

Greasing Gulf Conflict: An Examination of Oil's Direct and Indirect Roles

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Oil is often directly related to the roots of war in the Persian Gulf.

The region is dominated by a state-type that is derived directly from its petrodollar revenues. Understanding the source and extent of these revenues provides a clear indication of the nature of the conflict-prone Gulf states; because, as Edmund Burke wrote, "*the revenue of the state is the state...All depends upon it, whether for support or for reformation... (It is) (t)hrough revenue alone (that) the body politic can act*"(emphasis added).¹

Unlike the *ancien régime* of 18th century France that Burke spoke of, many of the Persian Gulf states do not rely on taxing domestic sources of revenues for income.² This is because in many Gulf countries, the state itself is the primary source of domestic revenue.³ In the Gulf, high levels of oil exports enable nationalized oil industries to produce nearly all the revenues they need, thus allowing them to "embark on large public expenditure programs without resorting to taxation."⁴ High state expenditure programs inevitably overtake any preexisting domestic economies, as the state itself steadily becomes the primary source of domestic revenue. By the time the state gains total control of the domestic economy, the nation's sociopolitical and economic reality is afflicted with a degenerative malaise that instills a sense of rebellion in society.

The state's ability to secure itself from a discontented society hinges on its oil revenues, which is demonstrated in section I. With large oil revenues, the state is able to forgo the need to rule with popular legitimacy by continually purchasing itself a material legitimacy.⁵ When the value of oil- and therefore the state's oil revenues- is low, the state's security

1 Edmund Burke, 3rd ed. (London: J. Dodsley, 1790), 334.

2 In their writings on the political economy of the rentier state, Hazim Beblawi and Giacomo Luciani progress the conception of "state" as the apparatus or organization of government or power that exercises the monopoly of the legal use of violence. Throughout this paper, until otherwise noted, I will utilize this conception of state. See Hazem Beblawi and Giacomo Luciani, vol. 2 (London: Croon Help, 1987), 51.

3 Douglas Yates (Trenton: Africa World Press, 1996), 15.

4 Hussein Mahdavy, "The Pattern and Problems of Economic Development in Rentier States: The Case of Iran" (Oxford: Oxford University Press, 1970), 428.

5 Yates, 16.

is threatened; this often leads to interstate and intrastate conflicts. The role of oil in Gulf conflict, however, is not limited to its ability to create states *and* societies that are predisposed to conflict. Oil also provides a direct motivation for international and intraregional conflict in the Gulf. International actors have long been involved in the region's conflicts. Though their engagement in Gulf conflict may be directly motivated by a different reliance on oil than the Gulf states (i.e. international actors engage in conflict to secure its consumption, not its production), their engagement is nonetheless directly motivated by oil. Comprehending the two roles of oil in Gulf conflict is a necessary condition of understanding why there has been so much conflict in the region, but is not sufficient on its own.

To aid in this, the role that oil plays in Gulf conflict can be classified into two categories: an indirect role, as oil helps create states and societies that are predisposed to conflict; and a direct role, as oil is a potential, though not necessarily exclusive, motivation to engage in Gulf conflict. It is important to realize that, while the thesis of this paper asserts that oil constantly has an indirect role in Gulf conflict and frequently has a direct role in it, nowhere is the claim made that in the Gulf, "a war entirely about oil." Even in conflicts like the Second Gulf War and the 2003 Iraq War, in which oil's direct role was most evident, there were other contributing factors.

In section I, an extensive framework that facilitate a compendious analysis of oil's role in Gulf conflict. In section II, an empirical examination is made of oil's role in Gulf conflict with an analysis of oil's role in the Iranian revolution and the Iran-Iraq War; this will continue in section III with an analysis of oil's role in the Second Gulf War; finally, in section IV, there will be analysis of oil's role in the 2003 Iraq War. Because, like any conflict, these events did not occur in a vacuum, any information that is necessary to progress the thesis will be presented accordingly.

I

In this section, the effects oil revenues have had in the Persian Gulf and, briefly, the impacts oil and its revenues has had on international interest in the region will be examined. To do this, (i) a brief history of the two decades in which the industrial demand for oil brought the Persian Gulf states into the global spotlight will be provided. Following this, (ii) the concept of the rentier state as it applies Persian Gulf countries will be introduced. Understanding rentier states in regards to the Persian Gulf

will help account for the international concern for access to the region's oil because:

1. If one imports oil from a rentier state, then one provides oil revenues to a rentier state. The rentier state uses these revenues in a way that increases its control over its citizens, which thus increases its predisposition to conflict.

2. If an oil-producing rentier state is predisposed to conflict, then it poses a relative threat to one's access to oil because conflict can restrict the export of oil.

3. If one increases the amount of oil one imports from a rentier state, then one increases the threat of not having access to oil.

This argument is sound because the states that have been directly involved in major Gulf conflict in the last sixty years are rentier states and because of this, they are prone to conflict, as states with underdeveloped, undiversified economies that are controlled by oppressive, authoritarian figures usually are.

(i) Before World War II, Middle-Eastern oil production accounted for less than five percent of the world's output of crude oil.⁶ However, in the post-war recovery period, Europe's demand for oil drastically increased. A newly adopted, advantageous financing scheme that split the net profits between the Western oil companies and the oil producing government fifty-fifty allowed the oil producing states in the Middle East to dramatically raise revenues. In Iraq, government-controlled oil revenues increased from almost fourteen million to over fifty-one million pounds in 1951. Oil revenues in Saudi Arabia went from half a million dollars before World War II to fifty six million dollars in 1950 and over two hundred million in 1956.⁷ With oil revenues creating opportunities for economic development, the outlook of the once impoverished nations of the Persian Gulf was initially transformed.

Though the unquenchable industrialized thirst for oil certainly gave the Gulf states an international significance disproportionate to its populations, it was not until the 1973 oil embargo that the Gulf states exercised a determining role in world affairs. In the 1950s, major international petroleum companies had exclusive control of oil exportation and marketing. However, in 1959, when oil companies twice cut oil prices in half without notifying their Middle-Eastern suppliers, the major oil producers banded together to form the Organization of Petroleum Exporting

6 Peter Mansfield (New York: Penguin Books, 2003), 281.

7 Ibid.

Countries (OPEC).⁸ Accounting for ninety percent of oil exports outside the communist world, the members of OPEC followed Mohammad Mossaddegh's Iranian example and nationalized their own oil companies by the end of the 1960s.⁹ Despite gradual price increases during these years, which were precipitated by the Iranian Shah and indicated a degree of control in the oil market, industrial demanders were wholly unprepared for what the Gulf states did next.

In 1973 Saudi Arabia, a "swing" producer with an oil production that is one-third of OPEC's, responded to the United States' decision to send over two million dollars of military aid to support Israel in the Arab-Israeli War by instituting an oil embargo against the United States. Other Arab oil producers also cut back on their oil production, which only exacerbated the effects of the American embargo. This led OPEC to set the price of oil at eleven dollars and sixty-five cents a barrel—over eight dollars higher than the previous year.¹⁰ As a result, the United States experienced an energy crisis that affected everything from shares on the New York Stock Exchange, which lost ninety seven billion dollars, to Americans' ability to display Christmas light decorations, which was advised against by state governments and even prohibited in the state of Oregon.¹¹

The fact that the 1973 oil embargo could send America into such an energy crisis, even though it was the world's largest oil producer, showed how Arab oil could be used as a devastating weapon. Furthermore, considering how vulnerable the United States was to Arab oil at a time when it only imported one-third of its oil, how vulnerable is it today as it imports seventy percent of its oil and continues to be the highest consumer of oil in the world?¹²

To deal with its ever-increasing dependency on Gulf oil and vulnerability to its abuse, the United States adopted a strategy in 1973 to promote its energy security that centered on stabilization and, when necessary, intervention. Such a stabilization strategy necessitated a large American presence in the region because the region is dominated by a conflict-prone state-type—the rentier state.

(ii) As established in the last subsection, the production of oil in the

8 William Cleveland (Bolder: Westview Press, 2000), 441.

9 Mansfield, 283.

10 Cleveland, 442.

11 David Frum, *How we got here: the 70's : the decade that brought you modern life (for better or worse)* (New York: Basic Books, 2000), 318.

12 David Victor, "Axis of Oil?" *Foreign Affairs* 82, no. 2 (March & April 2003): 49.

Persian Gulf has increased exponentially since World War II. However, it was only after the Gulf states transformed the existing “ex-colonial models of petroleum exploitation” into radically nationalized petroleum industries that these rentier states flourished.¹³ Control over their nation’s oil production and the possession of its exorbitant rents—defined as “the income derived from the gift of nature”—enabled the Gulf states to move further from the Western model of a production state to the allocation model of a rentier state.^{14, 15}

A rentier/allocation state, as conceived by Hussein Mahdavy, is a state whose revenues are derived predominantly from oil or other foreign sources and has expenditures that account for a substantial share of its gross domestic product.¹⁶ Such a succinct conception of a rentier state allows us to immediately qualify those states that have been involved in Gulf conflict, i.e. Iran, Iraq, Kuwait, and Saudi Arabia. Though the remaining Gulf states have categorically exhibited the necessary conditions at one point in their post-1950s existence, it is outside the scope of this paper to categorize them as rentier states. Oil’s ability to create Gulf states and societies that are predisposed to conflict is most evident in those nations that have been directly involved in conflict.

Oil’s ability to create states and societies that are predisposed to conflict in the Persian Gulf was largely aided by the type of states that were present during its initial explosion. With copious amounts of oil revenues flowing into state coffers, the autocratic monarchs of the state were able to temporarily secure their status by adopting the allocation scheme of the rentier state. This began with the effective abolishment of domestic taxation. In a tax-dependent production state, domestic tax collection requires widespread voluntary societal compliance and implies

13 Mahdavy, 432.

14 Hazem Beblawi, “The Rentier State in the Arab World,” ed. Giacomo Luciani (London: Routledge, 1990), 85.

15 In their writings on the political economy of the rentier state, Hazim Beblawi and Giacomo Luciani progress the conception of “state” as the apparatus or organization of government or power that exercises the monopoly of the legal use of violence. Throughout this paper, until otherwise noted, I will employ this conception of “state.” See *The Rentier State*, vol. 2, *Nation, State and Integration in the Arab World*, ed. Hazem Beblawi and Giacomo Luciani (London: Croom Helm) 1987 page 51.

Helm, 1987

16 Mahdavy, 70.

the existence of a relationship between taxation and legitimacy.^{17, 18} Not relying on society for its income allows the rentier state to sidestep any constraints of accountability and pursue its own ideal end-state unabated, thereby embodying the notion of “no taxation, no representation.”

Due to its massive oil revenues, the rentier state is able to extensively fund public works projects, which clearly reflects the state-building agenda of creating societal peace and political acquiescence.¹⁹ In the process of such state building, a country is able to manufacture a sense of legitimacy, albeit of the material variety. As long as a state is able to keep its society full of carrots, it is able to remain secure, even as its economy-dominating allocations create a society that is predisposed to conflict.

It is only when an autocratic rentier state's underdeveloped, undiversified economy can no longer be greased with oil revenues that the likelihood of a societal rebellion is statistically significant.²⁰ However, due to the fact that oil's value can be dramatically affected by external price shocks and thus incapacitate the state's ability to sustain the domestic economy with oil revenues, it is appropriate to classify a society of an autocratic Gulf rentier state as predisposed to conflict. It is important to note that a society's predisposition to conflict is a function of its dependence on the oil revenues of the state. A society that receives 80 percent of its domestic revenue from state allocations has a substantially higher predisposition to conflict than a society that receives 55 percent of its domestic revenues from state allocations.

There are several reasons why the economies of rentier states are underdeveloped and undiversified. Considering the availability of external rents and the fact that its income is not determined by domestic production, the state does not have a financial incentive to transform its underdeveloped, undiversified economy.²¹ Furthermore, any economic

17 Christine Fauvelle-Aymar, “The Political and Tax Capacity of Government in Developing Countries,” *Kyklos* 52 (1999): 406.

18 Hootan Shambayati, “The Rentier State, Interest Groups, and the Paradox of Autonomy: State and Business in Turkey and Iran,” *Comparative Politics* 26, no. 3 (April 1994): 308.

19 Rolf Schwarz, “The political economy of state-formation in the Arab Middle East: Rentier states, economic reform, and democratization,” *Review of International Political Economy* 15, no. 4 (October 2008): 609.

20 Mirjam Sørli, “Why Is There so Much Conflict in the Middle East?” *The Journal of Conflict Resolution* 49, no. 1 (February 2005): 160.

21 Michel Chatelus, “Towards a New Political Economy of State Industrialization in the Arab Middle East,” *International Journal of Middle East*

development that the state promoted would inherently curtail its control over society, which depends on the state for its economic welfare. One may then reasonably wonder about the prospects of private economic development. However, in a rentier state there is little incentive for private economic entrepreneurship. Because the principal source of domestic revenue is by definition state expenditures, entrepreneurs invariably adopt the rentier mentality and try to gain the government's favor by establishing patron-client ties with powerful individuals within the state structure.²²

There are fundamental inconsistencies in the recommendations for the diversification or development of rentier states. This is because the state's allocations are a function of the structure of its revenue; therefore, there are structural constraints on what is conjecturally possible.²³ Ultimately, economic recommendations for the diversification of a rentier state's sources and structures of income in a significant way are recommendations to abolish the rentier state.

The manner in which oil revenues are used to create a rentier state and a society that is predisposed to conflict have been previously established. The logic holding that a rentier state is predisposed to conflict is fairly straightforward. Whereas the society of a rentier state is predisposed to conflict due to a combination of economic malaise, political oppression and a reliance on oil revenue expenditures, the state's predisposition to conflict is rooted in its reliance on external rents for its security. In the Gulf rentier states, external rents are predominately oil rents. However, they also come in the form of strategic rents, which are bilateral or multilateral foreign-aid payments such as foreign development assistance or military assistance.²⁴ Without a critical level of external rents, an autocratic rentier state is unable to secure itself from its society and from other states. There is another element of this dynamic that affects not only a state's security from society, but also from other states: much of a state's allocations go towards building its military. A large military with external rents allows a state to simultaneously create large amounts of domestic revenue and strengthen its security apparatus; thus, when the

Studies 16 (1984).

22 Kiren Aziz Chaudhry, "The Price of Wealth: Business and State in Labor Remittance and Oil Economies," *International Organization*, 43 (Winter 1989): 43 (Winter 1989): 115.

23 Yates, 23.

24 Mick Moore, "Revenues, State Formation, and the Quality of Governance in Developing Countries," *International Political Science Review* 25 (2004): 306.

state's external rents are low, it is vulnerable to an attack.

With such a high degree of dependency on external rents for its security, a rentier state has two modes of financial crisis management at its disposal—one internal and one external. Because both of these options frequently result in some form of conflict, I believe that it is appropriate to classify the rentier state as predisposed to conflict, whereby the level of predisposition to conflict is a function of its reliance on external rents for its security.

A state's internal mode of financial crisis management aims to solve its economic problems domestically by making a more effective use of its existing rents, usually through austerity measures; Iran instituted these in 1978. This often includes state military action to further subjugate its society. A state's external mode of financial crisis management attempts to solve its economic problems internationally. To carry out an external mode of crisis management, a state can attempt to attain new sources of external rents, an immediate cause of the Second Gulf War. A state can increase the size of its external strategic rents-, which Saddam Hussein attempted during the two Gulf Wars-, or a state can increase its external rents by influencing the oil production of other states as to affect the value of oil. This was attempted before the Second Gulf War, albeit superficially.²⁵

In this section, a framework was provided that established how oil can create a rentier state and society that are predisposed to conflict and how the state's predisposition to conflict fundamentally commands international interest. With this framework, one will be able to recognize oil's role in Gulf conflict in the sections to follow.

II

In this section the role oil played in the (i) Iranian Revolution and in the consequent (ii) Iran-Iraq War is examined. As previously stated, the fact that this analysis is limited to the role oil played in Gulf conflict does not imply that oil was the only contributing factor. Because oil's role in Gulf conflict is so obvious, one may be inclined to infer that oil has been the only motivation for some conflicts. However, as is shown in the following sections, while it may be an underlying motivation, it is never the only cause of turmoil.

(i) The role oil played in the 1979 Iranian Revolution was indirect, as it created an Iranian state and society that were predisposed to conflict. With the forced abdication of Iran's military despot, Reza Shah, in 1941,

25 Schwarz, 611.

and the Western installation of his son Muhammed Reza Shah, the autonomy of the Iranian state significantly eroded. It was only after the 1953 coup of Prime Minister Muhammad Mosaddeq that the Shah's state regained some measure of autonomy.²⁶ One of the coup's consequences was that large quantities of oil rents flowed into the state's reserves and allowed the Shah to manufacture a secure rentier state.²⁷ By 1960, oil exports contributed 41 percent of Iran's total revenue. Oil contributions to government revenues continued to increase through the rest of the decade, and by 1971, oil accounted for 55 percent of total revenue. After the 1973 Arab oil embargo, Iran's oil income more than quadrupled and contributed 84 percent of the total budget in the 1974-75 fiscal year.²⁸

Notwithstanding the fact that pre-revolution Iran was the first rentier state, Iran's state allocation scheme was characteristic of an autocratic rentier state.²⁹ Thus, the state's main relationships to Iranian society were mediated through its expenditures: on the military, on development projects, on modern construction, on consumption subsidies, et c. Suspended above its citizens, the Iranian state bought them off, rearranged their lives, and repressed any dissidents among them.³⁰

Attempting to create a modern, industrial Iran, many of the state's allocation programs were intended to supplant Shiite influence on society.³¹ Land reform in the 1960s dispossessed many individual clerics and religious institutions, and served to cut the clergy's ties to the landed upper class. Welfare as well as educational and legal reforms created modern, professional, state-employed competitors to the Shiite clergy in all of the clergy's historically important social functions.³² Before the state could eliminate Islam's influence on its society, a politically aggressive and populist brand of Islamic traditionalism was developed. Even after being exiled from the state in 1964, Ayatollah Khomeini continued to preach against the Shah and call on the ulama to assert their right to lead the Islamic community in direct opposition to such an unjust authority.³³

However, as long as the economy of the Iranian rentier state was sufficiently greased with oil, the patron-client relationship that existed

26 Shambayati, 317

27 Ervand Abrahamian (Princeton University Press, 1982), 419.

28 Hussein Mahdavy, 430.

29 Yates, 16.

30 Shambayati, 319.

31 Cleveland, 411

32 Theda Skocpol, "Rentier State and Shi'a Islam in the Iranian Revolution," *Theory and Society* 11, no. 3 (May 1982): 274.

33 Cleveland, 415.

between the state and its society stayed in place. In the beginning of the decade to follow, as explained in section I, OPEC raised oil prices. The Iranian state immediately had huge revenues that only expanded its dominion. Along with windfall profits, rising wages, and new employment opportunities, urban Iranians nonetheless experienced escalating inflation.³⁴

Then, in 1975-77, the demand for Iranian oil decreased, and many projects had to be cut, which forced much of the labor force into unemployment. From 1974 to 1975, the state's budget fell nearly 6 billion dollars to hold a deficit of 1.7 billion dollars. The following year, the state budget deficit plunged further to 2.4 billion dollars.³⁵

As explained in the last section, when in a time of financial crisis, a rentier state has two modes of management. In 1978, in an effort to keep the state afloat, the Shah employed the internal mode of crisis management. The state adopted a new economic policy that was a political and an economic disaster and only fueled society's revolutionary predisposition. In order to reduce inflationary pressures, the government decided to slow down the economy. The regime imposed wage freezes, canceled dozens of construction projects, and introduced a general austerity program.³⁶ These policies quickly created a recession that led to widespread unemployment among urban workers, who accounted for 50 percent of the population. Displaced from their rural existence and not yet fully integrated into urban life, they were receptive to the calls for protest issued by the Shiite clergy.³⁷

With no oil revenues to elevate itself over society, the autocratic state fell vulnerable to rebellion. Unfortunately for the Iranian state, Iran's oppressed society was most emboldened to rebel while the state was most vulnerable. There were no carrots. There was no state popularity. There was no reason for Iranian society not to rise up; the success of the state hinged not on its competency but on its external rents. In the case of a revolution, the society of a rentier state would be free of oppression but still be able to collect external rents.

As the tide of societal unrest gathered momentum, the huge coalition of discontent found its voice in Ayatollah Khomeini, who was still in exile and still issuing uncompromising demands for the Shah's abdication over a decade later.³⁸ Under Khomeini, the movement against the Shah

34 Cleveland, 422.

35 Elie Kedouri (London: Frank Cass, 1980), 241.

36 Cleveland 413.

37 Ibid 415

38 Ibid.

was transformed from a moderate reformist movement of the professional middle classes to a popular Islamist one.³⁹ Strikes and riots became demonstrations, which led to a revolutionary protest movement. Even the state's bloody efforts to create a military rule could not dilute the revolutionary zeal; it was too late for any possibility of violent coercion. On January 18, 1979, the Shah fled Iran and on February 1, 1989, Ayatollah Khomeini returned to lead the new Islamic republic.

In the case of the Iranian revolution, oil's role in creating a state and society predisposed to conflict is evident. Oil facilitated the creation of an autocratic rentier state that resided over an economy with no domestic viability. The economic and political reality of the Iranian rentier state created the grounds for a grievance-based conflict. Because the manifestation of this conflict was dependent on the value of oil, oil played an indirect role in the Iranian Revolution. One should also note that the growth of political Islam occurred during Iran's financial crisis. This is consistent with the notion that the state's ability to control society is hinged on its ability to purchase society's consent and welfare.

(ii) There are a host of valid explanations regarding Saddam Hussein's choice to invade Iran in 1980 that range from political and historical to personal. In this subsection (a), the popular belief that Hussein invaded Iran out of fear that Ayatollah Khomeini would inspire the Iraqi Shiites to revolt against the Iraqi state will be analyzed.^{40, 41} This belief is inconsistent with the framework established in section I, because the only time that the security of a rentier state is significantly threatened is when it has an insufficient amount of external rents, which Iraq most likely had. After this analysis, oil's direct role in the conflict will be examined (b), as it provided motivation for Hussein to invade Iran and explains America's involvement in the conflict. Oil's indirect role in the conflict will also be investigated, as rentier states like Kuwait and Saudi Arabia with significant interests in Iraq's survival financially aided Iraq's war efforts.

To understand why many people believe that Saddam Hussein's concern over domestic affairs in Sunni-controlled but majority Shiite Iraq provided a motivation for the Iraqi invasion of Iran in 1980, one needs to look not only at Iraq's domestic political reality, but also at post-revolution Iran.⁴² As leader of the Islamic Republic of Iran, Ayatollah Khomei-

39 Skocpol, 270.

40 Swearingen, 411

41 This motivation should not be confused with Saddam's possible strategic motivation of invading Iran in order to preempt a *war with Iran*.

42 Shambayati, 320.

ni advocated an end to the oil monarchies of the Middle East. He viewed the Arab rentier states of the Persian Gulf as threats to the survival of Islam.⁴³ It is a popular belief that Khomeini's vociferous calls for the exportation of the Islamic Revolution substantively affected Saddam in neighboring Iraq. After all, the size of his "oil monarchy" was seconded only by Saudi Arabia.⁴⁴ But unlike in Saudi Arabia, the Iraqi population was 60 percent Shiite - many of whom regarding Khomeini as their foremost spiritual leader- and only 20 percent Sunni Arab.⁴⁵

The notion that Saddam feared that an Iraqi Shiite revolution inspired by Khomeini is nonetheless inconsistent with the idea that an autocratic rentier state's security is only significantly threatened when it does not have a sufficient amount of external rents. At the time, the Iraqi state did have a sufficient amount of external rents to prevent a successful internal revolution: in 1979, Iraq hit its peak oil production and was expected to amass 30 billion dollars in 1980, before the war broke out.^{46, 47} Had those 30 billion dollars not been sufficient to prevent a revolution, the Iraqi government would still have been able to quell a Shiite revolution because it would have been in the best interest of the Arab league and the United States to at least lend the necessary difference in the form of strategic rents.

(b) In an effort to identify the factors of the Iran-Iraq War, oil's role cannot be overlooked. Oil played a role in the Iran-Iraq War in the following ways: (1) Saddam Hussein's decision to invade Iran was influenced by Iran's oil and its stake in the Shatt al-Arab, a major waterway used to export oil. (2) As fellow rentier states created by oil revenues, Kuwait and Saudi Arabia had vested interests in the survival of the Iraqi state. (3) American involvement was directly motivated by its fundamental need for a continued access to oil.

(1) Five days before Iraq invaded Iran, Saddam Hussein abrogated the 1975 Algiers Agreement, which had the unmistakable character of a declaration of war. This stems from the controversy surrounding the signing of the 1975 agreement. Essentially, the 1975 agreement was Iran's creation, as it manipulated a set of circumstances that threatened Iraq and

43 Dilip Hiro, *The longest war: the Iran-Iraq military conflict* (New York: Routledge, 1991), 37.

44 Ibid, 40

45 Swearingen, 412.

46 ALISON SMALE, "Official Says Iraqi Oil Production Still Lagging," *The New York Times*, September 22, 2005, http://www.nytimes.com/2005/09/22/business/worldbusiness/22petrol.html?_r=1 (accessed March 7, 2010).

47 Hiro, 38.

forced them to sign. The Iraqi government had no choice but to accede to the treaty by Iranian promotion of a Kurdish revolt that threatened to dismember Iraq and to deprive it of its primary oil-producing region. In exchange for Iran's pledge to stop supporting the revolt, Iraq gave up a large portion of the vital Shatt al-Arab, which provided a direct outlet to the Gulf for oil exports.⁴⁸

Despite Saddam's de facto declaration of war, which he justified by claiming that the Islamic Republic of Iran was allowing Kurds to seek refuge in Iran from the Iraqi military in violation of the 1975 Algiers Agreement, it is clear that Iraq's motivation for invading Iran was not limited to recovering the area of the Shatt al-Arab it unduly lost in 1975. Oil was no small part of the calculus of Hussein's decision to go to war. At the beginning of the war, Iraq was producing 6 million barrels per day. Had Saddam succeeded in seizing Khuzestan Province in western Iran and the Kharq Island oil terminal, he would have almost doubled oil production under his control to 11 million barrels per day—nearly 20 percent of world oil consumption.⁴⁹

(2) As the Iran-Iraq War continued, however, Iraq's ability to export oil was severely crippled by Iranian air attacks.⁵⁰ Dependent on external rents to function, Iraq was forced to borrow from abroad to finance its war effort. Saudi Arabia and Kuwait quickly became Iraq's chief lenders. Together, they supplied Iraq with 50 to 60 billion dollars worth of aid.⁵¹ Considering how the rentier states of Saudi Arabia and Kuwait were also targets of Islamic transformation, it is no wonder why they were so willing to support Iraq's effort. However, as was established above, their security would not necessarily be threatened domestically. But if Iran controlled nearly 20 percent of the world's oil consumption, the Arab rentier states would assuredly be threatened by its invasion.

(3) When the Iran-Iraq War broke out, America's twin pillars policy for regional stability, which sought to balance the power of Iran and Iraq, was reevaluated. A policy of containment was adapted instead. No longer was the Baath regime of Iraq the largest threat to the interest of the United States. Before 1987, America's support of the Iraqi war effort had been limited. Beginning in 1982, however, President Reagan took steps to increase its support of Iraq by removing the country from its list of

48 Swearingen, 408

49 Bruce Jentelson (New York: W.W. Norton & Company, 1994), 41.

50 Cleveland, 404.

51 Ibid.

state sponsors of terrorism.⁵² This allowed the American arms to be sent to Iraq from Jordan and Kuwait.⁵³

In 1987, when Iran increased its attacks on Kuwaiti oil tankers in retaliation against Kuwait's support of Iraq in the war, the United States allowed Kuwait's ships to fly the American flag. This implied that any further Iranian attack would be equivalent to an attack on an American ship.⁵⁴ The United States was determined to contain Khomeini to such an extent that it ignored the brutality of Saddam's regime in order to prevent the spread of the kind of Islamic radicalism and anti-American sentiment fostered by the theocratic Shiite regime.⁵⁵ Oil reserves, not human rights, were at stake for the United States. The pro-Western Arab Gulf states controlled over half the world's known supply of oil and the United States required continual access.⁵⁶ Oil's direct role in the conflict was belied by America's active involvement.

III

By the time the Iranian leadership accepted the cessation of hostilities with Iraq, it was evident that neither side had won. The longest war of the century took the lives of over 200,000 Iranians and 100,000 Iraqis.⁵⁷ While Iran funded its own war efforts, Iraq experienced financial woes following the war. During the war, Iraq spent over 95 billion dollars, of which 60 billion was borrowed from Kuwait and Saudi Arabia and another 30 billion dollars were taken from various other countries.⁵⁸ Hussein was keenly aware of the vulnerability his state faced; it was initially estimated that Iraq would finish 1990 bankrupt, between 8 billion and 10 billion dollars in the red.⁵⁹ In an effort to return the Iraqi state to its pre-1980 stature, Saddam enacted a rentier state's external mode of financial crisis management by: (a) attempting to increase Iraq's amount of strategic rents from Arab states, (b) attempting to increase Iraq's external rents by influencing Kuwait's oil production, and (c) attempting to

52 Steven A. Yetiv, *The absence of grand strategy: the United States in the Persian Gulf, 1972-2005* (Baltimore, MD: Johns Hopkins University Press, 2008), 51.

53 Ibid.

54 Yetiv, 61.

55 Cleveland, 405.

56 Ibid, 406

57 Hiro, 250.

58 Ibid, 4

59 Simon Henderson, *Instant empire: Saddam Hussein's ambition for Iraq* (San Francisco: Mercury House, 1991), 219.

expand Iraq's source of external rents by invading Kuwait. Though one may appropriately consider Saddam's attempt to decrease Kuwait's oil production as superficial and part of an insidious rationalization for what he knew was inevitable, it will be included in this elucidation of oil's role in the Second Gulf War. The very employment of these management techniques by Hussein is indicative of his status as a rentier state autocrat.

Oil's direct role in the conflict is also evident in the response taken by the United States and the rest of the world, whose guaranteed access to oil was severely threatened by Saddam's successful annexation of Kuwait. Unfortunately for the United States, its actions throughout this "war of necessity" are said to have mobilized Osama bin Laden against the United States, thereby germinating the seeds for the next Gulf war thirteen years later.

(a) Initially, Hussein hoped to relieve his financial burdens in an appeal to the Arab states, and in particular, Kuwait. He wanted Kuwait to pay Iraq 10 billion dollars and forgive its war debt, because Hussein believed that the "assistance" Kuwait provided Iraq during the war should not be considered "debt."⁶⁰ Then, at a meeting of the Arab Cooperation Council, Hussein demanded 30 billion dollars, threatening that if he did not receive it, "(he) (would) know how to get it," i.e. invading and annexing Kuwait.⁶¹ Hussein claimed that the Iraqi defense of the Arab Gulf states against Iran was a sacrifice and that they should participate in a sort of "Arab Marshall Plan" for Iraq.^{62, 63}

Hussein also accused Kuwait of stealing 2.4 billion dollars worth of Iraqi oil from the bordering Rumeila oil field.⁶⁴ (b) However, the most substantive accusation he made against Kuwait regarded its continued production of oil above the OPEC production quota, which caused a decline in the price of oil and Iraq's oil revenues.⁶⁵ Hoping to placate the saber-rattling despot, Kuwait undertook a number of conciliatory gestures in July 1990. For instance, it agreed to reduce its oil output by nearly 25 percent.⁶⁶ Nevertheless, Hussein still claimed its past overproduction, use of the Rumeila oil field, and refusal to cancel Iraqi debt

60 Walid Khalidi (Washington D.C.: Institute for Palestine Studies, 1991), 11.

61 Charles Tripp (Boulder: Westview Press, 1996), 44.

62 Cleveland, 464.

63 Khalidi, 12.

64 Fred Halliday, *The Middle East in international relations: power, politics and ideology* (Cambridge, UK: Cambridge, 2005), 144.

65 Khalidi, 20.

66 Mehran Kamrava (Los Angeles: University of California Press, 2005), 185.

amounted to economic warfare against Iraq. Thus, on August 2, 1990, approximately one hundred thousand Iraqi troops invaded Kuwait, taking its capital in a matter of hours.^{67, 68}

(c) Hussein's calculations as to whether or not he should invade Kuwait proved to be completely erroneous. He assumed that his invasion of Kuwait would not be met with international opposition. However, Iraq's quick seizure of Kuwait City was not reflective of its ability to use Kuwait's oil to expand his external rents. Totally miscalculating Iraq's military capabilities, Hussein believed that his military was strong enough to protract American intervention until it became politically infeasible for them to continue. However, he could not dissuade the international community from condemning Iraq's occupation of Kuwait and calling for the restoration of Kuwaiti sovereignty.⁶⁹

Hussein wanted Kuwait for the same reasons the international community could not let him keep it. Oil's direct role in conflict could not be more pronounced. Iraq would have become the dominant local power had it continued to possess all of Kuwait's financial and mineral resources. Iraq would not have needed to be in physical control of Saudi Arabia and the other much smaller Gulf states' territories or resources to have exercised tremendous influence over them; it would have dominated the Arab world and OPEC.^{70, 71} The United States agreed to the Saudi government's formal invitation to deploy troops to defend the kingdom and in doing so further established itself in the region. By October 1990, the American troop presence in Saudi Arabia was over 200,000.⁷² The Saudi decision to reject Osama bin Laden's offer to protect the kingdom with his Islamic militants was the severing point between the two. And when bin Laden was exiled from his own country to facilitate good American will, he directed his anger not at the Saudi government, but at its American patrons.

With such a large show of force, the United States assumed that it could intimidate Saddam into leaving Kuwait, but Hussein would not back down. As political pressure on Iraq increased, so did American troop presence, which grew to 500,000 by the time the United Nations' deadline for Iraqi withdrawal expired. When Iraq refused to leave Ku-

67 Cleveland, 465.

68 Kamrava, 183.

69 Ibid, 185

70 Richard Haass, *War of necessity: war of choice* (New York: Simon & Schuster, 2009), 72.

71 Ibid, 132

72 Cleveland 465

wait, an American-led coalition, which eventually grew to include thirty-six countries, liberated Kuwait militarily.

Saddam Hussein and George H. W. Bush both explicated a number of reasons for going to war in 1990. For instance, Saddam made the historical evocation that Kuwait had been an administrative sub-district of the Iraqi province of Basra in Ottoman times and should be returned to Iraq, while Bush claimed that Kuwait's national sovereignty should be restored.^{73, 74} However, as was shown in this section, it is apparent that their interest in Kuwait lay not in its political past or future, but solely in its fossil fuel resources.

IV

Oil's direct role in the 2003 Iraq war does not need much promotion. While it was by no means the only motivation for the American invasion, oil is popularly believed to have directly influenced America's course of action.⁷⁵ Other possible motivations range from neoconservative desires for regime change to the need to remove weapons of mass destruction. But as the United States attempted to secure inexpensive and continual access to fossil fuels, oil as a direct motivation for the invasion will be examined. Because Saddam Hussein's status as the autocrat of a rentier state has already been thoroughly covered, an analysis of oil's indirect role in the 2003 Iraq War would be superfluous.

Iraq had enormous growth potential for oil production, a phenomenon that certainly motivated the United States to invade. Iraq's potential can be viewed as enormous precisely because it had been hamstrung over the past twenty-five years. Between the Iran-Iraq War, the Second Gulf War, subsequent UN sanctions, and Saddam's own mismanagement and corruption, Iraq's growth potential had been truncated and its oil infrastructure was in disarray.⁷⁶

Iraq's various conflicts with the United Nations resulted in a drop in production from an average of 2.6 million to 2 million barrels per day from 1999 to 2000. Indeed, UN Resolution 986 implied that only a less sanctioned, western-friendly regime could have reversed this decline.⁷⁷ But many analysts believed that, with a totally rebuilt oil infrastructure, Iraq could have increased oil production to an estimated 6 to 12 million

73 Khalidi, 10.

74 Haas, 46.

75 Yetiv, 128.

76 Yetiv, 130

77 Dresdner, Kleinwort, Wasserstein research, "Oil Pices-Short-Term Strength Masking Longer-Term Weakness," *World Oil Report*, no. 2 (July 24, 2002).

barrels per day within a decade.⁷⁸ Thus, because American energy security required continual access to oil and, as this section established, regime change in Iraq provided greater U.S. access to Iraqi oil, it is evident that oil's role in the 2003 Iraq War was direct and present.

It is argued in this essay that oil has two roles in Gulf conflict. The first is an indirect role that is used to build a rentier state, one whose revenues are derived predominantly from oil or other foreign sources and has expenditures that account for a substantial share of its gross domestic product.⁷⁹ In the Persian Gulf, this has allowed autocratic states to exist autonomously from their societies. Unfortunately for the rentier state, because it relies on oil revenues to subdue its resentful society, it is particularly vulnerable to rebellion when oil revenues are low, as was seen in Iran.

Oil's second role in Gulf conflict is direct. . Oil's direct role in conflict is apparent when a belligerent's presence in a conflict is influenced by a direct motivation for oil. Unlike oil's indirect role, oil's direct role is limited by a state-type. Underlining the two roles of oil and their implications has provided insight into the dynamic role of oil in Gulf conflict, as it not only motivates states for wars, but it creates states and societies that are predisposed to conflict.

78 Fadhil Chalabi, "Iraq and Future Oil World," *Midd East Policy* 7 (October 2000).

79 Mahdavy, 70.