



## ***On Oil and War***

No conflict can ever be understood by looking at just one factor – but understanding the politics of oil sheds important light on truths that are often obscured in the fog of war. The peace movement’s rallying cry of “No blood for oil” has resonance and power because it holds more than a grain of truth when talking about any proposed military action in Iraq. How much is the Bush administration’s push for war with Iraq motivated by its desire to gain control of Iraq’s oil fields? Nelson Mandela said recently that, “[*Going to war with Iraq*] is clearly a decision that is motivated by George W. Bush’s desire to please the arms and oil industries in the United States of America.”<sup>1</sup> Oil clearly has a central role in motivating and explaining the actions of the Bush administration, allies like France and Russia, the Iraqi opposition, and even Saddam Hussein.

- 1) ***Oil is unquestionably the long-term “vital interest” of the United States, Europe, and Japan in the Persian Gulf.*** Factors other than oil (e.g. supposed links to terrorism and possible weapons of mass destruction) clearly contribute to the rationale for war – but the dominant economic interest in the region and Iraq has been, is, and will continue to be oil. There is virtually no foreign investment in the region outside of the oil industry. Fully two-thirds of the world’s proven oil supplies are in the Persian Gulf. As long as we are dependent on oil, we are dependent on this region. According to General Anthony Zinni, the US “must have free access to the region’s resources”<sup>2</sup>
- 2) ***Saudi Arabia holds, by far, the world’s largest reserves of oil – 25% of proven reserves.*** Saudi Arabia is indispensable to ensuring the smooth functioning of the global economy. While US strategic and economic planners have scenarios for dealing with disruptions in oil supply, the one scenario they fear most is a disruption in Saudi supply. There is, according to a leading industry analyst “simply not enough excess capacity to make up for the loss of Saudi Arabia”. Saudi Arabia remains an authoritarian regime in which power is held by a very few, very wealthy members of the House of Saud. The fear that Saudi oil supplies could be impacted by terrorists from inside or outside the country is very much alive within the Bush Administration.
- 3) ***Iraq holds the world’s second largest reserves of oil.*** Eleven percent of the world’s known oil reserves are in Iraq. Additionally, geologists believe that the Iraqi west holds vast quantities of undiscovered reserves. If sanctions were removed and technology was brought in, Iraq would quickly be in a position to dramatically increase production – something that no other country in the world could do. In other words, in the worst case scenario that the flow of Saudi oil was stopped, an increase in Iraqi oil production could, at least for a short time, begin to “make up for the loss of Saudi Arabia”.
- 4) ***US oil companies will almost certainly benefit from a “regime change” in Iraq.*** Ahmed Chalabi, the leader of the Iraqi National Congress (the most prominent opposition group), has said that he favors the creation of a consortium of US oil companies to develop Iraq’s oil.<sup>3</sup> Meanwhile, Lukoil, a Russian oil company, and TotalFinaElf, a French company, both have significant stakes in Iraq now. The Iraqi opposition has openly threatened countries that do not support the war with economic retaliation after they presumably come to power. In other words, if Russia and France do not support the war, and Hussein is defeated, their companies could very quickly lose their Iraqi claims – and billions of dollars in potential profit.
- 5) ***The United States uses one quarter of the world’s oil.*** The U.S. has recently begun to import more than half of our oil. According to the Bush Administration, by 2020 oil imports will account for two-thirds of U.S. consumption. Even if the Arctic National Wildlife Refuge is opened for oil exploration, it

<sup>1</sup> Newsweek, September 10, 2002, “Nelson Mandela: The U.S.A. Is a Threat to World Peace”

<sup>2</sup> in Congressional Testimony, April 13, 1999

<sup>3</sup> Washington Post, September 15, 2002, A1, “In Iraqi War Scenario, Oil Is Key Issue; U.S. Drillers Eye Huge Petroleum Pool”

would only slightly slow our increasing dependence on foreign oil. As long as the US is dependent on oil, we will be increasingly dependent on imports – and on the Persian Gulf.

- 6) **True security can only be achieved by reducing demand for oil.** The fastest and cheapest route to real security is via near term efficiency improvements such as the greater use of hybrid gas-electric cars, and a concerted effort to further develop and market the fuels of the future.<sup>4</sup>

In addition, the following general points regarding oil are worth mentioning:

- **Oil breeds war.** As communities around oil facilities from Colombia to Nigeria and around the world can testify, oil is a magnet for violence. According to a recent study by the World Bank, countries that rely heavily on oil as their primary export are 40 times more likely to be engaged in some form of civil war, than are those with more balanced economies. Governments that are dependent on oil are likely to spend much of their wealth on arms to defend themselves and the source of their power. Rebel groups are likely to target oil facilities because of the large revenues they generate, and because of the vulnerability of remote pipelines and oil fields.<sup>5</sup>
- **Oil breeds repression and authoritarian regimes.** Oil has anti-democratic effects in poor countries. Scholars have long blamed the lack of democracy in the Mid-East on the corrupting effect of oil wealth – but the trend holds globally too. Oil money slows democratic change by enabling the government to better fund the state's security apparatus. Large amounts of cash enable unaccountable elites to ward off democratic pressures by keeping taxes low; by funding patronage; by investing in repression; and possibly, by forestalling the formation of economically independent social groups.<sup>6</sup> In short, the notion that oil development can fuel a democratic transition in Iraq is highly suspect.
- **Oil breeds poverty.** Countries whose economies are dependent on oil exports also tend to show: exceptionally low living standards, higher poverty rates, exceptionally high rates of child mortality, malnutrition, income inequality, low rates of literacy and life expectancy.<sup>7</sup> Although there are rare exceptions to this trend, for most countries the discovery of oil has been a curse, rather than a blessing.
- **Poverty breeds terrorism.** In 1996, Osama bin Laden issued his call for a jihad against the United States, noting in part: *"The ordinary Saudi knows that his country is the largest oil producer in the world, yet at the same time he is suffering from taxes and bad services... Our country has become a colony of America... The Saudis know their real enemy is America."*<sup>8</sup>

### **Oil by the Numbers:<sup>9</sup>**

Percentage of proven oil reserves held in the Middle East – 65%

Percentage of proven oil reserves held in Saudi Arabia – 25%

Percentage of proven oil reserves in South & Central America (the second largest region) – 9%

Percentage of portion of global production of oil that currently comes from the Middle East – 31%

Percentage of oil that US imported in first nine months of 2002 – 57%

US imported oil that is from the Persian Gulf – 26%

Ranks of Saudi Arabia, Mexico, Canada, and Venezuela as current sources for US oil: 1,2,3,4

Percentage of proven oil reserves in the Caspian & the Former Soviet Union – 6.4%

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<sup>4</sup> see, for example, *Dangerous Addiction: Ending America's Oil Dependence*; Natural Resources Defense Council, Union of Concerned Scientists, January 2002

<sup>5</sup> Collier, Paul, and Anke Hoeffler, *Greed and Grievance in Civil War*. Policy Research Working Paper 2355, Development Research Group, World Bank, May 2000.

<sup>6</sup> Ross, Michael L. — (2001a) "Does Oil Hinder Democracy?," *World Politics* 53 (3 April) 325-361

<sup>7</sup> Sachs, Jeffrey D. and Andrew M. Warner (1995), "Natural Resource Abundance and Economic Growth," Development Discussion Paper No. 517a, Harvard Institute for International Development, Cambridge; AND Ross, Michael L., *Extractive Sectors and the Poor*, Oxfam America, 2001

<sup>8</sup> Quoted in Hiro, Dilip, *Bush and bin Laden*, The Nation, October 8, 2001

<sup>9</sup> BP Statistical Review of World Energy, 2001; US Dept. of Energy, Energy Information Administration, United States Country Analysis Brief, November 2002