

From Free Oil to 'Freedom Oil'?
Terrorism, War and US Geopolitics in the Persian Gulf

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Abstract

Oil has been a major driving force behind foreign interests, regional and domestic balance of power, and territorial conflicts in the Persian Gulf. As a result of the '9/11' terrorist attacks debates on oil and the United States' security agenda have significantly shifted. If on one side, those opposing US military interventionism have argued that the 'war on terror' provided one more convenient cover for a renewed 'imperialist oil grab' in this region; on the other, links between oil and terrorism pointed at problems of governance in oil producing countries. As the 'war on terror' became justified as a 'war of liberation' against oil-funded dictators, the US portrayed its foreign policy as shifting from ensuring free access to oil for the world market, to ensuring that oil is delivering 'freedom' to local populations. Although engaging the crucial issue of oil governance, there is yet little evidence given the number of war victims and potential vested interests that a US policy shift from 'free oil' to 'freedom oil' is genuine and viable.

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“Persian oil ... is yours. We share the oil of Iraq and Kuwait. As for Saudi Arabian oil, it’s ours.”

President Roosevelt to British Ambassador (1944)¹

“Storming the Arabian Peninsula...plundering its riches...here come the crusader armies...to annihilate what is left of the Iraqi people and to humiliate their Muslim neighbors...despite the huge number of those [already] killed...as thought they come not content with the protracted blockade imposed after the ferocious [Gulf] war ...”

Fatwa by Bin Laden (1998)²

The war in Iraq has “nothing to do with oil, not for us, not for the U.K., not for the United States ... we don’t touch it, and the U.S. don’t touch it. We cannot say fairer than that.”

Prime Minister Tony Blair to MTV audience (2003)³

Introduction

The vast oil wealth of the Persian Gulf is a key dimension of geopolitics in the Middle East and an emblematic prize of so-called ‘resource wars’.⁴ After ‘black gold’ was discovered in Persia in 1908, this resource drastically exacerbated the stakes in the struggle over the spoils of the Ottoman empire and the Western security imperative to prevent the (re)emergence of a powerful regional rival. Following their victory over the ‘German-Ottoman Axis’ in the First World War, France and Britain extended their colonial control, drawing borders and occasionally selecting rulers, before the Second World War enabled the United States to assert a predominant role in the region, notably through the oil for security swap defining its ‘special relationship’ with the Saudi ruling family.⁵ Western diplomatic and military support of friendly local regimes in the Persian Gulf was closely linked to the protection of western

¹ Reported in D. Yergin, *The Prize: The Epic Quest for Oil, Money and Power* (New York: Simon and Schuster 1991) p. 401.

² World Islamic Front’s ‘Statement Urging Jihad Against Jews and Crusaders’, *al-Quds al-Arabi*, 28 February 1998.

³ Cited in J. Wardell, ‘Blair Says Britain, U.S. Won’t Touch Iraqi Oil’, Associated Press, 6 March 2003.

⁴ Defined as armed conflicts revolving ‘to a significant degree, over the pursuit or possession of critical materials’, see M.T. Klare, *Resource Wars: The Changing Landscape of Global Conflict* (New York: Henry Holt 2001) p. 23

⁵ J. Calabrese, ‘The United States, Great Britain, and the Middle East: How Special the Relationship?’, *Mediterranean Quarterly* 12/3 (2001) pp. 57-84.

oil interests. Domestic threats to western oil interests were faced by military interference and destabilisation efforts by British intelligence and the CIA, notably in Iran to topple Mossadegh's government in 1953 and reinstate the Shah or in Iraq to avoid the communist from taking power after the 1958 coup d'état or to retaliate against Baghdad's nationalisation of the oil industry in 1972.⁶ Beyond domestic threats, the fear of losing Middle East oil to the Soviet block, through a local left-leaning regime or an outright invasion, sustained a pro-active Western policy maintained successively through British military forces, a 'surrogate strategy' based on Saudi and Iranian alliance, and since the 1980s a permanent and increasingly pro-active military presence of the United States (see Figure 1). The end of the Cold War did not significantly shift this strategic stance, as government or opposition movements deemed hostile to western 'security interests' - such as Iran, Iraq, or al Qaeda - continued to be perceived, or portrayed, as a threat justifying the continuation of such military doctrine. Yet beyond the threat to Western and regional security that these may represent, what remains at stake is the access to the world's largest oil reserves.

Oil has not only motivated foreign interests in the region, but has also significantly affected the balance of power within and between regional states. The vast revenues available to states and the elites have drastically increased inequalities in wealth and power, which despite religious or nationalist ideologies and populist economic measures often exacerbated internal dissent and instability. If the existence and clout of states like Saudi Arabia did not initially emerge from oil wealth, but rather from the consolidation of local dynasties and Islamic legitimacy, oil wealth played a role in shifting the balance of economic and military power from the larger and agricultural countries in the region to the petro-states of the Persian Gulf through massive arms purchases, financial aid and remittances, as well as the clout of their powerful industrialized allies. Since at least the Iranian revolution in 1979, many Western strategists have argued that the oil wealth exacerbates the 'inherently problematic' geopolitical structure of the Gulf, and calls for an active presence of outside (western) forces. On one hand, Iraq's strength was seen as unable to 'balance' Iran without threatening Saudi Arabia and the emirates of the Gulf, thereby justifying a US imperial posture in the Middle East and the controversial presence of troops on the 'holy soil' of the Arabian Peninsula.⁷ On the other, the concentration of spare oil production capacity and 'reasonable price' policy of Saudi Arabia and some emirates have led Iran and Iraq to accuse them of privileging the

⁶ See S.K. Aburish, *A Brutal Friendship. The West and the Arab Elite* (London: Indigo 1997).

economic interests of industrialised countries over those of the local populations.⁸ Moreover, oil has enabled a military build-up aggravating conflicts in the region, including with Israel.

Oil has also lent greater importance to the territorialisation of states and the definition of boundaries sometimes foreign to the political geography and lifestyles of the Arabian Peninsula.⁹ As foreign companies have concentrated on gaining and sustaining their control of oil fields, local rulers have awarded concessions in border regions, hoping that the association of capitalist claims and backing of foreign troops would secure their share of the new-found wealth. Territorial disputes, such as the issue of the Iraqi access to the sea or the exploitation of cross-border oil fields, have been among the main reasons and justifications for armed conflicts in the regions.¹⁰ Protracted conflicts associated with oil, within and between competing regional states as well as foreign interests, have shaped a history of violent geopolitics in the region in which the terrorist attacks of '9/11' and the US-led military invasion and occupation of Iraq in March 2003 represent the most recent episodes.

This paper reflects on the geopolitical implications of oil dependence and its violent dimensions for petro-states in the Persian Gulf in light of the US occupation of Iraq. The first section of the paper briefly examines the links between oil dependence, governance, and armed conflicts in producing countries, as well as discursive constructions about oil and the power of associated narratives. The second reviews the 'mutual dependence' of oil producers and consumers in relation to the Persian Gulf. The third engages with the debate about the connections between oil, terrorism, and US policy in the region, focusing on the possible 'oil agenda' of the US 'war on terror' in Afghanistan and Iraq. Before concluding, the paper discusses potential US policy moves from 'free oil' - securing militarily and politically free access to oil - to 'freedom oil', through which a better governance of oil in producing countries would provide freedom rather than authoritarianism to local populations and help resolving dilemmas between US energy and security agendas.

⁷ Significant tensions between Iran and Iraq dated at least back to the 1969-1971 Shatt El Arab dispute and Iranian occupation of Iraqi islands in the Gulf. A. Garfinkle, 'The US Imperial Postulate in the Middle East', *Orbis* 41/1 (Winter 1997) p. 15-29.

⁸ E.L. Morse and A. Myers Jaffe, *Strategic Energy Policy: Challenges for the 21st Century*. (New York: Council on Foreign Relations 2001) p. 24.

⁹ Richard Schofield, *Territorial Foundations of the Gulf States* (London: University College London, 1994); Aymeric Chauprade, *Géopolitique. Constantes et Changements dans l'Histoire* (Paris: Ellipses, 2001). For a discussion of oil and other resources in relation to the geography and political economy of war, see P. Le Billon, 'The Political Ecology of War: Natural Resources and Armed Conflicts', *Political Geography* 20/5 (2001), pp. 561-84.

¹⁰ Iraq's posture towards its neighbours is geographically rooted in its British inherited borders, resulting in a very limited and lockable access to the sea and territorial claims over Kuwait.

The ‘curse’ of petro-states

Interpreted as a key instrument of modernization and political emancipation for Arab nationalists, or a long-term financial rent by Muslim traditionalists - not to mention a ‘weapon’ against Israel - oil has turned out to be a curse for many of the people who succumbed to authoritarian regimes and devastating wars financed or motivated by what Juan Pablo Pérez Alfonzo, the co-founder of the Organization of Petroleum Exporting Countries (OPEC), called the ‘devil’s excrement’.¹¹

Nationalisation policies and the oil boom of the 1970s and early 1980s provided unprecedented wealth to the elites of most Persian Gulf countries, and in many of them oil revenues were widely distributed through welfare state policies.¹² Yet after more than a decade of rising oil prices, the collapse from \$52 to \$15 per barrel in the mid-1980s debilitated many oil-producing economies which had failed to diversify, and jeopardized their political systems. In Saudi Arabia, economic growth did not keep pace with rising population size and aspirations, resulting in a halving of per-capita income over the next fifteen years and growing inequalities between the extended Royal family and most of the population. In Iraq, oil gave Iraqi leaders – most notably Saddam Hussein - the means to pursue (historically and personality based) ambitions of leadership in both their relation to Arab nationalism and then towards military ventures in the region. Confronting a huge debt resulting from its military build-up and its war with Iran, Iraq justified its invasion of Kuwait in 1990 by accusing it of tapping into cross-border oil fields and maintaining a low price policy undermining Iraqi oil revenues, ultimately resulting in a devastating combination of war, economic sanctions, domestic rebellion and internal repression.¹³

Many other countries economically reliant on resource wealth have been characterised by poorer economic growth and lower standards of living, higher levels of income inequality and corruption, as well as political authoritarianism.¹⁴ Although these problems characterise many developing countries unsurprisingly relying on raw material exports; some economists

¹¹ Cited in T.L. Karl, *The Paradox of Plenty: Oil Booms, Venezuela, and other Petro-states* (Berkeley, CA: University of California Press 1997) p. 4.

¹² R. Said Zahalan, with R. Owen, *The Making of the Modern Gulf States* (London: Ithaca Press 1998).

¹³ A. Alnasrawi, *Iraq’s Burdens: Oil, Sanctions, and Underdevelopment* (Westport, CT: Greenwood Press 2002); A. Arnove, *Iraq Under Siege: The Deadly Impact of Sanctions and War* (Cambridge MA: South End Press 2002).

¹⁴ C. Leite and J. Weidmann, ‘Does Mother Nature Corrupt? Natural Resources, Corruption, and Economic Growth’, *IMF Working Paper WP/99/85*, (Washington DC: IMF 1999); M.L. Ross, *Extractive Sectors and the Poor*, Oxfam America Report, (New York: Oxfam 2001); J.D. Sachs and A.M. Warner, ‘Natural Resources and Economic Development. The Curse of Natural Resources’, *European Economic Review*, 45 (2001), pp. 827-838.

and political scientists assert that resource wealth can be more of a ‘curse’ than a ‘blessing’ given the trajectory of under-development followed by many resource rich countries.¹⁵

Resource dependence can have a number of adverse effects on governance and societies. Through a ‘rentier’ effect, governments can rely on fiscal transfers from resource rents, rather than statecraft, to sustain their regime.¹⁶ Large resource rents independent of public taxation can result in a ‘coercive’ effect as rulers finance higher internal security expenditures warding off democratic pressure domestically and inciting aggressive posturing and policies towards their neighbours and international norms. At a societal level, a ‘non-modernisation effect’ associated with the enclave economic nature of many extractive resource sectors, such as oil, can fail to bring about socio-professional and cultural changes that tend to promote democracy and a thriving civil society. Political scientist Michael Ross finds tentative support for all three of these effects in the case of oil exporters.¹⁷ Corruption on a grand scale is facilitated by the secrecy and discretionary power of decision-makers as well as international competition over lucrative resource projects. If compounded by a lack of welfare-oriented fiscal policies such governance generally results in high levels of inequality. Even without corruption, clientelist politics weaken state capacities, as benevolent governments come under pressure to relinquish resource rents and have to trade coherent economic policies maximising long-term welfare for short-term management of the demands of political constituencies and mitigation of social tension.¹⁸

The economy and politics of oil-dependent states are also affected by their propensity to spend more on defence.¹⁹ The priority of military expenditures over civilian ones reflects the rulers’ fears of domestic or regional opposition, corruption opportunities, as well as foreign incentives to trade resources for arms for the sake of mutually profitable political and resource flow stability. Since the 1970s, the arms build-up in the Persian Gulf region has been the largest among developing countries.²⁰ Not only is the overall economic productivity of the country affected by such military overspending, but wealth and power become increasingly dependent upon controlling rents from the resource sector and transfers to the military

¹⁵ R.M. Auty, *Sustaining Development in Mineral Economies: the Resource Curse Thesis* (London: Routledge 1993); M.L. Ross, ‘The Political Economy of the Resource Curse’, *World Politics* 51/2 (January 1999), pp. 297-322. For a counter-argument, see G.A. Davis, ‘Learning to Love the Dutch Disease: Evidence from the Mineral Economies’, *World Development* 23/10 (1995), pp. 1765-79.

¹⁶ M.D. Shafer, *Winners and Losers: How Sectors Shape the Development Prospects of States* (Ithaca, NY: Cornell University Press 1994); Karl (note 11).

¹⁷ M.L. Ross, ‘Does Oil Hinder Democracy’ *World Politics* 52 (April 2001) p. 356-7.

¹⁸ R.M. Auty (ed.) *Resource Abundance and Economic Development* (Oxford: Oxford University Press 2001).

¹⁹ Ross *Extractive Sectors and the Poor* (note 14), p. 15.

²⁰ SIPRI Yearbook (Oxford: Oxford University Press, various).

apparatus, raising the stakes of military control and potentially pitting military against civilian officials. Resource dependent countries appear to figure amongst the most conflict-ridden countries, with a highest risk when primary commodity exports represent about a third of Gross Domestic Product (GDP).²¹ Countries with a low level of resource-dependence tend to be industrialised democracies, a group largely insulated from civil wars. Highly resource-dependent countries essentially include oil producers in a position to 'buy out' social peace from relatively small populations, and benefit from the support of powerful foreign allies. In this regard, however, sanctions - imposed notably by the US on Iran, Libya, or Sudan - also reflect the fact that energy policy and business interests are not the only factors in determining foreign policy towards oil producing states, at least when world supplies are plentiful. Nor is a policy of support towards friendly regimes without its own potentially violent consequences, as demonstrated by the anti-US stance that characterised the overthrow of the Shah of Iran in 1979 and rise of the Islamic terrorist group al Qaeda during the 1990s.

If many empirical studies support the concept of a 'resource curse' affecting petro-states, the discursive associations of oil with 'corruption', 'dictatorship', and 'evil' have also proved in themselves powerful social constructions. Most sides in the political conflicts surrounding terrorism and the 'war on terror' have used the symbolism of oil in their discursive construction of 'reality', whether it is to denounce the corruption and authoritarianism of local regimes or the greed of corporations and politicians. More than just a source of money and energy, oil has been socially instrumentalised as a source of power at the discursive level. In this respect, the worldwide movement against the US-led war on Iraq benefited from the dark side of the mystique of 'black gold' to build a mobilising 'no blood for oil' argument. Similarly, by using the 'prosperity' side of the oil mystique, the US administration has been able to evade its role in the suffering of Iraqi associated with the UN sanction regime and illegal invasion of Iraq through a discourse of 'liberation' incorporating a vision in which better-managed oil will bring 'freedom' to the Iraqi people.

Gulf oil and mutual petro-dependence

Oil has gained a global predominance among energy sources in industrialised economies due to its relative versatility, low cost, and transportability. Relationships of mutual dependence along the oil commodity chain have been consolidated in recent years. A 'new political

²¹ With a maximum risk of war of 22% for a country whose exports account for 32% of GDP compared to a risk of 1% for a similar country with no primary commodity exports. See, P. Collier and A. Hoeffler, 'Greed and Grievance in Civil War', (Washington DC: World Bank October 2001).

economy of oil' - contrasting in particular from that of the 1970s and characterised by a more 'reasonable' approach to pricing by key producers and to a reduction of conflicts between producers, consumers, and intermediaries - has resulted from the greater influence of markets over governments, the relative failure of the use of the 'oil weapon' by both producing and importing countries, and the diversification of sources of oil supply made possible by technological advances.²²

Despite the diversification of oil supply, which responded in part to price hikes imposed by OPEC, the Persian Gulf remains *the* core region within the global political economy of oil, with currently 65% of the world's oil reserves and 28% of the world's production. This region also maintains – mostly through Saudi Arabia - around 70% of the global current excess oil production capacity, leaving the world with limited options in case of supply disruption. Reciprocally, the current levels of economic dependence on oil revenues in the region are high - ranging from 22% to 53% of GDP - and in the absence of economic diversification, governments will most likely continue to rely heavily on oil rents.

This mutual dependence is expected to grow with regard to the Persian Gulf. Oil from this region as a share of world consumption is expected to increase from 27% of world trade in 2001 to 34% by 2025 (or 42% in a scenario of low oil price).²³ In terms of market share, the region has a wide range of consumers including Japan, the EU, US, and China (see Table 1). Japan is the most oil-dependent towards the region, and although it supported the latest US-led war in Iraq it may distance itself from US policies while also searching for better relations with Russia to both reduce its dependence and to balance China. Already the second largest energy consumer after the US, China is also facing growing oil import dependence that could reach almost 45% in 2010.²⁴ Oil accounts for about 30% of India's total energy consumption, and some 57% of this oil is currently imported. Future oil consumption in India is expected to almost double by 2010.²⁵ Overall Asian dependence on Persian Gulf oil will rise significantly and the Asian demand in oil is to overtake the European and North American respective demands by 2010.²⁶ European reliance on oil imports could grow from 70% at the moment to almost 90% in 2030, with significant imports from the region even if

²² See E.L. Morse, 'A New Political Economy of Oil?' *Journal of International Affairs* 53/1 (Fall 1999) pp. 1-29.

²³ Persian Gulf oil production capacity is expected to reach about 45 million bbl/d by 2025, see International Energy Outlook 2003, tables D4 and D6.

²⁴ China's demand in oil should double by 2025, Ibid.

²⁵ Evolving from 1.9 million bbl/d in 2001 to 3.4 million bbl/d by 2010, Ibid.

²⁶ R.E. Ebel, J.R. Schlesinger (eds), *The Geopolitics of Energy into the 21st Century* (Washington DC: Center for Strategic and International Studies 2000).

its energy security policy privileges Russian supplies.²⁷ US net worldwide oil imports are expected to continue their steady growth, from about half to two-third of its consumption by 2020, but its reliance on the region may remain relatively low.²⁸ The US market has been by far the most problematic because of its political dimensions, in terms of maintaining a security umbrella for allies such as Saudi Arabia, and economic sanctions for ‘enemies’ such as Iran. In short, the Middle East is becoming increasingly dependent on economic growth in Asia, while Asia will become even more dependent on a favourable political-military stability in the Persian Gulf region.²⁹

Table 1 - Oil production, reserves, and dependence in the Persian Gulf³⁰

Exporters Importers	Regional Imports (m bbl/d)	Regional share of worldwide imports (%)	National % of regional imports							
			Saudi Arabia	Iran	Iraq	UAE	Kuwait	Oman	Qatar	Yemen
Japan	4.1	74	31	12	-	32	13	-	11	-
China	0.7	57	24	32	-	-	-	24	-	19
EU	3.1	45	42	25	25	-	7	-	-	-
US	2.5	22	63	-	25	-	11	-	-	-
Exporters		Total								
Production (m bbl/d)		21.2	8.6	3.5	2.6	2.5	2	0.9	0.7	0.4
Proven reserves (bn bbl)		672	263	90	112	98	96	5	4	4
Economic oil dependence (% GDP)			44 (2000)	25 (2000)	n.a.	n.a.	32 (1999)	25 (1998)	53 (1999)	22 (1998)

As far as oil flow is concerned, nearly 88% of oil exported from the Persian Gulf currently transits by tanker, through the Straits of Hormuz, which is by far the world’s most important oil ‘chokepoint’, accounting for the transit of around two-fifths of world’s traded oil. Oil destined mainly for Europe and the United States heads westwards, by tanker, from

²⁷ See S. Peters, ‘Courting Future Resource Conflict: The Shortcomings of Western Response Strategies to New Energy Vulnerabilities’, *Energy Exploration and Exploitation* (Forthcoming).

²⁸ ‘National Energy Policy 2001’, Report of the National Energy Policy Development Group, Washington DC, p. X.

²⁹ Oil import dependence from the region could reach 90% by 2010. See, F. Fesharaki, “Energy and Asian Security Nexus”, *Journal of International Affairs* 53/1(1999) pp. 85-99.

³⁰ Bahrain has insignificant oil production (75,000 bbl/d) and proven reserves (125 mn bbl), but relies for 50% of its GDP on (refined) oil exports. Energy Information Administration 2001, World Bank Development Indicators 2001.

the Persian Gulf towards the Suez Canal or the Sumed pipeline and must pass through the Bab al-Mandab, located between Djibouti and Eritrea in Africa, and Yemen on the Arabian Peninsula. The relative vulnerability of this route was demonstrated by the terrorist attack on a French supertanker near the coast of Yemen in October 2002.³¹ Before the US-led military campaign in Iraq, around 12% of oil from the Persian Gulf was exported via routes besides the Strait of Hormuz. This oil was exported by several means, via: the Saudi East-West pipeline to the port of Yanbu on the Red Sea; the pipeline from Kirkuk (Iraq) to the Turkish port of Ceyhan; by truck to Jordan; and through various means (smuggling by truck and small boat, mainly) to a variety of destinations, including Kurdish areas of northern Iraq, Turkey, Jordan, Iran, India, and Pakistan, among others. The (re)opening of pipelines out of Iraq will significantly reduce vulnerability to a blockage of the Hormuz straight.

Besides oil, the Persian Gulf region also has huge reserves of natural gas accounting for 34% of total proven world gas reserves.³² The importance of these reserves is likely to grow in coming years, as both domestic gas consumption in the region and gas exports to East and South East Asia (by pipeline and also by liquefied natural gas tanker) increase, while gas exploitation by oil companies and transportation costs are becoming increasingly competitive. Western Europe is also slowly switching from oil to cleaner fuels such as gas due to greater environmental sensitivity. The switch to natural gas and the anticipated growth in the use of this source of energy raises a new series of geopolitical issues, leading to new political alignments.³³ Political relations in the gas sector matter even more than in the oil sector, since gas networks are much more vulnerable to political and economic disruptions than oil.³⁴ Since gas networks increase the interdependence of the societies they connect, they create a pressure on all the countries along the transmission route to minimize their political differences and cement their economies together. Once the network is paid for, the benefits of stable gas supplies provide strong incentives for countries to cooperate – with the risk of being counter-productive in terms of improving human rights abuses by domestic governments (e.g. Burma-Thailand gas pipelines).

³¹ 'Al-Qaeda Terrorists Pose Biggest Threat to Persian Gulf Oil Transportation', *Oil and Gas Journal*, 19 March 2003.

³² Iran and Qatar hold the world's second and third-largest reserves (behind Russia). Energy Information Administration – February 2001

³³ Asian demand for natural gas is expected to reach perhaps 25 trillion cubic feet by 2020. See F. Mohamedi and Y. Sadowski, 'The Decline (But Not Fall) of US Hegemony in the Middle East' *Middle East Report* (Fall 2001) pp. 12-24.

³⁴ K. Morita, *Gas for Oil Markets* (London: Royal Institute of International Affairs, February 2000).

- INSERT FIGURE 1 ABOUT HERE (CAPTION: Petroleum and US military strategy in the Persian Gulf region)

Oil and US security in the Persian Gulf

On 11 September 2001, nineteen (mostly Saudi) terrorists targeted the key symbols of US power. Osama Bin Laden, presumed leader of the Islamic terrorist group al Qaeda, supported and congratulated the ‘martyrs’ who had rammed Boeing planes into New York’s Twin Towers and the Pentagon, having previously justified this *Jihad* by the oil-related presence of US troops on the ‘Holy Soil’ of the Arabian Peninsula and the moral corruption of the oil-rich Saudi regime.³⁵ Although other political and ideological agendas were clearly involved, the events of ‘9/11’ demonstrated the conflicting relations between identities, territories, and resource control – in this case, Islam, the Arabian Peninsula, and US access to oil.

There have been frequent tensions and dilemmas between US energy and security objectives in the Persian Gulf, both within and between US administration and corporate interests.³⁶ Since the fall or weakening of its regional allies (principally Iran under the Shah and Saudi Arabia), US state policy entailed the support of *each* of its allies - in part because of tensions within and between them - and the ‘dual containment’ and weakening of regional challengers, mostly Iran and Iraq (including by supporting both sides during the Iran-Iraq war, and since redefined as ‘rogue’ states).³⁷ Such policy has been contradictory both in terms of stability and energy goals. In terms of stability, this policy has prolonged regional tensions by preventing the emergence at the regional hegemon or effective cooperative partnership.³⁸ At a domestic level, the support of (corrupt) local elites – or blanket sanctions against a country - has also aggravated domestic tensions associated with the frustrations and grievances of dissatisfied groups. In terms of energy goals, sanction policies have entailed significant losses for US corporations and an economically harming reduction of oil flows. Some of these contradictions can be linked to the ‘9/11’ terrorist attack and subsequent ‘war on terror’ including the US-led occupation of Iraq in March 2003.

³⁵ M. Dobbs, ‘Inside the Mind of Osama Bin Laden. Strategy Mixes Long Preparation, Powerful Message Aimed at Dispossessed’, *Washington Post*, 20 September 2001, p. A01; World Islamic Front (note 2).

³⁶ G. Bahgat, ‘Oil Security in the New Millennium: Geo-economy vs. Geo-strategy’, *Strategic Review* 26 (Fall 1998) pp. 22-30; M. Monshipouri, ‘The Paradoxes of U.S. Policy in the Middle East’, *Middle East Policy* 9/3 (2002) pp. 65-84. For a history of US involvement, see M.A. Palmer, *Guardians of the Gulf: A History of America’s Expanding Role in the Persian Gulf, 1833-1992* (New York: Macmillan 1992).

³⁷ P. Bennis, ‘And They Called It Peace’ *Middle East Report* (Summer 2000), pp. 4-7.

³⁸ The Gulf Cooperation Council is only a limited club in this regard. See Said Zahalan (note 12); A. Saikal, ‘The United States and Persian Gulf Security’ *World Policy Journal* 9/3 (1992) pp. 515-31.

Oil, Saudi Arabia, and al Qaeda

Although the ire of the US initially focused on Afghanistan, where affiliated terrorists had their base, and then in a controversial and curious twist to Iraq, some of the roots of the attack against US targets on 9/11 are to be found in the governance and conflicts affecting Saudi Arabia. Returning from Afghanistan to their home countries after the Soviet withdrawal in 1989, many Arab fighters emboldened by their victory but alienated by their home governments initiated (or continued, as in the case of Egypt) a fight against domestic rulers and their foreign supporters with the goal of establishing Islamic states.³⁹ In both Algeria and the Gulf monarchies, petroleum interests provided a powerful discursive theme for criticism and mobilisation around the themes of corruption and western exploitation. A ‘golden boy’ of the Saudi society thanks to the fortune of his father (but not a member of the royal family), Osama Bin Laden’s discourse of resistance echoed dissent voiced as early as the 1940s about the corruption of the House of Al Saud and its collusion with Americans. As argued by political scientist Robert Vitalis, while the US government and oil firms activities in Saudi Arabia wrapped their racism and ordinary imperialism in the cloak of a ‘special relationship’ and ‘development’ discourse, “a multivocal record of resistance to the Americans’ project ... can be found in the oil camps and towns in the 1940s and 1950s, in the new ministries and prisons, and in the palaces that the Bechtel brothers outfitted for the Al Sau’d”.⁴⁰ This discourse was itself amplified by growing grievances among the Saudi population bearing the uncertainties of the economic downturn faced by the country - not to mention marginalized Shia, Yemeni and migrant populations.

If the oil wealth has immensely benefited tiny elite groups such as the privileged members of the Al Saud royal family, the rising living standards experienced by most of the population of petro-states within the region as a result of the oil boom of the 1970s and early 1980s have since been declining. Saudi Arabia’s economy remains, despite attempts at diversification, heavily dependent on oil. Oil revenues make up around 90-95% of total Saudi export earnings, 70% of state revenues, and around 35-40% of the country's gross domestic product (GDP). Meanwhile, Saudi Arabia’s desire to join the World Trade Organization is behind some of the push towards economic liberalization in the country. Saudi Arabia is also promoting a policy of ‘Saudization’ to increase employment of its own citizens by replacing a

³⁹ A.M. Lesch, ‘Ossama Bin Laden: Embedded in The Middle East Crises’ *Middle East Policy* 9/2 (June 2002) pp. 82-91.

large number of foreign workers in the country, including low-skilled jobs. Beyond the discourse of opposition to Israel and Western oil interests, the motives and mobilisation of Saudi terrorists may thus be linked to domestic and international relationships between oil wealth, authoritarian governance, economic resentment, and a religion providing both much of the basis of the current domestic order and one of the few channels for criticising the state.⁴¹ The oil wealth of Saudi Arabia is also suspected of having contributed to the funding of al Qaeda, through the personal fortune of Bin Laden and donations by rich supporters.⁴² Played out in the mass media as a call to boycott Middle Eastern oil and search for ‘terrorist-proof energy source’, this possible financial connection became caricatured through ads portraying Americans ‘financing al Qaeda’ by driving gas-guzzling Sports Utility Vehicles.⁴³

The 9/11 attacks illustrated the complexity of US interests in the Persian Gulf and the dilemma of oil dependence for the West, whereby preserving energy interests could undermine ‘homeland security’ by fostering Anti-Americanism in the region. Ironically, the ‘war on terror’ led by the US aggravated this situation through the controversy over the ‘oil undercurrents’ of the US-led strikes on Afghanistan and Iraq.

Afghanistan and Iraq: Oily ‘Wars on Terror’?

The post 9/11 US policies were not particularly novel in their general security objectives, such as punishing states supporting anti-US terrorism, the preclusion of a new Iraqi drive on the Kuwaiti or Saudi oil fields, the deterrence of Iran from threatening oil flow in the Strait of Hormuz, and the prevention of unfavourable political change within allied states, particularly Saudi Arabia.⁴⁴ What seems novel is a possible drive for a resource grab in countries where divergent US foreign policy objectives had so far undermined US corporate oil interests, namely Iraq and Iran (and to a much lower degree Afghanistan). Along with the connections of prominent members of the Bush administration to the oil sector, the ‘war for oil’ argument became one of the rallying calls within the public discourse opposing the US-led wars, and the focus of allegations about the timing and motivation of the US administration.⁴⁵

⁴⁰ R. Vitalis, ‘Black Gold, White Crude: An Essay on American Exceptionalism, Hierarchy, and Hegemony in the Gulf’ *Diplomatic History* 26/2 (2002) p. 187. Bechtel is a US engineering and construction company.

⁴¹ M. Donovan, *Islam and Stability in Saudi Arabia* (Washington DC: Center for Defense Information 2001); M. Yamani, *Changed Identities: The Challenge of the New Generation in Saudi Arabia* (London: Royal Institute of International Affairs 2002).

⁴² M. Huband, ‘Bankrolling Bin Laden’ *Financial Times* 28 November 2001.

⁴³ ‘TV Ads Say S.U.V. Owners Support Terrorists’ *New York Times* 8 January 2003.

⁴⁴ Klare (note 4).

⁴⁵ Bush Sr. and Jr. both founded oil companies in Texas, his Vice-President Dick Cheney was CEO of Halliburton, while commerce secretary Donald Evans was CEO of the independent oil company Tom Brown Inc. Army secretary Thomas White was executive at Enron, and undersecretary of commerce Kathleen Cooper was

Allegations of US oil interests in the war in Afghanistan have been limited, because of the demonstrated presence of al Qaeda and the limited petroleum stakes in the country. Allegations have focused on the interests of UNOCAL, a California-based company, in a pipeline linking Turkmenistan gas fields to Pakistan via Afghanistan (see Figure 1). The US energy company was engaged in negotiations with the Taliban in Afghanistan despite major protests from human rights groups, until its project was terminated in late 1998 as the US militarily retaliated against al Qaeda's terrorist attack on the US embassy in Nairobi.⁴⁶ Following the US military toppling of the Taliban regime in 2001, Pakistan, Afghanistan and Turkmenistan signed a pipeline agreement and the Afghan minister for mines and industries declared that UNOCAL was the 'lead company' for the project, although UNOCAL declares having 'no plans or interest in such a pipeline today'.⁴⁷ Controversially, President Bush's special envoy to Afghanistan and Iraq, Zalmay Khalilzad, worked with Cambridge Energy Research Associates on UNOCAL's pipeline project in Taliban-ruled Afghanistan.⁴⁸ Beyond potential US corporate interests in the region, Turkmenistan was eager to see a pipeline route independent of Russia while the US opposed an alternative route through Iran; the Afghan route would thus consolidate both US strategic and Turkmen economic interests while further marginalizing those of Iran and Russia in the region.⁴⁹

Allegations of oil interests in the US-led war in Iraq have proved much more pervasive. Iraq contains the second largest proven oil reserves in the world after Saudi Arabia, but its true resource potential may be understated. Iraq also potentially contains the world's second or third largest gas reserves.⁵⁰ The economic stakes are thus undoubtedly high. Furthermore, Iraq has also the human, agricultural, mineral resources, and geostrategic position to re-establish itself as a major economic and security player in the region (even if its

Chief Economist at Exxon. National security advisor Condoleezza Rice sat on the board of Chevron, which named a tanker after her in 1993. Collectively, the top 100 appointees of the Bush administration had most of their holdings in the energy sector, see D. Wetherell, *Bush Top 100* (Washington DC: Center for Public Integrity 2002). Oil and energy companies, including Exxon, Enron, and BP Amoco, were among the biggest donors to Bush's presidential campaign, and corporate energy gave 75% of its 1999-2000 campaign contributions to Republicans, *The Nation*, 4 February 2002.

⁴⁶ A. Rashid, *Taliban: Islam, Oil and the New Great Game in Central Asia* (New York: Tauris 2001).

⁴⁷ 'Afghanistan Plans Gas Pipeline' BBC News Online 13 May 2002; 'Central Asian Pipeline Deal Signed' BBC News Online 27 December 2002; pers. com., June 2003.

⁴⁸ Khalilzad was a US political appointee in the Reagan and Bush Sr. administrations and supporter of Mujahideen groups in Afghanistan during the Cold War. See, K. Sengupta and A. Gumbel, 'New U.S. Envoy to Kabul for Taliban Oil Rights' *Independent* 10 January 2002.

⁴⁹ S. Winter, 'Turkmenistan: US Questions Gas Pipeline via Iran' RFE/RL 16 October 1997. On US oil interests in Turkmenistan, see S. O'Hara, this volume.

⁵⁰ Iraq contains 112 billion barrels of proven oil reserves, along with roughly 215 billion barrels of probable and possible resources, as well as 110 trillion cubic feet (Tcf) of proven natural gas reserves and roughly 150 Tcf in probable reserves. Energy Information Administration February 2003; Gulf News Online 11/09/2001. However, Canada's proven oil sand reserves (255 billion barrels) could place it in second place.

quasi land-locked position makes its relatively vulnerable). Yet after its wars with Iran and Kuwait, Iraq has been subjected to more than a decade of drastic sanctions that have left the country politically isolated and economically crippled. Although drastically weakened, deprived from overt access to arms imports and technology, and ideologically at odds with al Qaeda, the US and some regional countries continued to perceive Iraq's leadership as a potential threat.

The Bush administration stated eight objectives for its war, on the top of which: to remove Saddam Hussein from power and to ascertain that all weapons of mass destruction (WMD) and means to produce them have been eliminated from the country.⁵¹ The fact that the US-led war was 'pre-emptive' and unauthorised by the UN Security Council, that the suspected ties between the government of Saddam Hussein and al Qaeda were extremely tenuous, and that so far no weapons of mass destruction were found cast further doubts about the stated goals of the US administration and UK government. At the heart of the policy change on the 'Iraqi issue' were two strategic decisions. First, the Iraq 'problem' had to be solved, not simply managed as it was during the previous two US administrations. The 9/11 attacks provided the justifying context of the US strike, while allegations of imminent WMD threat helped to construct the justifying motive.⁵² Second, Washington was prepared to push beyond the limitations imposed by international (including Arab) public opinion and the UN Security Council.

The idea that the US-led forces were invading Iraq to 'liberate' its oil sector – and secure oil interests - have been repeatedly denied by the US administration and British government, although they rarely elaborated on the reasons why such a factor was discounted – simply asserting that Iraq's oil reserves would not be “exploited for the United States' own purpose [but] be held in trust for the Iraqi people, to benefit the Iraqi people”.⁵³ While some analysts simply stress that the United States have “a *legitimate* and critical interest in seeing that Persian Gulf oil continues to flow copiously and relatively cheaply” to prevent the oil-

⁵¹ The objectives included: ending Saddam Hussein's regime; eliminating weapons of mass destruction; searching for, capturing and driving out terrorists who have found safe haven in Iraq; locating intelligence on terror activities being planned from Iraq; locating intelligence on the global terrorist network that has been formed; delivering humanitarian relief; securing Iraq's oil fields; and helping the Iraqi people transition quickly to self-government while ensuring the nation's territorial integrity. See, Defense Department's daily press briefing, 21 March 2003.

⁵² See President Bush's speech at the United Nations General Assembly on the first anniversary of 9/11 (12 September 2002); US Deputy Secretary of Defense Paul Wolfowitz admitted that invading Iraq would strategically allow a removal of US troops from Saudi Arabia, but “for reasons that have a lot to do with the US government bureaucracy, we settled on the one issue that everyone could agree on: weapons of mass destruction”, see 'Wolfowitz Interview with Sam Tannenhaus, *Vanity Fair*', United States Department of Defense, 9 May 2003.

based global economy from ‘collapsing’,⁵⁴ several more specific arguments have been presented *against* the ‘war for oil’ perspective.⁵⁵

The first argument is that oil is available on the international market and there is no reason why the US as a country would seek to invest heavily in a military venture to obtain what can be easily purchased commercially. In this respect, the US was already among the largest buyers of Iraqi oil on the international market within the UN’s ‘oil for food’ programme. Yet, following a US energy policy focusing on the provision of cheap and abundant oil to the world economy, what matters is the level of investment in oil producing countries and their willingness to provide large volumes of oil at low prices. In this respect, Saddam Hussein’s government was prone to embargo all oil exports for political reasons (e.g. Israeli military campaign in Palestinian areas in April 2002).⁵⁶ Moreover, Iraq was heavily under-invested because of the sanction regime and had one the lowest production/reserve ratio among major oil producers. While sanctions could have been lifted to ensure this energy objective, it created a dilemma with the US policy goals of regime change and disarmament in Iraq; removing Saddam Hussein by force, rather than removing sanctions at the UN allowed the Bush administration to solve this dilemma. As a result, more oil should as sanctions are finally lifted and major oil investments can take place if Iraq becomes ‘stable and safe’. Finally, Iraq long participated in sustaining ‘above market’ prices as a member of OPEC; even if the US is unlikely to force it to leave the organisation, the US may yield greater influence on it while the Iraqi reconstruction imperative will make it hard to justify limited production quotas once an Iraqi government is internationally recognised and allowed to participate again in the organisation.⁵⁷ Although cheaper oil would have a positive on the US and world economy, while hawks in the Bush administration may hope that lower prices could undermine OPEC and devastate the economies of rogue states (i.e. Iran, Syria, Libya), too low prices would undermine a cost-recovery reconstruction of Iraq as well as the stability of key US allies and oil interests (including among the independent Texan oil industry with which Bush family businesses were associated).⁵⁸ It is thus in the US interest to see out of this war more oil flow out of Iraq at ‘reasonable prices’.

A second argument against the oil-driven war perspective is that Iraq will remain a relatively marginal oil producer for years to come: it currently produces only 2% of the

⁵³ Cited in W. Vieth, ‘Powell: U.S. Won't Claim Iraq's Oil’ *Los Angeles Times* 23 January 2003.

⁵⁴ K.M. Pollack, ‘Securing the Gulf’ *Foreign Affairs* July/August 2003, p. 3.

⁵⁵ This section builds on a review of English and French language public media on this issue.

⁵⁶ ‘Iraqi Cuts Off Oil Exports’ BBC News 8 April 2002.

⁵⁷ ‘OPEC Grappling with Postwar Iraq Questions’ *Oil and Gas Journal* 19 May 2003.

world's oil production, and it may take 5 to 10 years for it to reach a 6-7% share.⁵⁹ Yet such levels are significant and given the importance of Iraqi reserves and the low cost of their exploitation, this share in the oil market is likely to grow. Furthermore, this relatively long time frame is compatible with that of major oil companies and long-term US strategic interests, such as maintaining its world predominance unchallenged. The life cycle of oil development projects, from negotiation and exploration to exploitation and exhaustion, frequently takes place over several decades. The US-Saudi Arabia 'special relationship' served US interests for more than five decades; the same is true for US relations with Germany or Japan. Although a similar outcome is not guaranteed in the Iraqi case, it would greatly benefit the US.⁶⁰ Furthermore, although it may take several years for Iraqi oil production to significantly affect the global supply of oil, it will lessen US dependence on Saudi spare oil production capacity. Along with the withdrawal of US troops from Saudi Arabia allowed by the occupation of Iraq, the Iraqi production increase should allow for greater 'room for manoeuvre' by the US administration in its relationship with the Kingdom.

A third argument against the oil connection of the US-led war on Iraq is that markets were 'unnerved' by the prospect of war, as demonstrated by declining indices on major stock exchanges.⁶¹ The previous Gulf Oil had indeed had a negative impact on the US economy. However, some business reports also voiced the hope that a quick US victory would 'kill the bear market' and help boost the US economy, which had been facing a downturn since 2000.⁶² From a corporate point of view, major US and UK energy and engineering companies will benefit from greater opportunities and leverage to access the Iraqi market. As with the politics of UN sanction lifting on Iraq – which would have allowed for investments – oil interests are likely to play a significant role. In this respect, the French threat of UN veto against the US-led war has been linked to that fact that the French oil company Total had the highest stake in Iraq, and although it had no contract with the government of Saddam Hussein, the two oil fields under negotiation could double its reserves.⁶³ Access to Iraqi oil fields is also of major importance to Russian and Chinese companies. Although no major US oil company was openly active in Iraq, companies from several countries supporting the US-led

⁵⁸ Y. Sadowski, 'Vérités et Mensonges sur l'Enjeu Pétrolier' *Le Monde Diplomatique* (April 2003) pp. 18-19.

⁵⁹ V. Marcel, 'The Future of Oil in Iraq: Scenarios and Implications', *Briefing Paper* no.5 (London: Royal Institute of International Affairs 2002).

⁶⁰ L. Sieg, 'Post-war Japan Occupation no Road Map for Iraq' Reuters 17 April 2003.

⁶¹ T. Jackson, 'The Delusion That It Is All About Oil' *Financial Times* 14 February 2003.

⁶² D. Roche, 'The Bear Market, Iraq and the Dollar' *Forbes* 9 December 2002.

⁶³ Marcel (note 59).

war had stakes in Iraq.⁶⁴ Several key tests will help determine the place of oil interests in the outcome of the war, including the preferential awarding of Iraqi-paid reconstruction and oil infrastructure rehabilitation contracts to US firms close to the administration; the cancellation or significant modification of current oil development contracts of (non US) companies; non-competitive awarding of contracts to US/UK oil companies; and the privatisation of the Iraqi National Oil Company in a manner preferential to US/UK interests. Indeed, within weeks of the US appointment of an Iraqi oil minister, several Russian and Chinese companies lost or had their ‘Saddam era’ oil deals suspended.⁶⁵ Yet, given the huge investments required in the Iraqi oil sector, the risks involved, and potential image problems, it is unlikely that US corporate interests will come to monopolise these sectors.

Peripheral perspectives?

A US-friendly regime in Baghdad would not only better suit US corporate and strategic oil interests, but it could also provide a source of leverage for its foreign policy. As analyst Michael Renner has pointed out, by opening the flow of investment into the Iraqi oil sector, the US is reinforcing the reliance and preference of the world economy on oil and its own standing as the guarantor of this energy system (through close its relationship with key producers, military bases, sea lane protection, US currency trading).⁶⁶ Moreover, as US Vice-President (then secretary of defense) Dick Cheney testified to the Senate Armed Services Committee, a single power controlling the flow of Persian Gulf oil would have a “stranglehold” on the economy of most of the nations of the world.⁶⁷ Having had sought to prevent such risk since the Iranian revolution in 1979 through a doctrine justifying “any means necessary, including military force”, the US is now fast becoming that single power.⁶⁸

Russia is probably the country with most immediate stakes into the reshaping of the Persian Gulf. Energy is a key factor influencing Russia’s security perceptions, and President Putin’s foreign diplomacy.⁶⁹ From the perspective of a strategic security planner in Moscow, the vulnerabilities of Russia’s energy-export corridors are a source of significant concern, while international prices and Russian market share are key to both state finances and the economy. As far as the Middle East is concerned, Russia has three economic considerations.

⁶⁴ Australian BHP, UK/Dutch Shell, and Italian ENI; see Marcel (note 59).

⁶⁵ ‘Iraq halts Russian and Chinese oil deals’ BBC News 26 May 2003.

⁶⁶ M. Renner, ‘Post-Saddam Iraq: Linchpin of a New Oil Order’ *Foreign Policy in Focus* (January 2003).

⁶⁷ Cited in M.T. Klare, ‘The Coming War With Iraq: Deciphering the Bush Administration’s Motives’ *Foreign Policy Focus* (January 2003).

⁶⁸ See Klare (note 4) chapter 3.

First, like for most other arms exporters, arms sales provide substantial income to its military-industrial complex. Second, Russia benefits from tensions in the region when they produce rising oil prices. As an oil exporter, it also benefited from the constraints placed on Iraqi oil sales between 1991 and 2002 by United-Nations Security Council Resolutions and by US sanctions on Iran, that to some extent have limited the development of major competitors on the energy resources market. In such circumstances, Russia appeared as an attractive alternative to Middle East oil producers and was eager to maintain a situation in which it can increase its production and benefit from high prices at the expense of OPEC, and Saudi Arabia in particular. Third, Russian oil companies, and in particular Lukoil, have significant contracts in Iraq that they do not wish to lose. Part of the pre-war diplomatic negotiations between Moscow and Washington hinged on this issue, to the point that Iraq scrapped an oilfield deal with Lukoil in December 2002 after the company had reportedly received assurances from the Russian government and Bush that the contract would not lapse if Saddam Hussein was ousted.

Despite their economic importance and dependence on Gulf oil, the European states played a limited role in recent decision-making processes within the region. Incapacity to forge a common foreign policy towards the Middle East was most clearly demonstrated by the divergence of views on the US-led war in Iraq, with the UK actively participating while France threatened to use its UN veto against the use of force as long as all diplomatic options (including weapons inspections) were not fully explored. Lacking diversification, the European energy market is very sensitive to geopolitical factors and to the decisions made by the cartels of oil and gas exporting countries. Such a situation threatens the still vulnerable and integrating European economy. Unlike the US, the main objectives of a future European energy strategy are to reduce the energetic dependence of the EU by managing energy demand, and to improve in the long term the security of its oil and gas imports while preserving the environment.⁷⁰ Direct access to Middle East oil resources should nevertheless remain a priority for the European Union, in addition to the traditional imports coming from Russia. Europe is also likely to pursue diplomatic efforts to lift US sanctions against Iran and Libya, even if the present status quo favours European oil companies.

⁶⁹ Energy exports represent more than 20% of Russia's gross domestic product and roughly 50 to 60% of its total hard currencies earnings, Troika Dialog Bank report, October 2001.

⁷⁰ 'Towards a European Strategy for the Security of Energy Supply, Green Paper, 2000; Report from the Science and Technology Commission of the European Council, Parliamentary Assembly. 'Basis for an Energy Strategy for Europe', Doc. 8653, 21 February 2000.

The US move is also of particular significance to two major Asian oil importers, China and India. Chinese officials strongly disapprove the presence of US military forces in the Gulf, characterizing this as interference. Given the limited capability of the Chinese navy and economic obstacles to viable pipeline transportation of oil from Central Asia (e.g. Kazakhstan), China perceives US strategic domination over the broader region of South West Asia as the primary source of vulnerability to its energy supply.⁷¹ Given the US occupation of Iraq, Iran may become even more important to Beijing officials, with arms sales viewed as a critical element of China's regional policy.⁷² India was also opposed to military action in Iraq, as the Hussein regime was favourable to India in both business terms - Iraq was the largest bilateral trading partner of India before 1991 - and geopolitical terms, as Iraq was the only Arab country supporting India's stand on Jammu and Kashmir.⁷³ If access to oil is likely to take priority among the regional foreign policy objectives of these two major Asian countries, from a defense perspective, however, none of them has the capacity to significantly influence their relationship. With the US playing an even greater role in regional stability, these objectives will thus have to match that of the US, especially notably in terms of weapons transfer. In this regard, the US will be particularly attentive to the relationship between China and Iran, but also Saudi Arabia.⁷⁴

Regionally, there was no effective stand against the war; in fact, support from several countries (many among the 'anonymous' of the US 'Coalition') emphasised both the isolation of Iraq in the region, and the dominance of the US. Unsurprisingly, Kuwait was the Gulf State at the forefront of the Arab support to the US-led war in Iraq (direct support included allowing two US air bases and positioning of 115,000 US soldiers on its soil). Kuwait's geography, small size, and limited population has made it one of the most vulnerable Gulf States; a position that the government counterbalanced through the longest British protectorate in the region and then continued backing by 'powerful friends'. Its location on Iraq's border has also been the source of continuing Iraqi threats, and military confrontation notably over the Kuwaiti field of Ratqa (Iraq's Rumaila), and it remains to be seen if it will gain from a new Iraqi regime. Bahrain, Qatar, and Oman, which are not major oil producers,

⁷¹ E. Strecker Downs, *China's Quest for Energy Security* (Santa Monica CA: RAND 2000). China's own main oil province, Xinjiang, has become a scene of unrest in recent years by Turkic-speaking Uighurs, seeking to create an independent Muslim state called East Turkestan. The separatist militants are based mainly in neighbouring Kazakhstan and Kyrgyzstan.

⁷² S. Trough, *China's Changing Oil Strategy and Its Foreign Policy Implications* (Washington, DC: Brookings Institution 1999).

⁷³ P. Jayaram, 'US Plans War to Control Iraq's Oil Wealth: Experts' *Indo-Asia News Service* 23 September 2002.

⁷⁴ 'US Sanctions Firms in China, Iran, and Moldova', *Arms Control Today*, June 2003.

all directly supported the US. Saudi Arabia and Turkey limited their involvement, but *de facto* also sided with the US. Only two countries –and potential US targets - Iran and Syria opposed the military invasion of Iraq, but both carefully refrained from intervening even indirectly in a military manner.

The slow build-up of a new US policy on Iraq also clearly revealed that no country in the region contested the need to maintain Iraq's unity and territorial integrity.⁷⁵ The Sunni-ruled Gulf monarchies are wary of Iraq's Shiite majority seizing political power or creating in southern Iraq a Shiite state that could be allied with Shiite Iran, thereby aggravating dissent in the sensitive Shiite areas of the oil-rich Al Hasa province of Saudi Arabia or among the majority Shiite population of Bahrain. Turkey also vigorously opposed the independence that Iraq's self-ruled Kurdish areas out of fear of irredentist claims on ethnically Kurdish areas of Turkey itself and has also opposed the attribution of the Iraqi oil fields of Kirkuk and Mosul to Kurdish control.⁷⁶

If the settlement of arguments over the 'oil undercurrents' of the invasion of Iraq will take time, the US use of force *within* Iraq marked a watershed in its recent regional involvement (but arguably not in the historical pattern of the British imperial engagement with the region). Most importantly, the perception of an 'imperial America' extending its reach further within the Middle-East is now stronger.⁷⁷ Given that this perception is expected to foster further terrorism and slow down reforms throughout the region, the US may engage in a policy direction focusing on oil and governance.

Future US policy: from 'free oil' to 'freedom oil'?

In addition to neighbouring sources – Canada, Mexico, and Venezuela - US international oil policy has essentially relied on 'free access' to oil from the Middle East, for both domestic needs and international markets.⁷⁸ This policy of 'free oil', however, has frequently conflicted with other US foreign policy interests. The greater need for oil in the future is at odds with some of the US-driven policies towards 'rogue' petro-states. Sanctions against Iraq, Iran, and Libya have reduced the flow of oil to the world economy and complicated cost-effective

⁷⁵ For a US perspective on the break-up of Iraq, see Daniel Byman, 'Let Iraq Collapse' *National Interest* (Fall 1996), pp. 48-60.

⁷⁶ It is unlikely, however, to claim this region to the State of Iraq by reasserting the invalidity of agreements allocating the area to the Kingdom of Iraq; see, D. Pipes, 'Hot Spots: Turkey, Iraq, Mosul', *Middle East Quarterly* (September 1995).

⁷⁷ For example, Rumsfeld mission as a Mideast peace envoy to Baghdad in 1983 - in the midst of the Iran-Iraq war - entailed discussions with Saddam Hussein of a pipeline deal that Bechtel was negotiating, see R. Opiel, 'Bechtel Has Ties in Washington, and to Iraq' *New York Times* 18 April 2003.

⁷⁸ Morse and Myers Jaffe (note 8) p. 16.

development and transportation of Caspian and Central Asian oil resources; they also partially excluded major American oil and gas companies from such endeavours while having no result in terms of preventing terrorism and effecting US-desired ‘regime change’ in these countries. The US National Energy Policy presented by Vice-President Dick Cheney in 2001 exposed some of these problems through its embedded assumption that Middle-East oil suppliers (such as Saudi Arabia and Kuwait) were unreliable; its call for greater access to Persian Gulf oil (i.e. Iraq and Iran); its claim that the concentration of oil production supply in any one region (i.e. the Gulf) was contributing to market instability and above-market prices; and its recommendation of diversification of supply for the US.⁷⁹ Beyond its ‘free oil’ policy, the US administration may try to move towards a ‘freedom oil’ policy targeting essentially ‘rogue states’ and countries ‘breeding terrorism’.

‘Freedom oil’ for the Iraqi?

From an energy strategy perspective, the contradiction between energy and security agendas has certainly been a strong incentive for the Bush administration to remain in Iraq after toppling *manu* military the regime of Saddam Hussein. A consensus-based and long-lasting ‘solution’ to Iraq is fundamental to avoid harming the credibility of some prominent actors on the domestic front, while the avoidance of ‘blowback’ such as the Iranian revolution in 1979 is essential to the administration at the regional and international level. Iraq will remain an oil-rich and oil-dependent country in the foreseeable future, and a risk to be considered by the international community is to seed in the Iraqi soil the germs of future regional conflicts to be tackled by the next generation of politicians. The need for redefining a new Middle-East energy and defence equilibrium seems obvious. From a long-range point of view, the greatest opportunity of the current crisis is to offer an opportunity to act in order to return Iraq (and one may argue in reference to the sanction regime, the so-called ‘international community’) to a responsible political and economic role for the Iraqi population and the region.

The control of the Iraqi oil sector is giving the Bush administration the opportunity of testing a ‘freedom oil’ policy. Narratives around ‘freedom’ versus ‘evil’ have been extensively used by the Bush administration in its discursive construction of terrorism and the justification of the ‘war on terror’. The same need to contrast the ‘Saddam era’ from the (US) ‘liberation era’ entails that oil come to play a different role for the population than is

⁷⁹ Report of the National Energy Policy Development Group, May 2001, p. 8-6; National Security Strategy, September 2002, p. 20. Although some analysts expected the Bush administration to do as little as Clinton

associated in the 'oil curse' narrative commonly used to portray the previous Iraqi regime (and most of those in the region). In other words, oil needs to bring 'freedom' rather than 'evil' in Iraq and the broader region. Such discursive construction entails a number of policies, whereby the US would take an active role in creating and sustaining a political and institutional environment, as well as investments and infrastructure, in which oil and oil revenues consolidate a stable democratic regime and lessen regional tension - thereby also resolving some of these conflicts and dilemmas between energy and broader foreign policy goals.⁸⁰ At a domestic level, new political and economic institutions could insure that oil is allocated in a transparent and accountable manner for the interest of the population, and not the payment of 'oil for arms' debts inherited from the 'Saddam era' or lucrative reconstruction contracts for western companies. The UN Security Council decided, for example, that the proceeds of all export sales of petroleum shall be deposited into a Development Fund for Iraq, to be used 'in a transparent manner ... for purposes benefiting the people of Iraq' and to be internationally audited, until an internationally recognized, representative government of Iraq is properly constituted.⁸¹ At an infrastructure level, the option of giving Iraq multiple accesses to flow its oil and gas to regional markets and the sea (and its associated corporate interests) could connect regional societies and pressure all the countries along the transmission routes to minimize their political differences and cement their economies together, becoming thus more inter-dependant and less inclined to engage in ruining wars. Most controversially, the 'Haifa' pipeline linking Iraq to Israel and a possible new Palestinian state via Jordan already exists, but has been closed since the end of the British mandate in 1948 and needs reconstruction.⁸²

Such 'freedom oil' policy could be playing a key role in Bush's 'vision for the Middle-East', which includes a democratic and stable post-Saddam government in Iraq providing an example for the region and the resolution of the Israeli-Palestinian conflict.⁸³ In this perspective, an Iraqi success would suggest drastic domestic changes in regional political regimes and political economies. However, as discussed above, the very oil wealth of these regimes prevent much of the popular or foreign-driven reform agenda. Arguably, UN sanctions led (so far) to more Iraqi victims than the US-led war. Seeking to directly

officials in applying the 1995 Iran-Libya Sanctions Act (ILSA), the US administration had toughened its position towards Iran, and notably about its nuclear program, see Reuters 05/07/2001; AFP 28/05/2003.

⁸⁰ US policy promoting the use of oil wealth to fund 'politically stabilizing development projects' is not new, see W. Taylor Fain, 'John F. Kennedy and Harold Macmillan: Managing the 'Special Relationship' in the Persian Gulf Region, 1961-63', *Middle Eastern Studies* 38/4 (2002) pp. 95-122.

⁸¹ UN Security Resolution 1483 (2003).

⁸² E. Vuillamy, 'Israel Seeks Pipeline for Iraqi Oil' *The Observer* 20 April 2003.

management of oil revenues, the Bush administration may (worryingly) see in an Iraqi success an invitation to remove regimes, rather than sanctions. How much muscle flexing, destabilisation, and nation-building efforts the US will deploy to bring about 'freedom' in petro-states, and with which consequences for local populations remain highly speculative. With the perspective of the White House, however, the targets of such 'freedom oil' policy can already be clearly identified. Within the region, these would include Iran, Syria, and possibly Saudi Arabia. Beyond, priority targets would include Libya and Sudan.

Freedom oil and regime change

After Afghanistan and Iraq, the US administration is now in the process of singling out Iran as being the major troublemaker in the region. Still in the process of revolutionary change, Iran is currently divided between 'reformers' who have public support, and 'conservatives' who control the military, security system, and judiciary institutions. Although defeated in recent local elections, the 'reformers' now seem to be the strongest faction, and change may take a peaceful and positive course. Iran's regime has become steadily more pragmatic under Presidents Rafsanjani and Khatami, and more concerned with Iran's national interests and economic development in the Gulf than the export of revolution.

Besides its major oil reserves, the world second largest gas reserves, and its strategic position on Strait of Hormuz, Iran also influences the development of energy resources in the Caspian and Central Asia and sees itself as a natural transit route for oil and gas exports from the landlocked Central Asian countries to world markets. Iran has thus undoubtedly a vast strategic importance in the near future. As such, Iran is very conscious that American military presence in Iraq and Central Asia are part of a strategy to encircle it. Tehran is currently facing the wrath of the United States over alleged sponsorship of terrorism, support of warlords in Afghanistan, and development of weapons of mass destruction (not to mention media reports on the suspicion of harbouring Bin Laden). Meanwhile Iran is focussing its limited defence resources on improving its conventional capability and pursuing its production of ballistic missiles capable of targeting the Gulf countries.

The results of US military campaigns in Afghanistan and Iraq are likely to encourage the Administration's hawks to set their sights on a next 'domino' in the region. Iran was recently identified as being in breach of the International Atomic Energy Agency guarantees that it was committed to – the third 'Axis of Evil' state may very well be further down the

⁸³ G. W. Bush, 'Freedom and the Future', speech at the American Enterprise Institute, 26 February 2003.

nuclear weapons path than had previously been expected. No doubt the Iranian government, like the North Korean one, sees the acquisition of nuclear weapons as a deterrent against potential US aggression, but this does not lessen Washington's concern. But even if the US sees Iran as a potential target, going to war to bring the regime down would be difficult and senior administration staff have publicly rejected the option.⁸⁴ Its geographic position in the Persian Gulf also makes Iran a real threat to oil shipments and the Gulf States given its navy and missiles arsenal. Iran is as well a more difficult diplomatic target. Unlike Afghanistan and Iraq, Iran is not in breach of any UN Security Council resolution. At the international court of justice, Iran is the plaintiff, not the defendant, with regard to military hostilities (i.e. US destruction of Iranian oil platforms during the last stages of the Iraq-Iran war). At this stage of the development of a crawling crisis between Tehran and Washington, an attack on Iran by the US is therefore even more unlikely to receive the support of the international community.

For Michael Ledeen, of the Conservative think-tank American Enterprise Institute, the US should not be considering an invasion of Iran, but “the kind of support for freedom fighters that the United States has traditionally delivered even in countries that were not involved in a terrorist war against us”.⁸⁵ Thomas Friedmann, foreign affairs columnist at the New York Times, echoes this strategy of brutal regime change by arguing that what the US needs to trigger “is not a war with Islam, but it is a war within Islam”.⁸⁶ Referring to growing dissent in Iran, Friedmann is not advocating for direct US support to ‘freedom fighters’, but for US pressure for elections across the region - with Saudi Arabia as the main target. Certain that fundamentalists will win the race, Friedmann augurs that such result would trigger civil wars ultimately delivering stable democracies in the region and sees a very positive sign in what he perceives as a growing dissent within Iran.

However, in the domino theory advocated by some decision-making circles in Washington, Damascus might very well be the next target on the list, squeezed between US forces in Iraq and Israeli Defence Forces. With proven oil reserves expected to last only about 10 to 20 more years and a population growing at 2.5% per year, Syria may become a net importer of oil within the next decade. The exploration for oil and natural gas is thus a top priority in Syria, but exploration activity has been slow in recent years due to unattractive contract terms and poor exploration results; only a few international companies remain in the

⁸⁴ Condoleeza Rice, cited in P. Renolds, ‘Analysis: Dealing with the ‘Axis’’ BBC News Online 21 October 2002.

⁸⁵ M.A. Ledeen, ‘The Real War’ *National Review Online* 11 December 2002.

⁸⁶ T.L. Friedman, ‘Anti-Terror Fight Has to Be a Marathon Run on Wilsonian Principle, Not Cheap Oil’ *YaleGlobal* 7 February 2003.

country at present. Syria's relations with Iraq had improved significantly over recent years, including a reopening of the border and possibly of the Kirkuk-Banias pipeline, thereby allowing Iraqi oil exports.⁸⁷ This development, followed by various security-related US accusations, has not helped the Syrian government in its relations with the US.⁸⁸ From an energy point of view, a US-friendly regime in Damascus would facilitate unlocking Iraqi oil with pipelines running through Syria to the Mediterranean Sea, avoiding a Persian Gulf route or a 'Palestinian' route (i.e. Haifa pipeline) that could be threatened or even closed. A US friendly regime in Damascus may also facilitate, in Washington's perspective, a resolution of the Palestinian-Israeli conflict and terrorist bases in Lebanon. It should be noted, although desirable the Arab-Israeli peace process might not be perceived in Washington as vital to the US national security. On the other hand Iraq and Iran have repeatedly being singled out as immediate threats to American interests in the Gulf. The Bush administration might be tempted to decouple those two issues.

The world's largest price 'swing' producer - and with one-fourth of the world's proven oil reserves, the religious center of Islam, and fifteen out of nineteen of the 9/11 hijackers - Saudi Arabia is major case of concern for the US. Despite Friedmann's argument of transition through revolution, the predominant concern on the part of the US administration is to prevent an Iranian-style 'anti-American' revolution from taking place in Saudi Arabia.⁸⁹ Likewise, the House of Saud is eager to subsidise US oil imports - up to a \$1 a barrel - to maintain the US security umbrella for its country, and for itself.⁹⁰ Although Saudi Arabia does not face any imminent risk of instability, it has entered the twenty first century in the midst of major political, social, economic, and military transitions, all this in an environment of continuing uncertainties in the world energy market, a factor that drives virtually every aspect of the Saudi economy.⁹¹ Besides a domestic revolution, conservative analysts in the US were also wary that its failure to contain Saddam Hussein would further motivate a Saudi-Iranian rapprochement; the US-led war served to "restore its credibility in the Persian Gulf by demonstrating that it [was] serious about overthrowing Saddam Hussein, not just containing

⁸⁷ On July 14, 1998, Syria and Iraq already signed a memorandum of understanding on reopening the IPC pipeline, which links the Kirkuk oil fields in northern Iraq with Syria's port of Banias. Energy Information Administration 2001.

⁸⁸ So far the US 'charges' include: suspected of harbouring and supporting terrorist groups, allegedly possessing a large stockpile of chemical weapons, and having openly chosen to be on the side of the Iraqi regime and harbouring former Iraqi leaders. D. Milbank, 'White House Escalates Diplomatic Pressure on Syria' *Washington Post* 14 April 2003.

⁸⁹ E. Sciolino, 'US Pondering Saudis' Vulnerability', *New York Times*, 4 November 2001.

⁹⁰ E.L. Morse and J. Richard, 'The Battle for Oil Dominance' *Foreign Affairs* (March/April 2002).

⁹¹ A.H. Cordesman *Geopolitics and Energy in the Middle East* (Washington DC: CSIS 1999).

him”.⁹² Following this argument, the US is more likely to assist in the stabilisation of Saudi Arabia, than to attempt to reform it, or to foment a revolution.

Freedom and its limits

Besides contemplating a ‘freedom oil’ policy, the US will likely follow a more usual approach. In the short term, and from a defence perspective, the necessity to protect maritime energy-shipment routes combined with the political-military need to less rely on host nations when deploying forces, lends support to the strategy of maintaining a strong US Navy presence in the Persian Gulf region, and may plea for a stronger US Pacific Fleet. In terms of broader US strategy, and apart from opening lucrative reconstruction contracts and oil reserves to US corporate interests, the occupation of Iraq and the installation of a friendly regime will likely secure larger oil flows to the US and its industrial partners. Greater influence in the region, and through it influence on OPEC and the oil market – not to mention the show of force – may also consolidate the US in its position as the sole world superpower, although it is unlikely to put an end to terrorism.

In the event of an oil supply disruption in the Persian Gulf, the world would be left with relatively limited options for making up the lost oil production, as the Persian Gulf countries maintain around 70% of the world's excess oil production capacity. The oil coming from Caucasus and Central Asia might help to smooth any disruption in the Persian Gulf, although projected reserves have been much revised down. Despite the main stage of the war in Iraq being over, the potential for other armed conflicts in unstable energy producing areas of the region remains high as does a small risk that terrorism will disrupt supplies. A weakening of US alliance relationships in Europe, the Persian Gulf, or Asia could have major impacts on US energy security.

In the broader region, Washington might consider that a union around Moscow of the Caucasus and Central Asian oil exporters and a domination of the energy routes by Russia may become a major security concern. In this perspective, one can reasonably expect that Washington will continue to strongly support Turkey, a corner stone of its military and strategic interests in the region, disregarding the position Ankara took during the Iraqi crisis.⁹³ In the middle term and from a military perspective, although US officials are denying such a policy they will discreetly keep US troops for a few years in the region. The cover of military

⁹² J.A. Phillips, ‘The Real Reason for OPEC’s Newfound Muscle’, *Press Room Commentary* (Washington DC: Heritage Foundation 3 April 2000).

assistance and support for the war against terrorism is a convenient way for Washington to keep an influence on the pipeline grids of the Middle East and Central Asia (see Figure 1). Along with increased US military presence and influence in Central Asia, this is likely to weaken Russia's regional influence and crucial oil revenues. In the medium to long-term, such a position offers the possibility of economic and geopolitical pressure on China, a key future contender to US supremacy.

Conclusions

The debate on the links between oil and US security has significantly shifted as a result of the '9/11' terrorist attacks. If on one side, those opposing US military interventionism have argued that the 'war on terror' provided one more convenient cover for a renewed imperialist 'oil grab'; on the other, the links between oil dependence and terrorism pointed at the importance of governance in oil producing countries. As such, 9/11 both highlighted the multidimensionality of the link between oil-terrorism and legitimated a 'war on terror' that also became justified as a 'war of liberation' against oil funded dictators. In an ironic twist, some conservative analysts came to actually share some the arguments of Bin Laden – even if they did not share the opinion that Western interests had much to do with the problem of governance in oil-rich countries in the first place.

In this regard, the contradictions and limitations of the US foreign policy demonstrated that the unconditional support of regional allies such as Saudi Arabia can foster domestic opposition, while the sanction regimes imposed against 'rogue states' such as Afghanistan or Iraq did not satisfy the White House's security agenda. Beyond money and energy, the power of oil also resides its discursive construction. Contrasting its own policies with the 'dark side' of oil – the funding of dictatorships and terrorism - the US administration is moving towards associating oil to its version of 'freedom' through better management practices and constructive mutual dependence within the region. By doing so, it moves beyond the dilemma of the sanction regime (through which not enough oil revenue was flowing to the population, but enough was to sustain Saddam Hussein's regime) and absolves its own past responsibilities as both buyer of Iraqi oil and main supporter of the sanctions. The focus provided by the 'freedom oil' agenda on the relationship between oil dependence, domestic governance, and the behaviour of foreign governments and oil companies could nevertheless serve to reshape the social contribution of a resource sector that negatively affected the lives

⁹³ See for example the speeches of U.S. Deputy Secretary Of Defense Paul Wolfowitz on 2 February 2002 at the 38th Munich Conference on Security Policy, and Colin Powell during his visit in Ankara on the 2 April 2003.

of millions. Beyond the case of Iraq, however, many of the scenarios of regime change in the region, from supporting ‘freedom fighters’ to fomenting civil war are reminiscent of the worst period of the Cold War when the fight between the US and a ‘threatening’ Soviet Union justified the sacrifice of millions of people in the South.

To demonstrate that the US war on Iraq was not an oil grab, the Bush administration (and its successors) will have to make ‘freedom oil’ a reality, and prove that indeed oil benefits first and foremost ordinary Iraqis. To address the contradiction of its energy and security agendas in the region, the US will have to promote a stronger governance agenda with regard to oil management – something that will require a broad set of initiatives, from diplomatic efforts and institutional building to more stringent regulation of oil corporations and banking institutions in matters of transparency, corrupt practices, and accountability. In this regard, the Bush administration may find allies in a nascent coalition of international agencies, NGOs, governments, and businesses attempting to bring about a better governance of the oil sector at a global level. Among the many initiatives, the World Bank has taken an indirect oversight role over the development of the oil sector in Chad; NGOs and the UK government have launched transparency initiatives for oil companies to ‘publish what they pay’ to host governments; some businesses have implemented stricter codes of conduct on security, environment, and labour; and judicial processes have allowed to repatriate funds embezzled by ‘oil dictators’.⁹⁴ So far, however, the Bush administration has proved reluctant to engage into a *mandatory* governance agreement for the oil industry. Given the number of war victims and potential vested interests in Iraq, there is yet little evidence that a US policy shift from ‘free oil’ to ‘freedom oil’ is genuine and viable.

⁹⁴ See P. Le Billon, ‘Fuelling War: Natural Resources and Armed Conflicts’, Adelphi Paper 357 (Oxford: Oxford University Press 2003).