

# *Black Gold Stranglehold*

## Executive Summary

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Americans thought \$3.00 per gallon gasoline was absurd when Craig Smith predicted the price hike in 2004. In October 2005, Americans are paying \$3.00 and higher per gallon of gas. But the price hike does not stop at the gas pump. Winter heating oil is expected to cost 50% more than it did last year. As a result, Americans are asking "how high the price of gas and oil?" Jerome Corsi and Craig Smith argue that these prices are unnecessary and the oil problems we face have reasonable and attainable solutions.

In their groundbreaking book *Black Gold Stranglehold: The Myth of Scarcity and The Politics of Oil*, Corsi and Smith share their belief that the "U.S. has the opportunity to help give birth to a new generation of oil politics and economics that will eclipse in greatness what we have already experienced."

*Black Gold Stranglehold* provides readers with the solutions to the problems we have been facing by:

### DEBUNKING THE FOSSIL FUEL THEORY

Corsi and Smith contend that the fossil fuel theory lacks significant evidence and therefore, support the deep abiotic theory of oil. Introduced by Thomas Gold, a Cornell University professor of astronomy, the theory "rejected the contention that oil was formed from the remains of ancient plant and animal life that died millions of years ago. Instead, the origin of oil was 'a-biotic'—oil did not come from the once-alive 'biotic' materials of ancient plants and animals. Instead, Soviet scientists concluded oil should be seen as a primordial material that the earth forms and exudes on a continual basis.

Oil was then pushed upward toward the earth's surface by the intense pressures of the earth's core and the influence of the centrifugal force that the earth exerted upon the specific gravity of oil as a fluid substance."

#### THEORETICAL PROOF

"At the close of WWII, Soviet oil explorers had been discovering large oil reserves thousands of meters deep below the surface of the earth, at levels far below what would be expected according to the theory that oil was a fossil fuel."

The Soviet Union is now the number two largest producer of oil in the world.

### DEBUNKING THE RUNNING-OUT-OF-OIL SCARE

"It could be that oil is an abundant, nearly inexhaustible resource, if only we drilled deep enough."

- "We are now sitting on more proven petroleum reserves than ever before, despite the increasing rate at which we are consuming petroleum products. New and gigantic oilfields are being discovered at an increasing rate, in places the fossil fuel theory would never have been predicted as possible."
- PROOF:

#### Kazakhstan

In 2000, oil was discovered off the Caspian Sea. Kashasan holds 38 billion barrels of oil. In Tengiz, 2001 estimates upped total reserves from an earlier estimate of 8 billion barrels to around 19 billion barrels. 2004 estimates increased again to 25 billion barrels.

#### Iran

In 2003, estimates of proven oil reserves were 90 billion barrels. In January 2004, that number was increased to 125.8 billion barrels and later increased in July 2004 to 132 billion barrels.

Eugene Island 330 (off Gulf of Mexico)

In 1972, production was thought to have peaked out at fifteen thousand barrels a day. Then in 1989, production dropped to 4,000 barrels a day and then jumped to 13,400 barrels a day. As a result, reserves had been pegged at 60 million barrels a day, then later estimated at 400 million barrels a day, and now estimated to produce over a billion barrels of oil per day. Woods Hole Oceanographic Institution did conclude that Eugene Island 330 did “support the possibility that reservoirs are being replenished by current migration of oil and gas from deeper depths.”

○ **The Phenomenon of Replenished Wells**

- The phenomenon of replenished wells was not limited to Eugene Island, but also occurred in the North Sea, the Niger Delta, the Mahalcana Delta, in Indonesia, the Trinidad Basin, the Taiwan Basin, and the Alaskan North Slope.
- Soviets and Vietnamese have found oil in granite from deep-fracture underground structures.

CONCLUSION:

If we are running out of oil, why are worldwide oil reserves today at historically high levels?

- 1980 worldwide proven oil reserves: 645 billion barrels
- 1985: 670 billion barrels
- 1990: 1 trillion barrels
- 1995: 999 billion barrels
- 2005: 1.28 trillion barrels

**DEBUNKING ENVIRONMENTAL ARGUMENTS**

- Burning of fossil fuels does not release into the air chlorofluorocarbons or halon compounds, the types of chemicals identified as the culprits causing holes in the ozone.
- When human beings weren't around to remove carbon dioxide from the atmosphere or to put more carbon dioxide into the atmosphere, the earth still hung in the pendulum somewhere between ice ages and warming spells.
- Climate models are constantly being readjusted.

○ **REVEALING THE GROWING U.S. DEPENDENCE ON FOREIGN OIL**

“Experts estimate that Americans consume more than 25 percent of the world's oil but have controlled less than 3 percent of its proven supplies. This unbalanced pattern of consumption makes it possible for foreign governments, corrupt political leaders, terrorist organizations, and oil companies to hold the economy and the citizens of the U.S. in a virtual stranglehold.”

- Today, the U.S. consumes approximately 21 million barrels of oil per day. Each day we import 12 million barrels of oil.
- Never before in our history have we experience such a massive transfer of our national wealth to overseas countries
- FOREIGN SUPPLIERS AND THEIR AFFECTS ON THE U.S.
  - MEXICO: Mexico has the 3<sup>rd</sup> largest proven reservoirs of crude oil in the Western Hemisphere behind Venezuela and the U.S. The U.S. imports virtually all the oil Mexico imports. As a result, Oil plays a part in the illegal-immigration problem.  
“The U.S. government finds it difficult to take a systematic, hard look at the nearly free flow of illegal immigrants coming across our southern border. Instead, we have been determined to expand free-trade areas by adding the Central American Free Trade Association (CAFTA) to the previous NAFTA agreement we signed with Mexico and Canada.

The U.S. imports virtually all of the oil Mexico exports. As a hedge against

instability in the Middle East, the U.S. government has to calculate our oil needs when considering any steps we take regarding Mexico or illegal immigrants.

Illegal immigrants earn some \$60 billion working illegally in the U.S., of which some \$17 billion a year is sent back home to their families in Mexico. Payments sent back home by Mexicans working illegally in the U.S. rival the oil industry as Mexico's number-one revenue producer."

VENEZUELA: "We have tolerated the Hugo Chavez regime so we can buy oil, knowing full well that the petrodollars shipped to Caracas will be used to fund socialist revolutionary activity and narco-trafficking in Central and South America."

MIDDLE EASTERN COUNTRIES: "We rely heavily on oil shipped from the Middle East while we fight a war against radical Islamic terrorism that has deep roots within one of our longer-term, more stable oil partners, Saudi Arabia.

Presently, the U.S. is losing ground in the world's oil markets. Continuing to depend on the Middle East for our foreign oil supplies is a risky policy. The strategy becomes even shakier when the Muslim world begins to take serious steps to back with gold their international-exchange currencies while we do not. The U.S. will remain vulnerable as long as no gold stands behind the dollar.

Since dollars can no longer be exchanged for gold, no hard, fixed commodity stands behind the U.S. international payments, including oil purchases. Unless the dollar remains strong, we run a constant risk that foreign nations holding dollar-currency reserves could get nervous and move out of the dollar. When we depend upon foreign countries to buy our currency bonds, we again are in a form of dependency, a financial stranglehold.

EUROPE: "Europe is scrambling to find a reliable oil supply at affordable prices, and that price advantage is being secured by the willingness of Europeans to form anti-American alliances with oil-producing nations."

CHINA & INDIA: "They are searching to lock up the oil they will need to meet the demands of their exploding populations and rapidly developing economies."

RUSSIA: "Continues to calculate the advantages that can be won through oil alliances with terrorist supporting nations such as Iran."

### **EXPOSING THE SUPPLY AND REFINING CAPACITY PROBLEM**

"Today, the U.S. oil industry is sitting on a quantity of oil reserves that has never been higher. Still, we have built no new refineries, and the refineries in operation are producing at or near capacity. The picture that emerges is one of industry conglomerates simply sitting on large reserves and waiting for oil prices to go even higher. This is an industry profile that is certain to have consumers complaining loudly.

Unless we can break the stranglehold of U.S dependence on foreign oil, we will have an ever-weakening hold on our own destiny."

### **REVEALING THE THREAT TO OIL FROM TERRORISM**

Osama Bin Laden's war against America was fueled by his belief that the U.S. has stolen the oil of Muslim countries. At the core of the issue is bin Laden's perception that America has paid for oil, a hard commodity, with paper dollars that are no longer backed as they once were by the hard commodity of gold.

Radical Islamic extremists view the economic disadvantages of America as having been derived in large part because we have stolen from Islamic countries the oil we need to fuel our industrial economies. The charge is not only that we have paid too little for the oil, but also that the dollars we have exchanged in the purchase are potentially worth less tomorrow than they are today.

Bin Laden is willing to bet that the U.S. will not be able to afford politically or

economically a protracted global war against radical Islamic terrorism. He knows that terrorism exacts an economic price, especially when the world's number-one economic power has become so dependent upon foreign oil, much of which is shipped from the Middle East."

RESULT:

- "Oil and currency markets immediately jump in times of uncertainty or disruption. A terror attack on oil-production facilities anywhere in the world could drive oil prices up and push the dollar down. Even the anticipation of an attack could adversely affect markets."
- "Terrorists, like governments determined to impose price controls on oil, act to disrupt free markets. In doing so, they clearly understand the economic harm they can inflict."

## **PROPOSED SOLUTION TO THE PROBLEMS:**

### **CORSI AND SMITH'S SEVEN POINT ACTION PLAN TOWARD U.S. OIL INDEPENDENCE**

1. Promote scientific research to investigate alternative theories.
2. Expedite leases offshore and in Alaska to encourage oil exploration.
3. Provide tax credits for deep-drilling oil exploration.
4. Create an oil research institute to serve as a clearinghouse of oil industry information.
5. Develop a public broadcasting television series devoted to the oil industry.
6. Reestablish a gold-backed international trade dollar.
7. Establish tax incentives for opening new refineries in the U.S.

## **ABOUT THE AUTHORS**

**Jerome R. Corsi** received a Ph.D. from Harvard University in Political Science in 1972. He has written many books and articles, including the #1 New York Times bestseller, *Unfit for Command: Swift Boat Veterans Speak Out Against John Kerry* (Regnery Publishing Inc., 2004). Over the past twenty years, Dr. Corsi has developed financial services companies with a leading expertise in the sales of insurance and securities products and services in the bank marketplace, both nationally and internationally. Additionally, he is an expert on political violence and terrorism. In 1981, he received a Top Secret clearance from the Agency for International Development, where he assisted in providing anti-terrorism/hostage survival training to embassy personnel. Dr. Corsi resides in Denville, New Jersey.

**Craig R. Smith** is president and CEO of Swiss America Trading Corporation, one of the largest and most respected investment firms in the U.S. He has been interviewed on over 1,500 radio and TV programs over the past two decades including: FOX News, CNN, CNBC, ABC, NBC, CBS, PBS, TNT, CBN, TBN, *Time*, *The Wall Street Journal*, *The New York Times*, *Newsweek* and World Net Daily.com, as well as having hosted two nationally syndicated talk radio shows during the 1990s: "America Talks" and "World Economic Perspectives." An author, commentator and economic analyst who instantly engages audiences with his common-sense perspective on national and global economic trends, he knows Americans want solid answers to the tough questions. Mr. Smith resides in Phoenix, Arizona.

