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Seeking Stability in an Oily World: The Gulf War and American Imperialism

Kate Keleher

From beauty products to political revolutions; from a schoolteacher’s daily commute to a diplomat’s agenda; from the local to the global and in between, one key agent – oil, impacts nearly all aspects of the international community. As a vital commodity, oil exerts its dominance in overt and subtle ways. While most recognize that it plays a role in environmental issues and transportation, few appreciate the full extent of oil’s pervasiveness. Oil has profoundly shaped the political, economic, and social structures of the twentieth century, and it continues to shape the global order today.\(^1\) As both a source and a medium of power, oil binds together seemingly disparate elements into a highly sensitive web. A disturbance in one part of this oil web profoundly impacts other aspects.\(^2\) In this paper, I will look at one such moment of critical disturbance in the web, the first Gulf War, and highlight its significance as a turning point in the narrative of the oil web’s changes over time.

To comprehend the context of this transformation, one must first develop an understanding of the economic, social, and political structures surrounding oil throughout the twentieth century. Oil is an inherently volatile commodity on the market, prone to dramatic price swings as the balance between supply and demand tips back and forth. Price is the most critical factor of the oil market; it dictates who gains politically and economically, and determines the magnitude of those gains. It has the power to shape patterns of consumption and impede or promote innovation of new energy technologies. The story of oil is marked by the

constant shifting of this burden of price adjustment among three key players – the United States, Middle Eastern oil exporting nations, and oil companies.  

In the past century, America has relied on numerous tactics to relieve itself of this price burden. While the manipulative nature of these tactics suggests that they are imperialist, their objective marks a new brand of dynamic imperialism that seeks to construct and perpetuate a particular set of economically favorable conditions rather than secure a clear geographically grounded political dominance. The first Gulf War marked the beginning of a period of American new imperialism in which America used tactics (both military and otherwise) to preserve a brand of market stability that suited its own economic interests. As the first war over oil as a vital natural resource, the Gulf War moved the United States from a position of insecurity to one of dominance in the international oil market.

**The First Oil Imperialism**

In general terms, the West and the Middle East represent the two most significant players in the international oil market. An examination of their early oil-related interactions foreshadows the asymmetrical relationship that followed.

Though Western imperialism in the Middle East can be traced all the way back to the Crusades of the eleventh century, oil motivated Western imperialist actions in the Middle East did not emerge until the early twentieth century, when the invention of the oil-fueled engine redefined the transportation industry and radically expanded the possibilities within the global economy, dramatically increasing the global thirst for oil. From 1900 to 1929, demand for oil escalated from 500 thousand barrels a day to 4 million. During this time, companies such as

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Royal Dutch-Shell, Standard Oil, and British Petroleum rapidly ramped up their operations and sent out exploration teams to hunt for underground oil using seismologic technology. As these companies expanded the geographic scope of their quest, they began to assert their dominance over promising regions, especially in the Middle East; Royal Dutch-Shell gained control over oil deposits in Iraq, while British Petroleum collaborated with the Persian shah to begin pumping oil from Iran’s Zagros Mountains.⁵

The future of Western dependence on Middle Eastern oil was sealed in 1908, when Britain decided to switch from a coal-powered navy to an oil-powered one, despite the fact that it had no domestic oil. This meant that Britain needed to station a navy in the Mediterranean to protect its oil interests in the Middle East. This critical change marked the beginning of an era of Western oil imperialism – a “collaborative effort between industrial governments and oil companies to control the oil resources of various less advanced countries.” Throughout the early twentieth century, Western nations worked to gain control over oil-rich regions in the Middle East. While working with the diplomats of other Western nations to map out spheres of influence in the Middle East, one French diplomat remarked, “He who owns the oil will own the world.” Indeed, the Western world was realizing that access to oil was critical for economic, political, and military strength.⁶

In demonstrating oil’s geostrategic value, World War One solidified the global perception of oil as a key resource. During the 1916 Battle of Jutland, a British blockade induced a fuel shortage in Germany, which immobilized the oil-dependent German navy, slowed industrial production, and limited citizens’ transportation abilities. This helped to secure British victory.⁷

⁵ ibid, 36.
⁶ ibid, 38-40.
One British official remarked, “The Allies had floated to victory on a wave of oil.”\(^8\) This sequence of events stressed the relationship between national security and access to oil.

WWI was also partially responsible for establishing the imperial power dynamics between the West and the Middle East that set the tone for oil related encounters for the next half century. In 1916, the British allied with Sharif Hussein, the ruler of Mecca, who agreed to lead an Arab revolt against the Turks in exchange for the promise of Arab independence. However, this alliance was already laden with instability; in the same year, Britain and France drafted the secret Sykes-Picot agreement, which effectively partitioned the Middle East between them. Article two, which stated that France and Britain, “shall be allowed to establish such direct or indirect administration or control as they desire and as they may think fit to arrange with the Arab state or confederation of Arab states,” and article eleven, which stated that, “the negotiations with the Arabs as to the boundaries of the Arab states shall be continued through the same channel as heretofore on behalf of the two powers,” demonstrate the agreement’s imperial motivation. Though the Arabs were promised the right to self-determination, the thirst for oil led Western nations to undermine these wartime agreements.\(^9\)

Western oil corporations played a part in encouraging Western nations to break these promises after the Allies’ victory in WWI. These corporations foresaw the benefits of working with a fragmented Middle East, instead of one dominated by a unified, strong Arab state.\(^10\) The Allies’ betrayal against the Arab nations simultaneously shaped the political landscape of the Middle East while simultaneously generating long-lasting resentment and distrust between the West and the Middle East.

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\(^{8}\) Roberts, *The End of Oil*, 40.
\(^{10}\) Knightly, "Imperial Legacy," 8.
America, the world’s largest producer of oil at the time, was not as desperate as European nations were to extract oil from the Middle East, but this soon changed. President Woodrow Wilson, was initially offended by “the whole disgusting scramble for the Middle East.” Britain, anxious that this American hesitance to exert its influence in this region would undermine its own interests, worked to encourage the United States to take control of Middle Eastern oil. Two developments facilitated American involvement in the process of carving up the Middle East. First, the 1918 establishment of the English-Speaking union, an international educational charity that worked to improve English communication skills, fostered a sense of brotherhood and common destiny between the U.S. and Britain. Second, British propaganda that depicted the war in the Middle East as a fight for liberation of the Holy Land helped quell American anxieties that domination in the Middle East would be imperialist. Though American oil companies had already been involved in the region for a decade or so, these developments helped intensify American commitment to controlling oil in the Middle East throughout the late twenties and early thirties. By 1938, commercial production solidified U.S. interest in the region.

WWII simultaneously reminded the world of oil’s tremendous geostrategic importance and intensified global oil demand. America supported the Allies throughout the war by supplying them with oil. It has been argued that the axis powers were defeated, in part, because they lacked steady access to oil. From the war’s end in 1945 to 1960, global oil consumption rose from six million to twenty-one million daily barrels.

America emerged triumphant from WWII. Its economy, the largest in the world, relied heavily on oil, but its large oil reserves in Texas, Louisiana, Oklahoma, and California, allowed

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13 Ibid, 15.
it to support this heavy dependence.\textsuperscript{15} Though it began importing more oil than it exported in 1946, it’s consumption levels continued to increase steadily. By 1955, America’s per capita oil consumption was six times larger than any other nation’s; more than a third of the global energy produced was used in the United States.\textsuperscript{16}

To maintain stable access to oil to support this tremendous demand, Western oil companies adopted a new practice during this period in which they pushed the burden of adjustment onto the exporting countries by unilaterally reducing their posted oil price. This, in turn, slashed the royalties that they owed the oil states.\textsuperscript{17} Many of these exporting nations were in the Middle East, and these actions caused them great stress. However, this asymmetrical relationship between the West and the Middle east was to change too.

**Turning The Tables**

In the 1960s and 70s, several changes took place to reverse the power dynamic of the oil market and exacerbate American insecurity. The major oil exporting nations became aware of the tremendous power they possessed and began to nationalize their oil industries. With the 1960 formation of the first oil cartel, the Organization of Petroleum Exporting companies (OPEC), oil-exporting nations were able to find strength in solidarity. OPEC gained more control over the oil companies and prices,\textsuperscript{18} which increased American anxiety about its own access to oil. By 1970, America had reached peak oil, which meant it needed to depend more heavily on imports than ever before. This transition from self-sufficiency to dependence on foreign oil intensified American insecurity.\textsuperscript{19}

\textsuperscript{15} ibid, 36.
\textsuperscript{16} ibid, 41-2.
\textsuperscript{17} ibid, 99.
\textsuperscript{18} Yergin,\textit{The Prize}, 585.
\textsuperscript{19} ibid, 587.
These gradual shifts away from Western oil imperialism gave way to more dramatic power gains for oil exporting nations. In 1969, Libya unleashed the “oil weapon” by cutting its own production of oil. This reduction in supply motivated OPEC nations to increase their own prices and raised royalties on exported barrels of oil to 70%. Then, the West’s worst nightmares came true in 1973, when the Arab portion of OPEC declared an oil embargo, in response to the U.S. arming Israel in the Yom Kippur war.\(^{20}\) At the time, the U.S. was consuming seventeen-million barrels of oil a day, six-million of which were imported, in a world where OPEC controlled more than half the world’s oil supply. The embargo lasted until March 1974 and its effects were devastating to the American economy. Oil exporting nations were gaining power for themselves.\(^{21}\) In controlling the prices, they had become the “new masters of the global economy.”\(^{22}\)

The late 1970s brought dramatic changes in the oil market. The Iranian Revolution of 1979 generated protests that dramatically cut Iran’s oil production. The ensuing price increases generated conservation measures in the West. At the same time, OPEC nations built up their inventories to support what they expected would be a high level of demand. However, this demand never actualized; the conservation measures had decreased demand. From 1978 to 1985, oil’s share in the energy markets of industrial nations dropped from 53% to 43%. The combination of increased oil inventories and low demand created a large oil glut - an excess of supply over demand. The eighties brought a return to the free-flowing oil of years past. The glutted oil market of the eighties reduced the incentive to move away from oil. In the eyes of

\(^{20}\) Roberts, *The End of Oil*, 100.
\(^{21}\) Yergin,*The Prize*, 588.
\(^{22}\) Ibid, 632.
American consumers, oil became depoliticized; they began to treat it like any other commodity.

Seeking Stability

Beneath these feelings of security, deep-seated anxiety lingered. The oil crises of 1973 and 1980 had revealed the extent of American vulnerability. The hubris of the early twentieth century had faded into anxiety as the need to preserve market stability became increasingly apparent. In 1986, George H.W. Bush travelled to Saudi Arabia with the intention of “selling very hard” the idea that the U.S.’s “domestic interest and thus the interest of national security” were wrapped up in the oil market. Before his departure, he said, “I think it is essential that we talk about stability and that we not just have a continued freefall like a parachutist jumping out without a parachute.” Consistent access to oil at stable prices had become one of America’s top priorities.

This desire for stability at all costs was evident throughout official White House documents as well. National Security Directive 26, signed by President George H.W. Bush in October of 1989, laid plain the United States’ policy towards the Gulf region. It emphasized that “access to Persian Gulf oil and the security of key friendly states in the area are vital to U.S. national security,” and specified that the United States would not hesitate to use “military force” to “defend its vital interests in the region.” This document showed the United States’ blatant preparedness for intervention in the region. It went on to emphasize the importance of “stability in both the Gulf and the Middle East.” The use of the word “stability” after the

23 ibid, 718.
24 ibid, 756.
explanation of the importance of oil but well before any mention of human rights or peace
reflects the implied meaning of the word.

By the late eighties and early nineties, America’s large share of the oil market rendered it
simultaneously powerful and vulnerable. The level of oil consumption in the U.S. hovered
around the 1973 level, but its imported oil constituted half of the oil consumed, instead of just a
third. Growing rumors of political unrest abroad increased American anxiety. Journalists
foretold of impending “worldwide oil shortages” and price surges. The March 1990 New York
Times headline, “Political Unrest Abroad Raises Oil-Supply Fears” highlights the tension of the
moment. Food riots and political instability in oil exporting nations induced anxiety.
Gorbachev’s perestroika campaign was reducing the Soviet Union’s oil output, which, over the
course of a year, had dropped down to an output level of 12.2 million barrels per day, marking a
daily decreased output of 300,000 barrels. Within the context of this “fragile” market
equilibrium, journalists warned that these factors could “quickly assume a frightening
importance for world oil supplies.” In addition, the increasing demand coupled with “a failure to
make the investment needed to increase production capacity in most countries with large oil
reserves” exacerbated the problem. Vahan Zanoyan, a high level official at Petroleum Financial
Company said, “In four years or so you could see the energy situation approaching critical mass
if the political undercurrents we are witnessing continue to gather momentum . . . One must
remember that every time we had a major oil crisis was because of politically motivated
reasons.” Experts asserted that prices would likely surge without investments to increase
production capacity.²⁶

Historical Newspapers.
In the summer of 1990, the makings of a crisis lurked beneath American consumers’ contentment with low oil prices. Demand continued to grow as the national economy grew increasingly dependent on access to oil. American production of oil had dropped by two million barrels a day between 1986 and 1990, so American oil imports were at their highest levels yet, and they continued to rise. The oil market tightened in response to this demand. In addition, oil’s inventory was becoming less diversified: 70% of world’s oil reserves were contained in the Persian Gulf.27 The United States’ interests were grounded in preserving its access to oil by maintaining stability and controlling prices. The United States continued to seek congenial relations with nations in the Gulf until it became more evident that “constructive engagement” was not going to be enough to protect American interests.28

Thirsty for increased control of oil prices himself, Saddam Hussein, Iraq’s dictator, began threatening to invade Kuwait. He justified these threats by claiming that Iraq had originally owned Kuwait before Western Imperialist forces had taken it.29 However, it was clear that his intentions were rooted in the desire to control oil prices. Saddam hoped to intimidate the small nation into forgiving Iraq’s debt and reducing its own oil production, which would increase prices and allow Iraq to make money.

**The Gulf War: A Turning Point**

While oil has long played a role in military strategy and global conflict, the Gulf War was unique in that it was almost entirely generated by tensions over oil.30 In an effort to keep Iraq’s power in check, Kuwait overproduced its oil to flood the market and reduce prices. This, in

conjunction with several other factors, prompted Saddam Hussein to retaliate by invading
Kuwait with a hundred thousand troops on August 2, 1990.31

The thirst for control of oil prices motivated not just Saddam’s invasion of Kuwait, but
the global response as well. Beneath the rhetoric of defending Kuwait’s sovereignty, most
diplomats were focused primarily on the oil security risks associated with the invasion. Behind
closed doors, they debated whether oil would be lost, and whether a rapid price increase would
likely yield a global recession.32 The U.S. State Department’s emphasis on its desire “to ensure
the free flow of oil through the Strait of Hormuz”33 reflects that its interest in the affair remained
clearly related to oil. The heavily oil-dependent United States was terrified of Saddam gaining
too much control over oil supplies in the Middle East. The United States feared that if it didn’t
intervene, Saddam would continue on to Saudi Arabia and gain control of one fifth of the
world’s oil production and one third of its reserves.34

The U.S. intervention in the Gulf War demonstrated what I will refer to as new
imperialism, in which a nation strives to preserve a set of conditions that are economically
favorable. Actions indicative of this new imperialism began to appear with increased frequency
towards the end of the twentieth century. In the nineties, globalization’s increased
communication and transportation technologies had reduced the importance of political borders.
Economic strength became the primary determinant of a nation’s power. While past forms of
imperialism sought to dominate abroad by expanding borders, imposing religious or political
systems on a nation, or directly extracting natural resources from another territory, new
imperialism strived to generate economic gains through various forms of coercion, from

sanctions to military involvement. However, these forms of coercion were never justified as economically motivated. A defining feature of new imperialism was a divorce between rhetoric and authentic motivation; new imperialist nations exerted their dominance in more subtle ways than those of the past. This allowed them to condemn the imperialism of the past and boast of moral superiority. They could claim to invade other nations in the name of defending weaker nations or fighting tyranny or terrorism. These appealing yet vague values cloaked an ulterior agenda; instead of direct dominance, nations were able to indirectly secure access to certain commodities by using coercive tactics to preserve a certain set economically of conditions abroad.

Oil’s economic and geostrategic importance has made it the frequent subject of these new imperial agendas. More than any other commodity, such as sugar or tea, oil is directly related to the productivity and economic well-being of industrial nations. The modern economy is built around oil; from the plastics industry to transportation, oil is a necessary ingredient for continued progress. Nations militarily intervened abroad to preserve access to oil and avoid having to envision a national economy without oil. Preserving access to oil allowed America to raise itself above its competitors that depended more on Middle Eastern oil, such as China and Europe. Nations were caught in a bind – they required oil to fuel their economies, but oil lay outside their control. Thus, they militarily intervened abroad to preserve their access to oil. However, this military action required oil. Dependence on oil became a vicious cycle.

New imperial military endeavors abroad have generated different responses. Some maintained that these actions are in line with their justifying rhetoric. In the case of the Gulf War, they upheld that America’s involvement was truly in defense of Kuwait’s sovereignty. Others acknowledged that oil was a motivating factor, but maintained that the U.S. military

35 Roberts, The End of Oil, 112.
involvement in the Gulf War was strategically necessary. Richard N. Haass, president of the Council on Foreign Relations, argued that American military involvement in the Gulf War to secure adequate access to oil was “self-defense.” While this access was certainly a key component of American security, I would argue that this does not mean that U.S. involvement can be written off as “self-defense.” Militarily intervening abroad to construct an economically favorable set of conditions is a distinctly imperial project, in the same way that controlling a region and directly extracting its resources for national economic gain is imperial. New York Times columnist Thomas Friedman summarized the issue well when he wrote,

The United States has not sent troops to the Saudi desert to preserve democratic principles. The Saudi monarchy is a feudal regime . . . Surely it is not American policy to make the world safe for feudalism. This is about money, about protecting governments loyal to America and punishing those that are not and about who will set the price of oil.

Friedman outlines three categories of “vital interests” related to oil: its price, who controls it, and the integrity of borders. These interests demonstrate new imperialism in which the imperial power strives to create a certain set of economically favorable conditions.

A New Era of American Dominance

In reasserting its military dominance over oil producers during the first Gulf War, the U.S. ushered in a new era of oil security. The U.S. assumed several new roles that became typical of new imperialism. It became “the Gulf’s regional policeman,” as well as the “protector of the world oil market” and the “guarantor of the oil price stability.” Aside from its demonstrated willingness to control the oil market militarily, the United States also possessed the ability to lower the market price of oil by increasing production from the its newly controlled

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37 ibid, 7.
Saudi oil reserves. Saudi Arabia, grateful for the military defense that the U.S. had provided, would overproduce, flooding the market and dropping the price of oil, in exchange for continued military support. The U.S. built a military command center near Riyadh, along with a system of smaller bases.\textsuperscript{40} This military involvement in the name of preserving a particular status quo demonstrates new imperialism.

The Gulf War marked a shift in the nature of Middle Eastern politics. The United States increased its own control over the Middle East. After decades of tumult, oil stability became a reality. Throughout the nineties, OPEC and oil companies alike flourished and demand for oil increased. As a result of the Gulf War, Americans became less fearful of an energy crisis, and their consumption of oil increased after remaining relatively static throughout the seventies and eighties.\textsuperscript{41} This granted “Uncle Sam a degree of influence over world oil markets and world oil prices that goes well beyond anything the U.S. might achieve militarily.” During the years between the two Gulf Wars, oil imported to the United States increased by 3.5 million barrels daily. This incredible rate was unique to America.\textsuperscript{42} The newly instilled stability of the Gulf War prolonged American dependence on foreign oil and discouraged investment in new technologies.

However, as always, the stability was far from perfect. Secrecy and internal conflict within OPEC prevented Saudi Arabia and the United States from maintaining the level of total control over oil prices that they sought. Several OPEC nations refused to publicize the amount of oil they produced daily. These issues perpetuated feelings of insecurity and anxiety and inspired American thirst for even more control.\textsuperscript{43}

\textsuperscript{40} ibid, 107.
\textsuperscript{41} ibid, 106.
\textsuperscript{42} ibid, 95.
\textsuperscript{43} ibid, 108.
Emboldened by the success of the first Gulf War, America was motivated, once again, to take military action to impose price stability on the oil market. American neoconservatives thought that coercing Iraq to ignore OPEC and produce at maximum capacity would effectively limit OPEC’s price control abilities. International oil companies refused to finance the revival of Iraq’s oil industry unless Saddam was out of the picture and they were guaranteed a share in production revenues. Thus, in the name of defense against weapons of mass destruction and al-Qaeda, the United States invaded Iraq.44

The Iraq War demonstrates that the new imperial project lives on today. America’s selective involvement in the Middle Eastern political tumult of 2011 highlights that oil remains a critical factor in shaping the narrative of these military engagements. Egypt, whose oil production peaked in 1993 and has been in decline ever since, did not receive large-scale American military assistance for its peaceful protestors, even when they were subjected to violence. On the other hand, Libya, the African nation with the largest oil reserves, did receive American military assistance when its government behaved violently towards its protestors.45 These incidents suggest that American military engagement abroad has more to do with bolstering its own economy rather than preserving its stated values of “democracy” and “freedom.” Until nations reinvent their economies to be powered by alternatives energies and fuels, which is an incredibly challenging task, oil will continue to play an enormous role in economic well-being, and thus precipitate new imperialist actions.

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