

## **Oil or Atoms?**

**By Col. Daniel Smith, U.S. Army (Ret.) | October 11, 2006**

The outcome of the November midterm elections in the United States may well hinge on oil and atoms. The issue of atoms, namely Iran's nuclear ambitions, is potentially more explosive. But the price of gas, since it hits consumers in the pocketbooks, may have the more immediate effect.

In this regard, an October 5, 2006 article on *Energy Industry Today*, a leading Internet site that watches the petroleum industry, noted widespread speculation that the Saudis may be orchestrating oil production levels to try to influence the outcome of the U.S. elections next month.

It would not be the first time.

The *Washington Post's* Bob Woodward, in the second of his three (to date) books on the presidency of George W. Bush, recounts that in early 2004, the long-serving Saudi ambassador to Washington and close friend of the Bush family, Prince Bander bin Sultan, promised that his country would increase oil production so that U.S. retail prices would drop just before the 2004 election. Not surprisingly, the Saudis disputed Woodward's account—and undoubtedly will do so again in 2006 should anyone suggest a relationship between the recent, steep decline in oil prices and the fast approaching elections for one-third of the U.S. senate and the entire House of Representatives.

All politics is local, as U.S. Congressman Tip O'Neill used to say. But increasingly, U.S. elections depend on international factors. In November, American voters will grapple with U.S. policies in the Middle East, from oil supply to the conduct of wars. The political challenge, though, is much greater than just the upcoming elections. The U.S. public must undertake to campaign locally,

organize nationally, and cooperate globally to regain the promise of democratic governance, enshrined in the U.S. Constitution, that those entrusted with power have silently and steadily usurped.

### **At the Pump**

While significant variations in the number of barrels of oil pumped from the ground can influence the futures market according to rules of supply and demand, the oil industry recognizes more than one factor at work in determining prices. Trying to ascertain a single cause for price changes is fruitless as well as virtually impossible—especially for the non-expert. For example, most people know and expect prices to rise in early summer when vacation time begins and then drop after Labor Day when schools are back in session.

But prices can also be affected by commodity indices, run by investment firms, that can be fine-tuned in response to uncontrollable events such as natural disasters or long-range weather forecasts. Such fine-tuning affects the oil futures market by encouraging speculators to adjust their holdings to cut risks and avoid losses. The same October 5 entry on *Energy Industry Today* notes that at least one commodity index with a direct connection to the executive branch has made adjustments whose net effect is to favor a price drop. Moreover, Washington has decided to delay new purchases for



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the nation's Strategic Petroleum Reserve from autumn 2006 to after winter 2007—well after the election.

On the other hand, when the price of a barrel of oil fell below \$60 in early October, oil ministers from some Organization of Petroleum Exporting Countries (OPEC) publicly hinted that the organization might hold an emergency meeting to consider a cut in production of up to one million barrels a day.

Given the controversial nature of the 2000 presidential election in which George Bush was, in the view of many, “selected” and not elected, the equally contentious outcome in 2004, and the increasing concern among local officials about using un-auditable paperless electronic voting machines in November's election, any behind-the-scenes manipulation of oil prices is sure to spawn new charges of electoral conspiracies.

### Target: Iran?

The conduct of international relations by the Bush White House appears to carry greater weight with the voting public in this year's election than in other recent mid-term ballots. Not only are Afghanistan and Iraq on the docket, those who control the House and the Senate may well determine the future course of Iran-U.S. relations.

In addition to the U.S. grudge against Tehran for the 1979 take-over of the U.S. embassy and the subsequent 400-plus days of captivity of embassy personnel, Washington has accused Iran of hiding a nuclear weapons development effort beneath a peaceful nuclear energy program allowed by the Nuclear Non-Proliferation Treaty (NPT). Given the importance the Bush administration attaches to stopping the proliferation of anything nuclear—knowledge, equipment, or fuel—it is curious that

the United States has not been more consistently engaged in pushing multilateral talks with Iran, as it has been with North Korea in the past.

Indeed, over the last year in particular, the United States has ceded the lead role in talks with Iranian negotiators to the European Union “Three”—Britain, France, and Germany. Administration rhetoric may sound tough. But, overall, Washington has not been as consistent in pressing the other members of the UN Security Council to impose tough sanctions against Iran as it was to secure UN backing for invading Iraq in March 2003.

In part, this reticence may reflect congressional failure to pass a really tough set of sanctions on Iran to replace expiring legislation. Other factors have also played a role. In September 2006, the International Atomic Energy Agency (IAEA) provided the UN Security Council with an ambiguous report on Iran's compliance with the Nuclear Non-proliferation Treaty. Ongoing discussions with top EU officials have not yielded any breakthrough. Russia and China are uncertain about even “targeted” UN sanctions on individuals and companies contributing to Iran's nuclear program. And reports that Tehran is experiencing technical difficulties in its attempt to build more extensive cascades of centrifuges reduce the sense of urgency.

The administration and its allies in the House have also tried to spin the IAEA report to the UN Security Council by claiming the agency had found weapons-grade uranium at Iran's pilot centrifuge facility. In fact, the IAEA found enriched uranium suitable for use only in nuclear power plants. The United States also alleged that a senior IAEA inspector had been removed because he was going to state his conclusion that Iran was building a

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nuclear weapon. In fact, the inspector was still working at the same IAEA job.

Not everyone has attributed these U.S. interpretations to mere miscues. Long-serving UN diplomats have drawn parallels between the abovementioned maneuvers and U.S. efforts before the 2003 Iraq War to discredit the work of the IAEA. Other observers and military analysts picked up this theme in late September when the Pentagon announced that the USS Eisenhower battle group was heading for the Persian Gulf region where it would replace the USS Enterprise battle group in late October or early November. With two carrier battle groups just off Iran's coast, tensions would be higher and the possibility of confrontation—either intentional or accidental—greater than usual and just before the U.S. elections.

The United States has reportedly been running Special Forces operations in Iran for well over a year, gathering information and identifying key targets for a combined naval and air attack that a number of analysts believe Bush intends to launch, and the sooner the better from his perspective. But with more than 20,000 troops in Afghanistan and 140,000 in Iraq, with those in Iraq virtually hostage to Iraq's Shi'ite Badr Brigades and Madhi army should the United States attack Shi'a Iran, and with additional ground forces potentially needed to maintain control of Baghdad or to reinforce NATO forces in Afghanistan, the White House can ill-afford to commit ground forces in a much larger and more populous Iran that would no more welcome the United States as a liberator than did the Iraqis.

The issues of oil and Iran are, of course, linked. Should the markets come to believe—before the November 2006 elections—that war is imminent, oil prices will again soar and further erode the

support among the voting public for the administration's congressional allies. Conversely, if nothing causes alarm and sanctions continue to be nothing more than irritants, the Iranians conceivably could master the technical impediments and forge ahead with their nuclear program. The question is whether they would stop enrichment at levels suitable only for energy or press ahead to levels necessary for weapons.

## Time Running Out?

As the elections approach, the administration's interpretation of Iran's activities deserves closer scrutiny. Iran is not so much defying the international community, as the administration alleges, but defying the U.S. interpretation of the international community's positions. Its development of nuclear energy can be monitored sufficiently to detect and significantly retard, if not prevent, development of a nuclear weapon in the short to medium time frame. More generally, negotiations are possible if the interests of each party are not summarily dismissed as illegitimate.

The question is: whose side is time on? In 5-15 years, Iran might well acquire a nuclear weapon and thereby change the region and the world. But 5-15 years provides ample time to talk, negotiate, and make a deal with Iran to renounce nuclear weapons. On this track, time is on the side of a peaceful outcome.

A U.S. attack on Iran in the next month or next two years, however, would guarantee fundamental and highly detrimental change in the region and the world. In the case of war, time is on no one's side.

In November, the voters will weigh in on the Bush administration's Middle East policy. They ideally will focus more on the war in Iraq and the

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potential war in Iran than on the price of gas at the pumps. There's still a chance for a new Middle East policy and a new relationship with Iran. There's still a chance that we can reassert our constitutional rights and restore democracy in Washington.

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