

CHAPTER 5

U.S. OIL INTERESTS IN IRAQ

At this stage, for the purpose of proving the hypothesis, firstly it is useful to consider this distorted logic in order to better understand the U.S.'s decision prior to an invasion of Iraq. After the U.S. declared war on Afghanistan, the U.S. was able to accomplish its operation quickly. Then the U.S. moved to settle with Iraq for the purpose of overthrowing the regime of Saddam Hussein. If the U.S. could intervene Iraq more, it would occupy the country. The U.S. also believes that once Iraq was occupied, the problem of finding a base in the area would be resolved. With an Iraqi puppet government set up, the U.S. hope to dominate OPEC and use the Iraqi delegation as their tool.

The willingness of the U.S. to achieve such scheme started from the fact that the U.S. had a grievance against Afghanistan for sheltering Bin Laden. Therefore, the U.S. decided to attack Afghanistan in 2001. Then the U.S. moved its operation to Iraq, which as far as anyone knew that it had nothing to do with September 11. Bush administration advocated by neconservatives attempted to forge a connection between an unauthorized possess weapons of mass destruction and terror by convincing with a distorted logic that "A terrorist was someone who either had weapons, or aspired to get them. At one point of this, U.S. believed that Saddam had had weapons. Osama bin Laden was a terrorist, he would desire to get such weapons. Whence from? Certainly, that is Iraq. Why so? Because he and Saddam were both terrorists."⁶³

The U.S. attempted to link any possible causes to invade Iraq, despite it was apparent that it had no WMDs and terrorist network in Iraq. Considering the post-invasion after the U.S. declared an end to major combat operations in Iraq, mass number of civilian deaths have daily increased along with an augmentation of American troops guard almost entire Iraq. The U.S.'s actions do not work in line with the U.S.'s assertion to bring democracy and overthrow rouge regime of Iraq. Therefore, it is interesting to explore the true motive of Iraq invasion. For the purpose

⁶³ Pelletiere, pp. 133-134.

of justifying the hypothesis, this part begins with a belief that the war in Iraq has oil as a contributing factor. The war was not only about Saddam Hussein's regime and weapons of mass destruction, but it was a matter of concerning who will control the third-largest oil reserve in the world. Iraq's oil reserves represent a major asset that could quickly add capacity to world oil markets and bring in a more competitive intention to oil trade. This is the reason why the U.S. and the U.K. supported the war in Iraq, and also was the reason why Russia and France opposed the war.

Importance of Iraq's oil

Iraq contains 115 billion barrels of proven oil reserves, the third largest in the world behind Saudi Arabia and Canada. Approximately, Iraq's oil reserves and resources have been explored about 10 percent of the country. There are 80 discovered oilfields, which only 17 have been developed. Iraq's main exporting crudes come from the country's two largest active fields, which are Rumaila⁶⁴ in the south and Kirkuk⁶⁵ in the north. Oil accounts for more than 70 percent of Iraq's GDP and 95 percent of government revenue.⁶⁶

Iraq's oil is especially attractive to the big international oil companies due to the importance of these three factors. Firstly, a high quality and value of Iraq's oil, which has attractive chemical properties, notably high carbon content, lightness and low sulfur content. It is suitable for refining into the high value products. Secondly, huge supplies of oil in Iraq, this factor is supported by experts who believe that Iraq has potential reserves substantially above 200 billion barrels. The Energy Information Administration of the U.S. Department of Energy has estimated that Iraqi reserves could possibly total over 400 billion barrels. The Department of Energy assess that, as world demand for oil increase and as oil reserves in other areas decline at a fast rate,

⁶⁴ The Rumaila Field is an oil field in southern Iraq, part of which is also in Kuwait. Possession of this field led to disputes between Iraq and Kuwait and was one of reasons for Iraq's invasion of Kuwait in 1990.

⁶⁵ Kirkuk is the centre of the northern Iraqi petroleum industry. It is the largest city in one of Iraq's most important oil producing areas. Oil pipelines run from Kirkuk to the coastal cities of Tripoli in Lebanon and Yamurtalik in Turkey.

⁶⁶ *Iraq Energy Info.* (n.d.), retrieved May 3, 2007, from <http://www.iraqenergy.com>.

Iraq's oil will represent a steadily-larger proportion of the world's total.⁶⁷ Lastly, an attractive point of low production costs, this factor is proved with information from the U.S. Department of Energy that "Iraq's oil production costs are amongst the lowest in the world, making it a highly attractive oil prospect."⁶⁸

U.S. oil interest for invasion of Iraq

Bush administration's list of justifications for invasion of Iraq were that Iraq possessed weapons of mass destruction and tightened relation with terrorist network, these assumptions were proved that there had no evident as the U.S.'s accusation. What would be the U.S.'s true reason for invasion of Iraq? Due to the hypothesis of this paper that the U.S.'s intention to invade Iraq for the purpose of accessing Iraq's oil, therefore the U.S. oil interest in Iraq will be core context of this part. In fact, oil is not explicitly mentioned for the reason why the U.S. invaded Iraq. The U.S. usually informs publicly that war on terror was active reaction to terrorist attacks and the willingness of the U.S. to bring democracy for replacing authoritarian regime.

Oil has been a major U.S. concern about Iraq in internal and unpublicized documents. The U.S.'s willingness to overthrow Saddam Hussein's regime and replace his regime with the U.S. administration's plan to seize control of Iraq's huge oil reserves. Without the oil factor, the U.S. would be continuing to deal with Iraq as it is dealing with North Korea, which unlike Iraq has openly admitted it is trying to build nuclear weapons.

Considering each country's foreign policy, it is unsurprising that one country concerns over its national interest for sustaining economic development by tightening relation with other countries. In the case of Iraq, it is the U.S.'s rights to expect benefit from Iraq's oil but it would be legitimated when it implement their

⁶⁷ Short-Term Energy Outlook. (2007), retrieved May 7, 2007., from <http://www.eia.doe.gov/emeu/steo/pub/contents.html>

⁶⁸ James A. Paul. (2002), "Oil in Iraq: the heart of the Crisis," *Global Policy Forum*, retrieved May 5, 2007, from <http://www.globalpolicy.org/security/oil/2002/12heart.htm>.

policy in a diplomatic way. Bush administration issued a public statement that nuclear deterrence cannot be relied upon to work against rough states or terrorists. To this point, Bush claims the right to respond with nuclear weapons if the U.S. or allied were attacked with chemical or biological weapons from outsiders. It is double standards of the U.S. threatening to use its own weapons of mass destruction while invading Iraq just on suspicion that it has weapons. Indeed, some commentators believe that the Bush administration is prepared to use nuclear weapons in Iraq in order to intimidate the next rough regime namely Iran into acquiescing to the U.S. plans for control of the Middle East and Central Asia.⁶⁹

To support the true motive of the U.S. for invasion of Iraq, the British Middle East expert and journalist Patrick Seale alleged that “The real target of the war is to make the U.S. supremacy prevail on a strategic oil-rich region, and to protect Israel’s regional superiority and its monopoly over weapons of mass destruction in the Middle East”⁷⁰ Therefore, it indicates that planned occupation and current invasion of Iraq for oil interest are hidden process behind the forced imposition of democracy and human rights as the U.S. interprets these terms.

What is the reason why the U.S. desire to access and control Iraq’s oil? A document of James A. Baker Institute of Public Policy at Rice University reported that the U.S. faces with the problem of energy security and threaten by oil shortages with an inability to keep up with its demands. Moreover, the report named ‘Strategic Energy Policy Challenges for the 21st Century’ concluded that “The United States remains in energy instability. Iraq remains a de-stabilizing influence to the flow of oil to international markets from the Middle East. Saddam Hussein has also demonstrated a willingness to threaten to use the oil weapon and to use his own export program to

⁶⁹ Jim Lobe. (2005), “Bush raises terror stakes,” retrieved February 17, 2007, from http://www.atimes.com/atimes/Middle_East/GJ08Ak01.html.

⁷⁰ British Mideast Expert: “US, Britain, Heading to Disaster,” *Agence France Presse*, March 29, 2003, retrieved February 17, 2007, from <http://www.ratical.org/ratville/CAH/linkscopy/USUK2disas.html>.

manipulate oil markets”⁷¹ Therefore the U.S. decided to conduct an immediate policy toward Iraq.

Interestingly, the U.S. is not just interested in oil from Iraq, it is concerned with maintaining political dominance over all oil producing countries. This U.S.’s intention was apparent when Secretary of State Colin Powell told the Senate Foreign Relations Committee that success in the Iraq war “could fundamentally reshape that region in a powerful, positive way that will enhance the U.S. interests.” Therefore, the U.S. believes that it will be necessary to station the U.S. troops in Iraq for the foreseeable future. Importantly, the U.S. believes that domination of Middle East oil will secure a status of dollar hegemony over the world oil economy. Dollar Hegemony of the U.S. within oil producing countries can be interpreted in terms of political arrangement to ensure that OPEC oil purchases will be designated in the U.S. dollars.⁷²

Historically, commitment of OPEC to dollar oil sales was secured in 1970s by a secret agreement between the U.S. and Saudi Arabia, before the two countries began to drift apart over Israel and other issues. These two countries gain mutual benefit, the U.S. benefited from Saudi Arabia support for pricing of all APEC oil in dollars coincided with assuring a special and ongoing Saudi Arabia stake in the U.S. economic priority.⁷³ To learn from history, the U.S. assured that its economy would not be impoverished by OPEC oil.⁷⁴

However, everything could not be completely accomplished according to the U.S.’s expectation. The OPEC underpinning for the U.S. dollar had shown signs

⁷¹ James A. Baker, “III Institute for Public Policy of Rice University and the Council on Foreign Relations,” (n.d.), *Strategic Energy policy Challenges for the 21st Century*, retrieved May 2, 2007, from <http://www.informationclearinghouse.info/article3535.htm>.

⁷² Peter Dale Scott, *Drugs, Oil, and War: The United States in Afghanistan, Colombia, and Indochina*. (Lanham, MD: Rowman & Littlefield, 2003), pp. 41-42.

⁷³ David E. Spiro, *The Hidden Hand of American Hegemony: Petrodollar Recycling and International Markets*. (Ithaca: Cornell UP, 1999), p 121.

⁷⁴ Peter Dale Scott, op. cit. p 53.

of erosion when Iraq converted its reserves from dollars to euros in 2000. At that time, Iraq also had profited for the value of the euro against the dollar.⁷⁵

That is an important reason why the U.S. attempt to dominate OPEC. However, central banks around the world do not accept either the U.S. dollar or the U.S. stock markets to sustain U.S. currency.⁷⁶ As mentioned that the U.S. face with a problem of oil shortages, therefore the U.S. oil interest in Iraq is vital interest owing to an increasing number of oil demand. No wonder why entire Bush energy policy is based on the increasing supply of oil, which should derive from countries in the Middle East where possess some 70 percent of the world's proven oil reserves.

Great results of occupation Iraq do not only benefit the U.S. economy but it also benefit some Bush Administration officials who advocated the war in Iraq. Vice President Cheney have had extensive connections to the oil industry. Cheney was chairman and chief executive officer of Halliburton; an oil services company based in Bush's home state of Texas. Haliburton has a history of government contracts and will be a leading beneficiary of the war in Iraq.⁷⁷

When Saddam Hussein had been removed from power, the Iraqi oil industry is up. It will depend on a new Iraqi government to decide how it will distribute the oil. Oil fields were the first places in Iraq to be occupied by the U.S. and U.K. troops in the first hours of the 2003 war. According to Paul Wolfowitz and Richard Perle, two key Pentagon advisers, who saw military action as a part of grand plan to reshape the Middle East.⁷⁸

⁷⁵ Clark W, "The Real But Unspoken Reasons for the Iraq War" A Macroeconomic and Geostrategic Analysis of the Unspoken Truth, retrieved May 9, 2007, from <http://www.tamilnation.org/intframe/iraq/clarke.htm>.

⁷⁶ William Greider. (2002). "The End of Empire," *The Nation*. reteived May 9, 2007, from <http://www.thenation.com/docprint.mhtml?i=20020923&s=greider>.

⁷⁷ Halliburton Energy Services is a multinational corporation with operations in over 120 countries. Halliburton operates two major business segments: The Energy Services Group provides technical products and services for oil and gas exploration and production. (Rittman Anne. (2002). "A Halliburton Primer," retrieved May 7, 2007, from <http://www.washingtonpost.com/wp-srv/onpolitics/articles/halliburtonprimer.html>)

⁷⁸ Darren Owen. (2003). "Neocon Imperialism or Apocalypse now?," retrieved May 12, 2007, from http://www.heavendwellers.com/hd_neocon_imperialisim_or_apocalypse_now.htm.

Last but not least, according to the article named “Bush’s deep reasons for war on Iraq: Oil, Petrodollars, and the OPEC Euro Question”⁷⁹ mentioned an interesting suggestion that multilateral approach to these core problems is the only way to proceed. The U.S. is strong enough to dominate the world militarily. Economically it is in decline and increasingly in debt. Bush administration attempt to override economic realities with military capability. The U.S.’s influence in the world should be based largely on good will generated by its willingness to resolve matters multilaterally. Concerning a rising of difficult post-war challenge of anti-Americanism, it is worth to note that though the U.S. military might be unchallenged, their progress of economy and finance depend much upon the peace and multilateral cooperation.

Other foreign oil interests in Iraq

Since the Gulf War in 1991, many companies have been signing deals to develop the Iraqi oil reserves in an campaign of “Oil-for-Food” program.⁸⁰ Many of these companies were from Russia and France, both countries want to keep their Iraqi oil concessions for financial reasons. Russia has its own vast oil deposits, but they very expensive to extract because of their remote location.⁸¹

If France and Russia had more access to Iraqi oil reserves, it would allow them to have a greater strategic independence from U.S. oil companies. Oil was one factor for many different countries to support the U.S. war in Iraq. Most permanent members of the UN Security Council have oil companies with a stake in who will rule Iraq. The U.S. says it does not want to control Iraq’s oil industry, but want other countries to share the risks and the benefit to go to the Iraqi people. These are the reason why France and Russia opposed the U.S.’s proposal to invade Iraq.

⁷⁹ Bush’s deep reasons for war on Iraq: Oil, Petrodollars, and the OPEC Euro Question. (2003), retrieved May 15, 2007, from <http://socrates.berkeley.edu/~pdscott/iraq.html>.

⁸⁰ The Oil-for-Food Programme, established by the UN in 1995 and terminated in late 2003, was intended to allow Iraq to sell oil on the world market in exchange for food, medicine, and other humanitarian needs for ordinary Iraqi citizens without allowing Iraq to rebuild its military.

⁸¹ Graham Phillips. (2003). “Oil Connections to War,” retrieved May 15, 2007, from <http://academic.evergreen.edu/g/grossmaz/philligr.html>.