America from Fueling Hate, One Barrel At A Time," *New York Daily News*, July 31, Lexyis Nexis]

Here's a nasty thought: Every day you and I subsidize the propagators of terrorism. To import oil for our cars, homes and workplaces, America now spends and borrows a staggering $1 billion every single day. In the past four years alone, oil producers' revenues have grown from $300 billion a year to $800 billion. When oil goes up by a dollar a barrel, it costs us an additional $7.4 billion! An increasing share of that money goes to countries in the Middle East, especially Saudi Arabia, and through that nation to extremist religious groups who support Islamist militancy throughout the Middle East and beyond, disseminating a message of hatred and violence against Western influence and ideas. Small wonder, then, that the overwhelming judgment from a hundred foreign policy experts polled in Foreign Policy magazine is that the highest priority in fighting terrorism must be to reduce America's dependence on foreign oil. Everyone knows that over the past three years the price we pay at the pump has doubled. The populist rant that this is the fault of "rapacious" oil companies is a glib and false response, and it's especially unattractive when it comes from Democrats, who have systematically blocked attempts to increase domestic oil production. Oil prices, in fact, are determined by a complex, and increasingly competitive, global market.

Dependence → Terrorism

Oil money funds terrorist organizations and anti-Americanism

Washington Times '6
["Fueling War on the West," Milton Couplos, September 10, 2006, Lexis Nexis]

But even the nominal rise in prices doesn't tell the full story. There are hidden costs what economists call "externalities" that come with our excessive import dependence. These range from loss of basic economic activity that would occur if the money were spent here to lost investments, to the added military burden that is part and parcel of our import vulnerability. Taken together, these will total $825 billion this year, and that's just the monetary effect. Of even greater concern, it will also rob America of more than 2.4 million jobs. But there's another aspect of this outflow of capital some portion of every dollar we spend on imported oil finds its way into the hands of nations who wish us ill. Oil money is funding groups like Hamas, Hezbollah and al Qaeda, enabling them to plan and perhaps execute the next September 11-type attack. It is also oil money much of it from Saudi Arabia funding the madrassas or Islamic schools that spread the radical, militant Islamist viewpoint that gave us the Taliban and September 11 and is now feeding civil strife throughout the Islamic world. Five years into the war on terrorism, it has become increasingly apparent that OPEC's main players are also the main drivers of anti-Americanism. They have worked tirelessly to undermine U.S. foreign policy objectives such as promoting democracy, preventing nuclear proliferation and defeating terrorism, and the danger they pose grows daily. Iran, OPEC's second-largest producer, is on a collision course with the U.S. over its nuclear ambitions and genocidal agenda. Its leader Ali Khameni brags, "The U.S. will never be able to guarantee a safe supply of energy in this region."

Dependence → Terrorism & Dictatorship

Oil dependency fund oppressive regimes and spurs terrorism

Scire, Political Scientist, University of Nevada, '8

[Dr. John Scire Adjunct Professor of Political Science at UNR "Oil dependency, national security" February 10, 2008 http://www.nevadaappeal.com/article/20080210/OPINION/227691244 download date: 3-5-09]

Oil dependency forces the U.S. to support oil regimes that oppress their citizens. As a result, other states and the citizens of oppressive oil regimes see the U.S. as their real enemy. It isn't surprising that Osama bin Laden's first Fatwah was against the U.S. for stationing troops in Saudi Arabia to protect the oppressive Saudi Royal Family. U.S. oil dependency also strengthens worldwide Islamist terror campaigns as funding for these groups comes primarily from Middle Eastern Islamic charities, located primarily in Saudi Arabia. Because of oil dependency, we both motivate the terrorists and provide the money to fund their attacks on us. American oil dependency also strengthens other states opposed to American foreign policy interests, such as Venezuela and Russia. Foreign policy options are further reduced when other oil importing countries, such as China, block our UN Security Council resolutions targeted at their sources of oil. This has already occurred in regard to Sudan and Myanmar.

Dependence → Supplier State Wars

Oil & Gas production raises risk of large wars in supplier countries – 3 ways

Ross, Associate Professor of Political Science, UCLA, '8

[Michael L. Ross is Associate Professor of Political Science at the University of California, Los Angeles. "Why Oil Wealth Fuels Conflict," *Foreign Affairs,* This piece appeared first in the May/June 2008 edition of Foreign Affairs. http://www1.realclearpolitics.com/articles/2008/05/why_oil_wealth_fuels_conflict.html download date: 3-14-09]

For new oil and gas producers, the gravest danger is the possibility of armed conflict. Among developing countries, an oil-producing country is twice as likely to suffer internal rebellion as a non-oil-producing one. The conflicts range in magnitude from low-level secessionist struggles, such as those occurring in the Niger Delta and southern Thailand, to full-blown civil wars, such as in Algeria, Colombia, Sudan, and, of course, Iraq.
Oil wealth can trigger conflict in three ways. **First**, it can cause economic instability, which then leads to political instability. When people lose their jobs, they become more frustrated with their government and more vulnerable to being recruited by rebel armies that challenge the cash-starved government. A sudden drop in income can result in internal strife in any country, but because oil prices are unusually volatile, oil-producing countries tend to be battered by cycles of booms and busts. And the more dependent a government is on its oil revenues, the more likely it is to face turmoil when prices go south.
Second, oil wealth often helps support insurgencies. Rebellions in many countries fail when their instigators run out of funds. But raising money in petroleum-rich countries is relatively easy: insurgents can steal oil and sell it on the black market (as has happened in Iraq and Nigeria), extort money from oil companies working in remote areas (as in Colombia and Sudan), or find business partners to fund them in exchange for future consideration in the event they seize power (as in Equatorial Guinea and the Republic of the Congo).
Third, oil wealth encourages separatism. Oil and gas are usually produced in self-contained economic enclaves that yield a lot of revenue for the central government but provide few jobs for locals -- who also often bear the costs of petroleum development, such as lost property rights and environmental damage. To reverse the imbalance, some locals seek autonomy from the central government, as have the people in the petroleum-rich regions of Bolivia, Indonesia, Iran, Iraq, Nigeria, and Sudan.
This is not to say that petroleum is the only source of such conflicts or that it inevitably breeds violence. In fact, almost half of all the states that have produced oil since 1970 have been conflict-free. Oil alone cannot create conflict, but it both exacerbates latent tensions and gives governments and their more militant opponents the means to fight them out. Governments that limit corruption and put their windfalls to good use rarely face unrest. Unfortunately, oil production is now rising precisely in those countries where wise leadership is often in short supply. Most of the new energy-rich states are in Africa (Chad, Côte d'Ivoire, Mauritania, Namibia, and São Tomé and Príncipe), the Caspian basin (Azerbaijan, Kazakhstan, and Turkmenistan), or Southeast Asia (Cambodia, East Timor, Myanmar, and Vietnam). Almost all are undemocratic. The majority are very poor and ill equipped to manage a sudden and large influx of revenues. And many also have limited petroleum reserves -- just enough to yield large revenues for a decade or two -- which means that if they succumb to civil war, they will squander whatever chance they had of using their oil windfalls to escape from poverty.

Dependence → Supplier State Wars

Oil revenue extends wars in supplier states, blocks peace efforts

Ross, Associate Professor of Political Science, UCLA, '8

[Michael L. Ross is Associate Professor of Political Science at the University of California, Los Angeles. "Why Oil Wealth Fuels Conflict," *Foreign Affairs,* This piece appeared first in the May/June 2008 edition of Foreign Affairs. http://www1.realclearpolitics.com/articles/2008/05/why_oil_wealth_fuels_conflict.html download date: 3-14-09]

DIAMONDS IN THE ROUGH
Since the early 1990s, the international community has developed an effective set of tools for ending insurrections. These include cutting off foreign aid to rebel groups, using diplomatic and economic sanctions to bring governments to the negotiating table, and deploying peacekeeping forces to monitor any agreements that might result from the pressure. Combined with the demise of the Soviet Union, such methods helped reduce the number of civil wars in non-oil-producing countries by over 85 percent between 1992 and 2006.
They have also been effective against insurgencies fueled by diamond wealth. In 2000, six diamond-producing states in Africa were trapped in civil wars; by 2006, none was. Much of this success is the result of sanctions that the UN Security Council started to impose in 1998 against so-called conflict diamonds -- diamonds sold by African insurgents or their intermediaries -- and the adoption in 2002 of the Kimberley Process, an agreement by an unusual coalition of governments, nongovernmental organizations, and major diamond traders to certify the clean origins of the diamonds they trade. After these measures were taken, rebels in Angola, Liberia, and Sierra Leone lost a key source of funding, and within a few years they were either defeated in battle or forced to sign peace agreements. In the mid-1990s, conflict diamonds made up as much as 15 percent of the world's diamond trade. By 2006, the proportion had fallen to one percent.
SEE-THROUGH
Curtailing rebellions in oil-producing states will be harder. The world's thirst for oil immunizes petroleum-rich governments from the kind of pressures that might otherwise force them to the bargaining table. Since these governments' coffers are already overflowing, aid means little to them. They can readily buy friends in powerful places and therefore have little fear of sanctions from the UN Security Council. In any event, the growing appetite of oil-importing countries for new supplies makes it easy for exporters to bypass such restrictions. The government of President Omar al-Bashir has used Sudan's oil sales to China to deflect diplomatic pressure from Western states asking it to stop the killings in Darfur. Myanmar's military government is following the same strategy: in exchange for Myanmar's selling its natural gas to China, Beijing is blocking tougher sanctions against the junta in the UN Security Council.
The best solution would be for rich countries to sharply reduce their consumption of oil and gas and help poor countries find a more sustainable path out of poverty than oil production.

Dependence → Supplier State Wars

Oil spurs bloody civil wars in supplier countries

Ross, Associate Professor of Political Science, UCLA, '8

[Michael L. Ross is Associate Professor of Political Science at the University of California, Los Angeles. "Why Oil Wealth Fuels Conflict," *Foreign Affairs,* This piece appeared first in the May/June 2008 edition of Foreign Affairs. http://www1.realclearpolitics.com/articles/2008/05/why_oil_wealth_fuels_conflict.html download date: 3-14-09]

The world is far more peaceful today than it was 15 years ago. There were 17 major civil wars -- with "major" meaning the kind that kill more than a thousand people a year -- going on at the end of the Cold War; by 2006, there were just five. During that period, the number of smaller conflicts also fell, from 33 to 27.

Despite this trend, there has been no drop in the number of wars in countries that produce oil. The main reason is that oil wealth often wreaks havoc on a country's economy and politics, makes it easier for insurgents to fund their rebellions, and aggravates ethnic grievances. Today, with violence falling in general, oil-producing states make up a growing fraction of the world's conflict-ridden countries. They now host about a third of the world's civil wars, both large and small, up from one-fifth in 1992. According to some, the U.S.-led invasion of Iraq shows that oil breeds conflict between countries, but the more widespread problem is that it breeds conflict within them.

The number of oil-producer-based conflicts is likely to grow in the future as stratospheric prices of crude oil push more countries in the developing world to produce oil and gas. In 2001, the Bush administration's energy task force hailed the emergence of new producers as a chance for the United States to diversify the sources of its energy imports and reduce its reliance on oil from the Persian Gulf. More than a dozen countries in Africa, the Caspian basin, and Southeast Asia have recently become, or will soon become, significant oil and gas exporters. Some of these countries, including Chad, East Timor, and Myanmar, have already suffered internal strife. Most of the rest are poor, undemocratic, and badly governed, which means that they are likely to experience violence as well. On top of that, record oil prices will yield the kind of economic windfalls that typically produce further unrest.

Oil is not unique; diamonds and other minerals produce similar problems. But as the world's most sought-after commodity, and with more countries dependent on it than on gold, copper, or any other resource, oil has an impact more pronounced and more widespread.

Dependence → Supplier State Wars

Oil wealth increases wars in supplier countries – boosts rebels and increases ethnic tensions

Ross, Associate Professor of Political Science, UCLA, '8

[Michael L. Ross is Associate Professor of Political Science at the University of California, Los Angeles. "Why Oil Wealth Fuels Conflict," *Foreign Affairs,* This piece appeared first in the May/June 2008 edition of Foreign Affairs. http://www1.realclearpolitics.com/articles/2008/05/why_oil_wealth_fuels_conflict.html download date: 3-14-09]

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Resource Curse

Turn: Resource Curse. Wealth from agricultural commodities actually hurts a country's economic growth – studies by economists and political science prove

Ross, Assistant Professor of Political Science, Michigan, '99
[Michael L., Ph.D. in Politics from Princeton, "The Political Economy of the Resource Curse," *World Politics*, Volume 51, Number 2, pages 297-322, Project Muse]

How does a state's natural-resource wealth influence its economic development? For the past fifty years, versions of this question have figured prominently in debates over dependency theory, economic dualism, a proposed New International Economic Order, East Asia's success, and Africa's collapse. Since the late 1980s, economists and political scientists have produced a flood of new research that bears on this question. There is now strong evidence that states with abundant resource wealth perform less well than their resource-poor counterparts, but there is little agreement on why this occurs.
At first glance, the role of resource wealth in economic development looks like a question of dwindling importance. In 1970, 80.4 percent of the developing world's export earnings came from primary commodities; by 1993 it had dropped to 34.2 percent. But most of this drop was caused by the fast growth of manufactured exports in East Asia and a handful of Latin American states. Three-quarters of the states in sub-Saharan Africa and two-thirds of those in Latin America, the Caribbean, North Africa, and the Middle East still depend on primary commodities for at least half of their export income. 1 For these countries the "resource curse" is an urgent puzzle.
In this article I review efforts by both economists and political scientists to explain how the export of minimally processed natural resources, including hard rock minerals, petroleum, timber, and agricultural commodities, influences economic growth. 2 I first summarize the evidence for a resource curse and review new research on the four most prominent economic explanations for the curse: a decline in the terms of trade for primary commodities, the instability of international commodity markets, the poor economic linkages between resource and nonresource sectors, and an ailment commonly known as the "Dutch Disease."
I then review efforts to explain the political aspects of the resource curse--why resource-exporting governments seem to manage their economies so poorly. Most explanations fall into one of three categories: cognitive explanations, which contend that resource booms produce a type of short-sightedness among policymakers; societal explanations, which argue that resource exports tend to empower sectors, classes, or interest groups that favor growth-impeding policies; and state-centered explanations--including recent books by D. Michael Shafer and Terry Lynn Karl--which contend that resource booms tend to weaken state institutions.
In the third and final section, I discuss two other explanations for the curse that might be fruitfully explored, but which have received little attention. The first explanation would attribute the curse to state-owned enterprises, which typically govern resource extraction in developing states. The second suggests that a state's inability to enforce property rights may directly or indirectly lead to a resource curse. [End Page 298]
From the 1950s to the 1970s, the question of resource wealth was at the center of debates between mainstream development scholars and their Marxist and non-Marxist critics. Since then, the study of resource wealth and development has grown less ideological and more empirical, and the quality of the empirical work has improved sharply. Yet with the ideological stakes lowered, research on this topic has grown lamentably fragmented: economists and political scientists seem to be unaware of each others' contributions, and political scientists are often divided by their area specialties. One purpose of this article is to better acquaint scholars with each others' work, and to show how recent studies from a wide range of subfields can cast light on the special problems of resource exporters.
A second aim is to compare the approaches of economists and political scientists to this issue. Since the 1950s economists have continued to investigate a small number of powerful explanations for the resource curse, employing better data sets and increasingly sophisticated statistical tools. Some of their findings are incomplete and unsatisfying; still, they contain significant results. Political scientists, by contrast, have produced scores of explanations for the resource curse and an equal number of case studies, yet have rarely tried to test their theories with either well-selected comparative cases or large-N data sets. Their reluctance to test almost certainly reflects the obstacles that political scientists commonly face in the developing world, where data can be poor, missing, or prohibitively costly to obtain. It may also reflect, however, a disregard for the practice of hypothesis testing. Whatever its origins, the absence of hypothesis testing has had two lamentable consequences: there has been little accumulation of replicable findings on the policy failures of resource exporters; and absent the need to render their theories testable, many scholars have neglected tasks that would help refine and sharpen their arguments--carefully defining their variables, specifying the domain of relevant cases to which their arguments apply, and framing their causal arguments in generalizable, and falsifiable, terms. The ultimate result has been a widening gap between our improved understanding of the economic predicament and our still weak understanding of the political predicament of states that rely heavily on commodity exports.

Resource Curse – Extensions

Best study shows resource curse is true – high ratio of export commodities hurts economic growth

Ross, Assistant Professor, Poli Sci, Michigan, **'99**

[Michael L., Ph.D. in Politics from Princeton, "The Political Economy of the Resource Curse," *World Politics*, Volume 51, Number 2, pages 297-322, Project Muse]

Is There a Resource Curse?
A casual glance at growth rates across the developing world, with stagnation in resource-rich Africa and rapid growth in resource-poor East Asia, seems consistent with the notion of a resource curse. But how strong is the evidence?
Until recently, most of the evidence for the resource-curse hypothesis came from states that export either hard-rock minerals or petroleum. Nankani showed that from 1960 to 1976 the developing world's leading hard-rock mineral exporters had a per capita gdp growth rate of 1.9 percent, half the rate of a control group of nonmineral states. 3 A 1984 study of thirty states in sub-Saharan Africa found a negative correlation between economic performance and the share of hard-rock minerals in total exports. 4 According to a study sponsored by the World Bank, during the 1971-83 boom years, both major oil exporters and major hard-rock mineral exporters performed less well than their resource-poor counterparts; Auty later confirmed these findings. 5 Davis, however, disputed these results, arguing that between 1970 and 1991, the twenty-two developing states most dependent on minerals exports performed just as well as nonmineral states.
The most comprehensive study to date, however, now paints a gloomier picture. Jeffrey D. Sachs and Andrew M. Warner in Natural Resource Abundance and Economic Growth examine ninety-seven countries over a nineteen-year period, using regression analysis to measure the impact of mineral and other resource exports on gdp growth. Their study shows that states with a high ratio of natural resource exports to gdp in 1971 had abnormally slow growth rates between 1971 and 1989. The correlation remained significant even after the authors controlled for a wide range of growth-related variables, including initial per capita income, trade policy, investment rates, region, bureaucratic efficiency, terms-of-trade volatility, and income distribution.

Resource Curse – Extensions

Declining "terms of trade" for commodities dooms economic growth based on commodities like oil & gas

Ross, Assistant Professor of Political Science, Michigan, '99

[Michael L., Ph.D. in Politics from Princeton, "The Political Economy of the Resource Curse," *World Politics*, Volume 51, Number 2, pages 297-322, Project Muse]

What accounts for this effect?
Economic Explanations for a Resource Curse
In the early 1950s most development economists suggested that resource abundance would help the "backward" states, not harm them. Developing states were thought to suffer from imbalances in the factors of production: most had surpluses of labor, but shortages of investable capital. States with abundant natural resources could most easily overcome these capital shortfalls, thanks to both their ability to export primary commodities and their attractiveness to foreign investors. Their governments would also find it easier to collect revenues and hence provide public goods.
But a minority of scholars--most of them structuralists--raised three objections to development strategies based on resource exports. First, Prebisch and Singer argued that primary commodity exporters would suffer from a decline in the terms of trade, which would widen the gap between the rich industrialized states and the poor resource-exporting states. Second, other scholars noted that international commodities markets were subject to unusually sharp price fluctuations. States that relied on commodity exports would find these fluctuations transferred to their domestic economies, making government revenues and foreign exchange supplies unreliable and private investment prohibitively risky. Finally, a third group of skeptics argued that resource industries were unlikely to stimulate growth in the rest of the economy, particularly if foreign multinationals dominated resource extraction and were allowed to repatriate their profits instead of investing them locally. Resource exporters would be left with booming resource enclaves that produced few "forward" and "backward" linkages to other parts of the economy.
Since the 1950s, economists have made a sustained effort to test these arguments, particularly the claims that developing states faced a decline in their terms of trade and are harmed by export instability. Recent studies have settled some of these claims but also raised new puzzles.
In the 1960s and 1970s, research on the terms of trade produced conflicting results. For some observers, the 1972 Club of Rome report, The Limits to Growth, and the OPEC oil shocks implied that the terms of trade for primary commodities would improve in the long run. Encouraged, the leading exporters of bauxite, copper, hardwood timber, and phosphate explored new bids to restrict global supplies. For a time, resource-rich developing states seemed to hold a privileged slot in the international division of labor.
Since the early 1980s, however, the terms of trade for most primary commodities have tumbled. Most of this drop has been caused by the rising volume of commodity exports, a symptom of the debt crisis and structural adjustment programs of the 1980s; the collapse of international commodity agreements; and after 1989, the fall of the centrally planned economies of Eastern Europe and the former Soviet Union. The 1997-98 Asian financial crisis reduced the demand for commodities and sent prices lower still.
Until the late 1980s, research on secular trends in the terms of trade remained at an impasse, due in part to poor data quality. Since 1988, the improvement of data sets and the use of more sophisticated methods for identifying long-term trends has led to new research. Recent studies now agree that the aggregate terms of trade for primary commodities have declined since at least the beginning of the twentieth century; estimates of the rate of decline range from 0.1 percent to 1.3 percent per annum. 17
At the same time, studies by Easterly et al., Barro and Sala-i-Martin, and Mendoza have shown that the terms of trade are robust determinants of economic growth. So it may seem that a decline in the terms of trade for primary commodities can account for much of the resource curse.

Resource Curse – Extensions

Turn: Dutch Disease. Large Oil revenues HURT economic growth, erode other sectors

Ross, Associate Professor of Political Science, UCLA, '8

[Michael L. Ross is Associate Professor of Political Science at the University of California, Los Angeles. "Why Oil Wealth Fuels Conflict," *Foreign Affairs,* This piece appeared first in the May/June 2008 edition of Foreign Affairs. http://www1.realclearpolitics.com/articles/2008/05/why_oil_wealth_fuels_conflict.html download date: 3-14-09]

The oil booms of the 1970s brought great wealth -- and later great anguish -- to many petroleum-rich countries in the developing world. In the 1970s, oil-producing states enjoyed fast economic growth. But in the following three decades, many suffered crushing debt, high unemployment, and sluggish or declining economies. At least half of the members of OPEC (the Organization of Petroleum Exporting Countries) were poorer in 2005 than they had been 30 years earlier. Oil-rich countries that once held great promise, such as Algeria and Nigeria, have unraveled as a result of decades of internal conflict.

These states were plagued by the so-called oil curse. One aspect of the problem is an economic syndrome known as Dutch disease, named after the troubles that beset the Netherlands in the 1960s after it discovered natural gas in the North Sea. The affliction hits when a country becomes a significant producer and exporter of natural resources. Rising resource exports push up the value of the country's currency, which makes its other exports, such as manufactured and agricultural goods, less competitive abroad. Export figures for those products then decline, depriving the country of the benefits of dynamic manufacturing and agricultural bases and leaving it dependent on its resource sector and so at the mercy of often volatile international markets. In Nigeria, for example, the oil boom of the early 1970s caused agricultural exports to drop from 11.2 percent of GDP in 1968 to 2.8 percent of GDP in 1972; the country has yet to recover.

Resource Curse – Extensions

Oil revenue squandered on wasteful government projects

Ross, Associate Professor of Political Science, UCLA, '8

[Michael L. Ross is Associate Professor of Political Science at the University of California, Los Angeles. "Why Oil Wealth Fuels Conflict," *Foreign Affairs,* This piece appeared first in the May/June 2008 edition of Foreign Affairs. http://www1.realclearpolitics.com/articles/2008/05/why_oil_wealth_fuels_conflict.html download date: 3-14-09]

Another facet of the oil curse is the sudden glut of revenues. Few oil-rich countries have the fiscal discipline to invest the windfalls prudently; most squander them on wasteful projects. The governments of Kazakhstan and Nigeria, for example, have spent their petroleum incomes on building new capital cities while failing to bring running water to the many villages throughout their countries that lack it. Well-governed states with highly educated populations and diverse economies, such as Canada and Norway, have avoided these ill effects. But many more oil-rich countries have low incomes and less effective governments and so are more susceptible to the oil curse.

Resource Curse – Extensions

Oil revenue does not boost other sectors – no broad-based growth

Ross, Assistant Professor, Poli Sci, Michigan, **'99**

[Michael L., Ph.D. in Politics from Princeton, "The Political Economy of the Resource Curse," *World Politics*, Volume 51, Number 2, pages 297-322, Project Muse]

The third argument against commodity exports--that they generate little growth in other sectors of the economy--faded from view in the 1970s, as the governments of developing states took increasingly strong measures to capture the economic rents that were once repatriated by foreign multinationals. In the 1950s, virtually every major hard-rock mineral and petroleum firm in the developing world was foreign-owned; by 1976 virtually all had been nationalized. According to some versions of dependency theory, nationalization would finally settle the problem of linkages. 26

Since the 1970s, research on linkages has decreased sharply, yet the problem of linkages has persisted. Fosu's study of seventy-six developing states found that growth in commodity exports between 1967 and 1986 had a negligible effect on the performance of the nonexport sector. 27 The persistence of the linkage problem may, in part, be due to efficiency constraints on export diversification. 28 But it also hints at an undiagnosed policy failure: governments appear to have the capacity to foster linkages, yet have commonly failed to do so.

Resource Curse – Extensions

Oil boom destroys other sectors and the overall economy

Ross, Assistant Professor, Poli Sci, Michigan, **'99**

[Michael L., Ph.D. in Politics from Princeton, "The Political Economy of the Resource Curse," *World Politics*, Volume 51, Number 2, pages 297-322, Project Muse]

Though the terms of trade and linkage arguments imply that developing states receive too little revenue from their resource exports, a fourth and more recent explanation for the resource curse dwells on the opposite problem: that a boom in resource exports can produce economic stagnation through an effect known as the Dutch Disease. In the early 1980s, the Dutch Disease looked like a promising explanation for the ailments of resource exporters. More recent research suggests, however, that it is less common in developing states than originally thought, and that governments can usually offset its impact, should they feel it necessary.

Journalists sometimes use the term "Dutch Disease" to refer to all economic hardships associated with resource exports. 29 More formally, however, it describes the combined influence of two effects that commonly follow resource booms. The first is the appreciation of a state's real exchange rate caused by the sharp rise in exports; the second is the tendency of a booming resource sector to draw capital and labor away from a country's manufacturing and agricultural sectors, raising their production costs. Together these effects can lead to a decline in the export of agricultural and manufactured goods and can inflate the cost of goods and services that cannot be imported (the nontradable sector). 30

Resource Curse – Extensions

Oil booms cause cycles of boom-bust mentality among policymakers, hurting the overall economy

Ross, Assistant Professor, Poli Sci, Michigan, **'99**

[Michael L., Ph.D. in Politics from Princeton, "The Political Economy of the Resource Curse," *World Politics*, Volume 51, Number 2, pages 297-322, Project Muse]

Cognitive Explanations

Cognitive approaches suggest that resource wealth causes a type of myopia among public or private actors. This notion has a distinguished history, appearing in the major works of Machiavelli, Montesquieu, Adam Smith, and John Stuart Mill. It was perhaps rendered most vividly in Six Books of a Commonwealth by Bodin, who explains that

> men of a fat and fertile soil, are most commonly effeminate and cowards; whereas contrariwise a barren country makes men temperate by necessity, and by consequence careful, vigilant, and industrious. 40

In the 1950s and the 1960s, development scholars often suggested that resource rents can induce either myopic sloth, or paradoxically, myopic exuberance in policymakers. On the one hand, Wallich and Levin argued that the development path of sugar-exporting states was distorted by a "sugar mentality" that led to lax economic planning and insufficient diversification. Nurske and Watkins, on the other hand, suggested that resource rents lead to irrational exuberance, producing a "get-rich-quick mentality" among businessmen and a "boom-and-bust" psychology among policymakers, marked by bouts of excessive optimism and frantic retrenchments. 41 As interest in the resource curse has swelled, so has the implication that easy wealth leads to either paralysis or shortsighted euphoria among policymakers. 42

Resource Curse – Extensions

Oil Boom boost societal factions that block pro-growth policies. Scholars agree on the empirical proof for this

Ross, Assistant Professor, Poli Sci, Michigan, **'99**

[Michael L., Ph.D. in Politics from Princeton, "The Political Economy of the Resource Curse," *World Politics*, Volume 51, Number 2, pages 297-322, Project Muse]

Societal Explanations

Societal approaches suggest that resource booms enhance the political leverage of nonstate actors who favor growth-impeding policies. These arguments are used most frequently to explain why the resource-rich states of Latin America fell behind resource-poor East Asia in the 1970s and 1980s. Scholars have often compared the timely decisions of the South Korean and Taiwanese governments to move away from import-substituting industrialization (ISI) and adopt vigorous export-promotion strategies with the self-defeating efforts of the Latin American governments to maintain ISI policies long after they became counterproductive. A diverse set of scholars--including Auty, Mahon, Ranis, and Wade--all trace Latin America's reluctance to discard ISI to its greater resource wealth. Though each author tells a slightly different story, they all suggest that Latin American manufacturers and workers who enjoyed subsidies from the resource sector stopped their governments from dropping ISI policies. South Korea and Taiwan, however, had little resource wealth and hence fewer groups that profited from ISI; as a consequence, they found it easier to move toward export promotion.

Resource Curse – Extensions

Oil revenue distorts economic policy-making and erode democratic foundations

Ross, Assistant Professor, Poli Sci, Michigan, **'99**

[Michael L., Ph.D. in Politics from Princeton, "The Political Economy of the Resource Curse," *World Politics*, Volume 51, Number 2, pages 297-322, Project Muse]

State-Centered Explanations

If policymakers are rational and the behavior of societal actors is held constant, it becomes difficult to explain why resource exporters should respond so poorly to their predicament. This may be why most state-centered explanations for the resource curse are actually hybrids, using a mix of cognitive, societal, and institutional arguments to explain how resource rents might damage a state's ability to promote economic growth. Theories of the rentier state are by far the most common version, while recent books by Shafer and Karl offer new state-centered approaches.

Theories of the rentier state contend that when governments gain most of their revenues from external sources, such as resource rents or foreign assistance, they are freed from the need to levy domestic taxes and become less accountable to the societies they govern. Scholars of the Middle East developed the rentier-state approach to explain both the lack of democratic pressures on and the poor development records of the region's oil exporters; others have now applied this aproach to the commodity-exporting states of sub-Saharan Africa. 49

Theories of the rentier state come in different forms and emphasize different causal links between resource rents and poor economic governance. Mahdavy, who first advanced the rentier-state concept, argues that resource rents make state officials both myopic and risk-averse: upon receiving large windfalls, he suggests, governments grow irrationally optimistic about future revenues and "devote the greater part of their resources to jealously guarding the status quo" instead of promoting development. 50 Shambayati suggests that rentier states face little social pressure to improve their economic policies, since their low taxes and generous welfare programs discourage opposition groups from mobilizing around economic issues. 51 Others take a more institutional approach. Chaudhry suggests that rentier states develop poor extractive institutions and therefore lack the information they need to formulate sound development strategies. Anderson argues that rentier states adopt policies that are exceptionally risk-averse, favoring "egalitarian current consumption" over development policies "that while furthering social and economic transformation, risk provoking social conflict." 52

Energy competition → War in Asia

Energy competition in Asia ignites conflict

Halloran '8

[Richard Halloran, a former New York Times foreign correspondent in Asia and military correspondent in Washington, "Oil scarcity paints a bleak picture for Asia," February 13, 2008, *South China Morning Post*, lexis-nexis]

A fresh assessment of Asia's energy outlook asserts that the region, along with the United States, is being confronted with a "daunting challenge" as oil consumption rises much faster than production and the end of the world's oil supply is in sight. According to Asia's Energy Future, published by the East-West Centre, a US-government-funded research and educational institute in Honolulu: "Today, the challenge of energy security is greater than ever. The days of cheap and plentiful oil are over. World oil production is likely to reach a peak some time in the next 10 to 15 years." It will level off and decline after that.
The principal authors, Fereidun Fesharaki and Kang Wu, warn: "Coupled with emerging supply limitations, the Asia-Pacific region's increasing demand for oil raises fears of tensions among Asian nations and between Asia and the west."
Frederick Smith, chief executive of FedEx, the world's largest express-transport company with 700 aircraft and 80,000 trucks, is more pointed. He wrote in Newsweek: "It shouldn't be forgotten that the proximate cause of World War II was the US oil embargo against Japan ... The first gulf war was caused totally by oil - it was Saddam Hussein's insistence that he owned certain oilfields that led to his invasion of Kuwait and our ouster of his forces there". What he calls "the subsequent presence" of the US in the Middle East, evidently meaning Iraq, has been driven by oil. He says some analysts think 40 per cent of US military spending goes to protecting the oil trade.
Competition for energy in Asia, even more than the confrontations between North and South Korea, mainland China and Taiwan, and India and Pakistan could be the cause of hostilities across the region.
Asia's Energy Future points to the obvious cause of increased oil consumption: economic growth. Since 1900, more than half of the annual growth in global oil consumption has originated in the Asia-Pacific region. In 2004, "China alone accounted for nearly one-third of the growth in oil consumption in the entire world". India was not far behind, the book says, "and this pattern is projected to continue". The demand is "driven primarily by the growing number of motor vehicles".
Half of China's oil imports come from the Middle East, while India is even more dependent on these sources. That is not likely to change, which gives Beijing and New Delhi reason to dip into the power politics of that already volatile region.
Both nations, the book says, are experiencing "a renewed emphasis on hydro- power and nuclear energy". Hydropower in China accounted for 3 per cent of the nation's energy in 1980 and is expected to rise to 8 per cent by 2015. The famed - and controversial - Three Gorges hydroelectric plant is scheduled to be completed next year at an enormous cost in funds, displaced people and submerged cultural treasures.
China appears to have lagged behind in nuclear energy, producing only 1 per cent of the nation's needs in 1993. It plans to raise that to 4 per cent by 2020. In India, hydroelectric capacity provided 26 per cent of installed power capacity in 2005 but has not kept up with demand. Nuclear power accounted for only 3 per cent but is expected to double this year.

Impact: Asian Wars Escalate

Asia wars escalate, draw in U.S., and go nuclear

Landay 2K

[Jonathan S. Landay, National Security Correspondent for the Knight Rider News Service, "Top administration officials warn stakes for U.S. are high in Asian conflicts," March 10, 2000, Knight Ridder Washington Bureau, lexis-nexis]

The 3,700-mile arc that begins at the heavily fortified border between North and South Korea and ends on the glacier where Indian and Pakistani troops skirmish almost every day has earned the dubious title of most dangerous part of the world.

Few if any experts think China and Taiwan, North Korea and South Korea, or India and Pakistan are spoiling to fight. But even a minor miscalculation by any of them could destabilize Asia, jolt the global economy and even start a nuclear war. India, Pakistan and China all have nuclear weapons, and North Korea may have a few, too. Asia lacks the kinds of organizations, negotiations and diplomatic relationships that helped keep an uneasy peace for five decades in Cold War Europe.

"Nowhere else on Earth are the stakes as high and relationships so fragile," said Bates Gill, director of northeast Asian policy studies at the Brookings Institution, a Washington think tank. "We see the convergence of great power interest overlaid with lingering confrontations with no institutionalized security mechanism in place. There are elements for potential disaster."

In an effort to cool the region's tempers, President Clinton, Defense Secretary William S. Cohen and National Security Adviser Samuel R. Berger all will hopscotch Asia's capitals this month.

For America, the stakes could hardly be higher.

There are 100,000 U.S. troops in Asia committed to defending Taiwan, Japan and South Korea, and the United States would instantly become embroiled if Beijing moved against Taiwan or North Korea attacked South Korea. While Washington has no defense commitments to either India or Pakistan, a conflict between the two could end the global taboo against using nuclear weapons and demolish the already shaky international nonproliferation regime.

Russian Liberalization Turn

A] Decline in Oil Revenue spurs Russia liberalization

Wier '8

[Fred Weir, correspondent, *The Christian Science Monitor*, "Has Russian oil output peaked?" May 28, 2008 lexis-nexis]

Oil profits, on the other hand, are taxed at nearly 90 percent, which has filled the state's coffers as prices for crude oil have risen from $10 per barrel a decade ago to more than $130 last week. Petrowealth was a key factor enabling Mr. Putin to concentrate political power in the Kremlin, which he used to take over huge slices of the formerly private oil and gas industry. The looming production crunch, therefore, suggests a need for sweeping political reforms as well as economic adjustments, some experts say. "As long as energy prices keep going up and the easy money keeps rolling in, there is no incentive to liberalize," says Yevgeny Gavrilenkov, chief economist at Troika Dialog, a Moscow investment bank. "If the golden goose stops laying eggs, then they'll start to recognize the need for change."

B] Russian liberalization and diversification is crucial to its continued prosperity

Wier '8

[Fred Weir, correspondent, *The Christian Science Monitor*, "Has Russian oil output peaked?" May 28, 2008 lexis-nexis]

A sharp debate is breaking out among economists, some of whom argue that the crisis is an opportunity for Russia to develop a long-term strategy to husband its remaining energy resources and diversify its economy. They point to figures showing that gas and oil exports have risen since 2000 from under half to over 60 percent of Russia's gross domestic product and say that to continue trading nonrenewable resources for rapidly devaluing dollars is a big mistake. "Russia should not be a colonial country that provides raw materials to more developed countries," says Nodari Simonia, director of the Center for World Energy Studies, an independent Moscow think tank. "We don't need to export more crude, we have to invest resources in our manufacturing base." Russian oil profits, taxed by the state, have been accumulating in a special 'stabilization fund' that now totals about $130 billion. Earlier this year the government put another $32 billion into a sovereign wealth fund that is expected to begin investing in Russian infrastructure and social welfare schemes. "Russia's economy so far can't absorb the oil cash that's coming in. That, not increasing oil output, is our biggest worry," says Sergei Glaziev, head of the National Institute for Development, a Moscow think tank. "We urgently need to diversify our economy away from this dependence on natural resources."

Russia Inflation Turn

Turn - Lowering prices help the Russian economy - it's the only way to solve inflation

St. Petersberg Times '1
[October 23, 2001, lexis-nexis]

Russian media and politicians continue to fret about the impact of a global slowdown on oil prices. Worse, even financial markets have started to worry and the RTS has recently been falling in parallel with the oil price, mainly amid worries about Russia's ability to meet future debt repayments. This does not reflect much consideration of the longer term. While high world energy prices such as were experienced in 2000 may be good for Russian oil majors and natural-gas monopoly Gazprom, in the longer term they are clearly bad for the rest of Russia. The explanation is simple. At prices around $26 for a barrel of Urals blend, Russia ran a current-account surplus of around $46 billion (roughly 18 percent of GDP) in 2000. Such an imbalance is huge by any standards and either induces a rapidly appreciating real exchange rate or forces the Central Bank to print money on a large scale to buy up the incoming dollars. The former is poison for Russia's recovering industry and the latter leads to sizeable inflation. Choosing between these two evils, the Central Bank has so far rightly chosen a small dose of the former, and a good dose of the latter. It will, however, not be able to maintain this course indefinitely without creating a major inflation problem. Hence, lower oil prices would be a great boon for the Russian economy.

Russia "Petro-State" Turn

Russia is on the brink of becoming a corrupt, non-democratic, and volatile "Petro-State" heading towards an economic bust. Only way to avoid such a disastrous path is a decline in oil prices

Naím, Editor in Chief, Foreign Policy, '4

[Moises, Venezuelan economist, Ph.D. in Economics from M.I.T. He is also a member of the board of directors for the National Endowment for Democracy, Population Action International, the International Crisis Group. He previously served as Venezuela's Minister of Trade and Industry. Prior to his ministerial position, he was professor and dean at Instituto de Estudios Superiores de Administración (IESA). He was also the director of the projects on economic reforms and on Latin America at the Carnegie Endowment for International Peace. Naím was also associated with the World Bank on two occasions, first as an executive director and later as a senior advisor to the president. *Foreign Policy*, January/February]

Russia's future will be defined as much by the geology of its subsoil as by the ideology of its leaders. Unfortunately, whereas policymakers can choose their ideology, they don't have much leeway when it comes to geology. Russia has a lot of oil, and this inescapable geological fact will determine many of the policy choices available to its leaders. Oil and gas now account for roughly 20 percent of Russia's economy, 55 percent of its export earnings, and 40 percent of its total tax revenues. Russia is the world's second largest oil exporter after Saudi Arabia, and its subsoil contains 33 percent of the world's gas reserves. It already supplies 30 percent of Europe's gas needs. In the future, Russia's oil and gas industry will become even more important, as no other sector can be as internationally competitive, grow as rapidly, or be as profitable. Thus, Russia risks becoming, and in many respects may already be, a "petro-state." The arrest of oil magnate Mikhail Khodorkovsky sparked a debate over what kind of country Russia will be. In this discussion, Russia's characteristics as a petro-state deserve as much attention as its factional struggles. Petro-states are oil-rich countries plagued by weak institutions, a poorly functioning public sector, and a high concentration of power and wealth. Their population is chronically frustrated by the lack of proportion between their nation's oil wealth and their widespread poverty. Nigeria and Venezuela are good examples. That Russia has lots of oil is old news. What's new is the dramatically enhanced role that changes in Russian politics, oil technology, and energy markets have given to its petroleum sector. Throughout the 1990s, privatization in Russia and innovations in exploration and drilling technologies brought into production oil fields that had hitherto been underperforming or completely off-limits. To energy companies worried about growing domestic instability among the major oil exporters of the Middle East, Russia became an even more attractive hedge. Regardless of its political turmoil, Russia will continue to appeal to oil companies, which know how to operate profitably in countries with weak property rights and unstable politics. Thus, while the Khodorkovsky affair may temporarily scare away some investors, Russia's beguiling geology will eventually attract energy companies that cannot afford to be left out of some of the world's richest oil reservoirs. But when oil revenues flood a nation with a fragile system of democratic checks and balances, dysfunctional politics and economics ensue, and a petro-state emerges. A strong democracy and an effective public sector explain why oil has not distorted the United States or Norway as it has Nigeria and Venezuela. A lot of oil combined with weak public institutions produces poverty, inequality, and corruption. It also undermines democracy. No petro-state has succeeded in converting oil into prosperity for the majority of the population. An economy that relies mostly on oil exports inevitably ends up with an exchange rate that makes imported goods less expensive and exports more costly. This overvalued exchange rate makes other sectors--agriculture, manufacturing, tourism--less internationally competitive and hinders their growth. Petro-states also have jobless, volatile economic growth. Oil generates export revenues and taxes for the state, but it creates few jobs. Despite its economic heft, Russia's oil and gas industry employs only around 2 million workers out of a total workforce of 67 million. Also, because the international price of oil is volatile, petro-states suffer constant and debilitating economic boom-bust cycles. The busts lead to banking crises and public budget cuts that hurt the poor who critically depend on government programs. Russia already experienced this effect in 1998 when the drop in oil prices sparked a financial crash. If oil prices fall below $20 a barrel, Russia will surely face another bout of painful economic instability. Petro-states also suffer from a narrow tax base, with the bulk of government revenues coming from just a few large taxpayers. In Russia, the 10 largest companies account for more than half of total tax revenues. Weak governmental accountability is a typical side effect of this dependency, as the link between the electorate and government spending is indirect and tenuous. The political consequences are also corrosive. Thanks to the inevitable concentration of the oil industry into a few large firms, owners and managers acquire enormous political clout. In turn, corruption often thrives, as a handful of politicians and government regulators make decisions that are worth millions to these companies. Nationalizing the oil industry fails to solve these problems: State-owned oil companies quickly become relatively independent political actors that are rife with corruption, inefficiency, and politicization, and can dominate other weak public institutions. Privatizing the industry without strong and independent regulatory and tax agencies is also not a solution, as unbridled private monopolists can be as predatory as public ones. In petro-states, bitter fights over the control and distribution of the nation's oil rents become the gravitational center of political life. It is no accident that the current crisis in Russia hinges on control of the country's largest oil company and the political uses of its profits. But Russia is not Nigeria and has yet to become a full-fledged petro-state. It is a large, complex country with a highly educated population, a relatively strong technological base, and a still somewhat diversified economy. A strong democracy could help Russia compensate for the economic and political weaknesses that plague all countries dominated by oil. Russia is still struggling to overcome the crippling effects of its ideological past. Let's hope it will also be able to avoid the crippling effects of its geological present.

Weak Russia Impact

Russian weakness causes civil wars and lashout

Hill, Senior Fellow, Brookings Institution, '4

[Fiona Hill, Senior Fellow in the Foreign Policy Studies Program at The Brookings Institution, Director of Strategic Planning at the Eurasia Foundation, The Foreign Policy Centre, "Energy Empire: Oil, Gas, and Russia's Revival," September 2004, http://fpc.org.uk/fsblob/307.pdf download date: 3-9-09]

Elsewhere in the region, in the South Caucasus states of Georgia, Armenia, and Azerbaijan, and in Moldova and Tajikistan, Russian politicians exploited state weakness and civil wars to retain Russia's presence on key military bases and borders. Moscow also employed military force to rein in countries trying to move beyond Russia's orbit, as well as to gain the upper-hand in the arbitration of relations between regional states. This included permitting 'volunteer forces' to cross Russian borders to assist opposing sides in conflicts, and deploying Russian military personnel and hardware in armed clashes – most notably in the conflict between Georgia and Abkhazia that led to the latter's secession from the Georgian republic in 1993. Russia also used threatening rhetoric, political ultimatums, and economic pressure to induce countries like Azerbaijan, Georgia, and Moldova that initially refused to join the CIS to become members of the Russian-led political and economic bloc. And these methods were used to try to discourage Central Asian states for pursuing closer economic and political relations with Turkey, China, and Iran. And, in the case of Ukraine, the Russian government repeatedly cut access to critical gas supplies during a series of disputes over the dismantling of Ukraine's nuclear arsenal, the division of the Soviet Black Sea fleet, and the future of Ukraine's ethnic Russian dominated Crimean peninsula. Coercion involving the deployment of hard power resources to force former Soviet states to comply with Russian interests served to turn states away from, not toward Russia. Moscow was increasingly perceived as the bully on the block. Over the course of the 1990s, it lost its formerly dominant position in the region as well as the confidence of its neighbors. Only the most desperate countries like Armenia, Tajikistan, and Belarus (beleaguered by civil war, security concerns, and economic decline) clung to close relations with Russia. Countries like the Baltic States, Ukraine, Georgia, and Azerbaijan turned pointedly toward the West. And the Baltic States appealed directly to the United States, European countries, and international institutions for assistance in dealing with the issue of Russian troops on their soil and in mediating the growing conflict over their Russian-speaking populations. For example, international pressure on Moscow and US threats to withhold vital financial aid and technical assistance to Russia were instrumental in securing the withdrawal of Russian troops first from Lithuania in August 1993, and then from Estonia and Latvia in August 1994. Russian hard power exertion also drew unfavorable attention from Western analysts and policymakers in the 1990s. They saw a revival of Russian imperial ambitions and desires to reconstitute the USSR, albeit on the cheap. This led to a series of policy responses to shore up the independence of the other former Soviet states and to offer them at least a modicum of security from Russian predation. These included the expansion of NATO and extending membership to the states of the former Soviet bloc in eastern Europe, including to the Baltic States; innovations like Partnership for Peace (PfP) as a NATO halfway house for other states of the former Soviet Union; and bilateral US initiatives emphasizing economic and technical assistance and closer political relationships with regional states, especially those perceived as most vulnerable to Russian pressure like Ukraine and Georgia. US and other international investors also moved into key commercial ventures in the increasingly attractive energy sector in the Caspian Basin. International investment in Caspian energy development was backed by the United States government, which spearheaded the creation of a new east-west corridor for the export of oil and gas to world markets from the Caspian across the Caucasus and Turkey, avoiding Russia as a potential risk and bottleneck. Russia finally reached the nadir in August 1998 with the collapse of the Russian ruble and resulting financial crisis. The 1998 crash diminished Russia's regional economic standing even further.

Politics Link: Energy Independence Popular

Public favors campaigns against foreign oil dependence; they conflate oil imports and the terrorist other. So all major political factions favor energy independence

Bryce, Fellow, Institute for Energy Research, '8

[Robert Bryce, spent 12 years writing for the Austin Chronicle. He now works as the managing editor of Houston-based magazine Energy Tribune. He is also a contributing writer at the Texas Observer. Gusher of Lies: The Dangerous Delusions of "Energy Independence," pages 1-4]

The phrase "energy independence" has become a prized bit of meaningful-sounding rhetoric that can be tossed out by candidates and political operatives eager to appeal to the broadest cross section of voters. When the U.S. achieves energy independence, goes the reasoning, America will be a self-sufficient Valhalla, with lots of good-paying manufacturing jobs that will come from producing new energy technologies. Farmers will grow fat, rich, and happy by growing acre upon acre of corn and other plants that can be turned into billions of gallons of oil-replacing ethanol. When America arrives at the promised land of milk, honey, and supercheap motor fuel, then U.S. soldiers will never again need visit the Persian Gulf, except, perhaps, on vacation. With energy independence, America can finally dictate terms to those rascally Arab sheikhs from troublesome countries. Energy independence will mean a thriving economy, a positive balance of trade, and a stronger, better America.
The appeal of this vision of energy autarky has grown dramatically since the terrorist attacks of September 11. That can be seen through an analysis of news stories that contain the phrase "energy independence." In 2000, the Factiva news database had just 449 stories containing that phrase. In 2001, there were 1,118 stories. By 2006, that number had soared to 8,069.
The surging interest in energy independence can be explained, at least in part, by the fact that in the post-September 11 world, many Americans have been hypnotized by the conflation of two issues: oil and terrorism. America was attacked, goes this line of reasoning, because it has too high a profile in the parts of the world where oil and Islamic extremism are abundant. And buying oil from the countries of the Persian Gulf stuffs petrodollars straight into the pockets of terrorists like Mohammad Atta and the 18 other hijackers who committed mass murder on September 11.
Americans have, it appears, swallowed the notion that all foreign oil—and thus, presumably, all foreign energy—is bad. Foreign energy is a danger to the economy, a danger to America's national security, a major source of funding for terrorism, and, well, just not very patriotic. Given that many assumptions, the common wisdom is to seek the balm of energy independence. And that balm is being peddled by the Right, the Left, the Greens, Big Agriculture, Big Labor, Republicans, Democrats, senators, members of the House, George W. Bush, the opinion page of the New York Times, and the neoconservatives. About the only faction that dismisses the concept is Big Oil. But then few people are listening to Big Oil these days.

Cellulosic Ethanol Good: Solves Dependency, Stops Iran Prolif

Government program pushing Cellulosic Ethanol can solve foreign oil dependency and restore the flexibility necessary for effective diplomacy & strong leadership on Iranian prolif

O'Hanlon and Sandalow, Senior Fellows, Brookings Institution, '6

[Michael E. O'Hanlon, Senior Fellow, Foreign Policy and David B. Sandalow, Senior Fellow, Foreign Policy, "Iran: Regaining Energy Leverage," *The Washington Times*, January 31, 2006, http://www.brookings.edu/opinions/2006/0131iran_ohanlon.aspx download date: 3-19-09]

As Iran marches forward in an apparent attempt to develop nuclear weapons, the world faces a dilemma. Absent military strikes, which could help entrench a radical regime in power and might only delay an Iranian bomb, sweeping sanctions offer the best chance of changing Iran's behavior.

Such sanctions—to be serious—must involve not only pistachios, rugs and travel by Iranian leaders happy to stay home, but the oil exports on which Iran's economy depends.

Yet far from being a sword the world community can brandish against a recalcitrant Iran, oil is a shield Iran can use to protect itself. Analysts predict interruption in Iranian crude to world markets would send oil prices to more than $100 per barrel, weakening the resolve of governments around the world to take on the security challenge of Iran's nuclear ambitions.

This is unacceptable. Three decades after the first oil shocks—and a quarter-century after the humiliating capture of U.S. diplomats in Tehran—the world community remains hostage to its continuing dependence on Mideast oil. Tough-talking leaders are unable to match words with action because the hard work of reducing our oil dependence remains undone.

More than ever, the world needs an energy cushion that will allow it to consider sanctions against a major oil-exporting country such as Iran that so flagrantly defies the international community. Such a cushion is also needed to prevent political instability on the Arabian Peninsula or terrorist attacks on major oil fields from leading quickly to full-scale global crisis. We are taking a foolish and unnecessary risk by remaining so dependent on every drop of oil pumped that the global economy shudders and political leaders tremble the moment any major source is threatened.

This vulnerability is not new. But today our ability to overcome it is better than at any time in decades, for three reasons.

1. We have a model of success: Brazil. While the United States dithered for much of the last quarter-century, pursuing ineffective and inconsistent energy security policies, Brazil set out to reduce dependence on foreign oil in part by harnessing its agricultural wealth. Starting in the 1970s, vast sugar plantations were devoted to producing ethanol, a homegrown liquid fuel. The Brazil stuck with the program through several setbacks and today is essentially independent of foreign oil.

True, Brazil is blessed with a favorable climate for biofuels. But the real lesson is that determination and resolve pay off. In the United States, wildly fluctuating budgets for energy research have choked progress on biofuels that could increase rural incomes while enhancing national security.

Building on the Brazilian experience, the U.S. government should immediately launch a crash program to develop advanced or "cellulosic" ethanol made from switchgrass, poplar and other nonfood crops. Technology breakthroughs in the last decade have made this even more practical than before.

Cities should launch community biodiesel programs, collecting waste oils to produce liquid fuel. Such steps could also help transform global agriculture, reducing the need for the traditional farm subsidies in the West and providing developing countries' farmers more market opportunities.

2. U.S. automakers are poised for historic transformation: The strategy of the past several decades—on massive advertising to sell gas-guzzling cars—failed miserably. The terms of the Washington-Detroit dialogue should be rewritten, with Washington recognizing health-care and pension costs put U.S. automakers at a competitive disadvantage, and Detroit recognizing its products profoundly affect our national security.

Starting in the next few model years, all cars sold in the United States should be "flex-fuel," giving consumers the choice between gasoline or ethanol. GM and Ford already make such cars in Brazil, where they're the hottest-sellers.

Then, automakers should leap ahead to commercialize a new generation of vehicles with oil-saving technologies such as plug-in hybrid engines and lightweight, super-strong carbon composite materials. A grand bargain with Detroit agreeing to put many such vehicles on the road and Washington agreeing to help support health and pension costs would strongly serve the national interest.

By steadfastly pursuing opportunities in biofuels and automotive technologies, the United States could in a generation cut in half its need for oil, reducing the importance of any one supplier. Strategic implications would be profound—thening the U.S. and our allies in all manner of dealings in the Persian Gulf and around the world. The challenge is fundamentally not one of technology, but political will.

Impact: Iran Prolif

Iranian prolif causes regional and worldwide prolif

Cirincione, Director for nonproliferation, Carnegie Endowment for International Peace, '6

["Countdown to the Iranian bomb," Interview of Joseph Cirincione by Tracy Clark-Flory, January 26, 2006, http://www.salon.com/news/feature/2006/01/26/iran/index_np.html , download date: 2-22-06]

The danger is that if Iran is not stopped, the entire nonproliferation regime will be weakened, and with it, the U.N. system. This is a test for the U.N. Security council and this is what will develop over the next few months around two issues: One, can we convince Iran to open up their program so that International Atomic Energy Agency inspectors can go to all the facilities in question and determine for themselves whether Iran is engaged in any weapons-related research? And two, while we're negotiating those transparency agreements, will Iran stop any further work on enrichment?

If we fail on those two, if Iran proceeds with its program, and if the U.N. Security Council does not take action that effectively stops Iran, then regionally, other countries are going to start weighing their nuclear options. Iran's neighbors are going to have to assume -- no matter what Iran says -- that Iran is pursuing this technology for the purpose of making weapons. They are going to feel pressure to try and match those programs. The second thing that happens is that the perception will spread that the treaties and arrangements that we've erected over the last 50 years have failed completely, and the regional crisis in the Gulf will ripple out to the rest of the world. Other countries that have a technical ability to make nuclear weapons may consider whether they want to do it as well.

Impact: Iran Prolif

Iranian prolif spills over – increases the risk of pre-emption and conflict and arms races

Gardner, American University of Paris, '5
[Hall, *American Global Strategy and the 'War on Terror'*, Ashgate publishing, page 103]

Should Iran adamantly refuse to fully disclose its nuclear capabilities and accept full transparency, it will also erode confidence and cause negative counter-reactions in countries throughout the Middle East/Persian Gulf/central Asia. A spiraling "security dilemma" of mutual fears could possibly result in a destabilizing nuclear, WMD and conventional arms race that Iran could hardly afford in either diplomatic, military or financial terms.47 A nuclear Iran will most likely alienate Saudi Arabia, as well as Turkey, Egypt and Pakistan, in addition to risking an Israeli or US pre-emptive strike. The worst-case scenario is that an Iranian nuclear program is likely to provoke its neighbors to seek out nuclear weaponry and/or other forms of WMD, or else significantly increase their conventional armaments. The prospects of an Iranian nuclear force opened a debate in Israel (as early as 1998) as to whether the latter should make its nuclear force public, rather than maintain its present ambiguity of "don't ask don't tell."

Ethanol Bad: ↓ Oil Refinery investment

Decrease in ethanol is key to oil refinery investment – they complete for capital

Kumins, Energy Policy Research Foundation, '7

[Larry Kumins, Energy Policy Research Foundation Inc., Washington DC, "Energy system limits future ethanol growth," *Oil & Gas Journal,* November 26, 2007. Adapted from a presentation at the Washington Roundtable on Science and Public Policy of the George C. Marshall Institute on July 25, 2007, in Washington, DC..lexis-nexis]

Investment in refining has lagged at the same time that ethanol plant investment has been robust. Refining capacity grew by only 600,000 b/d in the past few years, while imports of oil products grew by 1 million b/d. A new energy-security issue is emerging: The US depends not only on other nations' crude oil but increasingly on other countries' refining capacity.
US refining capacity now operates at very high utilization rates; as a consequence, it has diminished ability to deal with outages and scheduled maintenance. Largely because of refinery outages, pump prices rose from $2.15/gal last January to $3.25/gal in June. Strain on refinery capacity has become its own energy security issue.
Ethanol and oil now compete for capital. They also compete for materials and services in facility construction. Ethanol may be crowding out investment in refining.
The threat of additional ethanol mandates has chilled refining and transportation investment even though the US needs new refining capacity--a need highlighted by the jump in gasoline prices that occurs each time gasoline imports drop below 1 million b/d.