

Lecture 14: The Geopolitics of Energy and U.S. Foreign Policy – Energy, Currency, and the Future of America’s Global Leadership

The real transition in US involvement in the Persian Gulf came after the first Gulf War when many US troops stayed in the region

Moving away from the “over the horizon” view and towards the idea of a permanent presence in the Persian Gulf was a bad idea according to Leverett

- It has been a rallying point for Jihadists and the Taliban
- It has helped to galvanized terrorist threats to the US
- It has not served our energy policies very well, and we would do well to move back to an “over the horizon” approach to our involvement in the region

It is now election season and people are taking a stand on many issues related to the Persian Gulf

- Democrats are talking about reducing the size of the military force in the region, particularly this notion of “phased redeployment” put forth by the Iraq Study Group
 - Everyone buys into this except for Edwards, who want to pull troops out of Iraq, but redeploy them to other places in the region to control “spillover”
 - Leverett’s been contacted by three different campaigns and said no to all of them because he doesn’t think any of them have a good stance on the issue of US involvement in the Persian Gulf
- According to Leverett
 - Creating national security units in Iraq is a terrible idea
 - We only train single sect units and never integrate
 - Troops don’t need to be there to “whack” Al Qaida
 - The only time that the troops are effective against Al Qaida are when they are actually engaged in a firefight
 - We still look like an occupier
 - Withdrawal and contain strategy isn’t good either
 - This would only be effective against conventional military forces that would act aggressively outside of the country
 - Most aggression is from non-conventional forces
 - Over the horizon is the best approach

Implications for taking energy security seriously as a foreign policy issue

- Think seriously about restructuring of the National Energy Agency
- Must institutionalize a producer-consumer dialogue
 - Suppliers are saying that, with the risks very large for overshooting, they want a
 - International Energy Forum in Riyadh, Saudi Arabia
 - Created to increase the dialogue between the producers and the consumers
 - Hasn’t done anything serious because many consumer states are reluctant to come to the table because the issue of price would have to be brought up and consumer states are not read to go there yet
 - This will have to be rethought in the future
- For the US there are some fundamental questions about how the US plays its role as the international hegemon

- This gets connected to larger issues about what globalization is all about
- Globalization has been going on in a while (beginning in the 1970s and 1980s, when trade and capital flows were constructed), and in the 1990s it takes off
 - One of the responses to the oil prices in the 1970s was to push for liberalization of investment in upstream energy production
 - Leverett thinks we've hit the wall on that now, in that there is not a lot of liberalization and expanding in upstream investment left to do. This puts the necessity on a dialogue between the producers and consumers
 - There are in fact downsides to this dialogue, but the benefits outweigh it
 - Globalization is the diffusion of power across borders, and the fundamental issue is that borders will matter less and less as time goes on, and power will concentrate in different places than what we've seen in the past
 - China, for example, is going to commit itself to participation in the ongoing process of globalization. This has enabled China to become a rising power on both a regional and international level
 - Russia has come back in many ways thanks to globalization
- The US has yet to decide on what to do about globalization
 - There seem to be two options for the grand strategy for the US in globalization
 - We think globalization works for our interest, even though it involves the diffusion of power across borders, so we will organize our international strategy to work with rising powers such that the US can foster cooperation with these rising powers
 - We like globalization because it makes us richer, but we don't like this diffusion of power that goes with it, therefore we will try to suppress the rise of these new powers, and to the extent that we can't suppress that, we will act in unilateral ways to stop the rising powers
 - In the 1990s, most powerful groups in the world believed that the US would adopt the first policy
 - Come to a more cooperative agreement with places like Iran
 - Negotiate an agreement in Israel
 - This would allow companies to work with countries in the Persian Gulf, like Iran
 - This assumption was wrong
 - The Clinton administration was pulled away from the first and the Bush administration actively supported the second option
 - The world is having difficulty dealing with a US that is acting in this way
 - From the perspective of a major energy producing state like Saudi Arabia, this is tough spot
 - The US consistently supports your government but at the same time is doing many things that go against your interests

- Right now our political system is not going in a direction to address these issues

What to take away

- Learned about energy markets and political economy
- Learned about how you might think on a more long-term structured basis about America's role in the world, because that is going to be a very big challenge for the US and the rest of the world for the coming years and decades