

US energy policy, oil and the war on Iraq

Since September 11, the Bush administration's "war on terror" has highlighted the Al-Qaida network led by Osama bin Laden and concern over proliferation of weapons of mass destruction amongst "the Axis of Evil". But the current deployment of US military forces to the Gulf for a war on Iraq reflects longstanding interest in controlling strategic energy resources in the region.

US policy towards Iraq, Israel and the Middle East has long emphasised the region's oil reserves. As early as 1945, a US State Department report described the region and its natural resources as "a stupendous source of strategic power and one of the greatest material prizes in world history".

A 1958 memo of the US National Security Council identified Arab nationalism as "inimical to Western interests" and stated: "The United States should be prepared, when required, to come forward, as was done [with the 1954 coup] in Iran, with formulas designed to reconcile vital Free World interests in the area's petroleum resources with the rising tide of nationalism in the area."

Bush administration policy

Until the late 1960s, the United States supplied most of its own energy needs, and still has extensive reserves of natural resources and access to oil reserves in Alaska and Mexico. Since then there has been a growing reliance on imported oil.

The incoming administration of President George W. Bush appointed a new Energy Commission, headed by Vice President Dick Cheney. The Commission's May 2001 National Energy Policy Report noted that pursuit of increased oil imports is "a priority of our trade and foreign policy."

Rather than investing in programs to reduce America's massive energy consumption, the Cheney report advocated weakening environmental legislation, rejecting the Kyoto protocol on climate change and opening up Alaskan wilderness areas for exploration and drilling. But even with this increased domestic production, the report notes that the proportion of imported oil in the United States will rise from 52% of consumption in 2001 to 66% in 2020.

A major concern for US policy makers is to expand access to reserves as the US economy increases its reliance on overseas oil over next 20 years. This will involve: procurement of more foreign oil; opening up OPEC to break cartel control of price rises; maintaining a safe environment for production and transport of oil; ending reliance on Middle East oil; and development of new pipelines from the Caspian Sea, Central Asia and Latin America.

The administration loves oil - President Bush is the former head of a Texas oil company; Vice President Cheney is the former CEO of oil services giant Halliburton; National Security Adviser Condoleezza Rice is a former director of Chevron and has an oil tanker named after her! Even before the terrorist attacks on September 11, these US policy makers were

"Any war we launch in Iraq will certainly be - in part - about oil. To deny that is laughable...Let's cut the nonsense. The primary reason the Bush team is more focused on Saddam is because if he were to acquire weapons of mass destruction, it might give him the leverage he has long sought - not to attack us, but to extend his influence over the world's largest source of oil, the Persian Gulf."

— Thomas Friedman, New York Times, January 2003.

debating whether they should intervene in Iraq, to change the strategic balance of power in the Middle East.

Oil and Iraq

The Persian Gulf has two-thirds of the world's known oil reserves. Saudi Arabia is the world's largest producer, followed by Iraq. Uncontested access to Iraq's oil reserves could lead to the end of America's growing reliance on Saudi Arabia (the homeland of most of the September 11 hijackers). A US-allied Iraq could work to diminish the influence of OPEC, long dominated by Saudi Arabia, over oil supplies and prices, and limit Saudi capacity to challenge US policy on the Israel/Palestine conflict.

Only Iraq has the capacity to substantially increase oil production in the event of instability in the Saudi regime (Iraq which has proven reserves of 115 billion barrels, compared with 49 billion for Russia and 15 billion for the Caspian states)

Iraq's oil production dropped after the 1991 Gulf War (which arose in part from the disputed control of al-Rumeilah oilfield which lies beneath both Kuwait and Iraq). Three decades of war have left many of Iraq's oilfields unexplored or undeveloped. But after the UN's "oil for food" program removed some sanctions imposed after the 1991 war, non-US energy corporations have started to reinvest in oil production in Iraq.

French corporation TotalFinaElf has an agreement to develop Nahr bin Umar and the Majnoon field (over 18 billion barrels), while a Russian consortium led by the state-owned Lukoil is prepared to develop the West Qurba field (an estimated 15 billion barrels). China's National Petroleum Corporation plans to develop the Adhab oilfield.

Due to restrictions in US law since the early 1990s, US corporations have missed this oil rush. Now, they are seeking to oust their rivals from controlling Iraq's oil reserves. On 15 September 2002, the Washington Post noted: "A US-led ouster of Iraqi President Saddam Hussein could open a bonanza for American oil companies long banished from Iraq, scuttling oil deals between Baghdad and Russia, France and other countries, and reshuffling world petroleum markets, according to industry officials and leaders of the Iraqi opposition."

Bush administration officials are considering proposals that the US use Iraq's oil to pay for the cost of occupying Iraq after the overthrow of Saddam Hussein, estimated at US\$12 - 48 billion a year by the US Congressional Budget Office. According to one White House official: "There are people in the White House who take the position that it's all spoils of war. We take all the oil money until there is a new democratic government." (The Age, 11/1/03).

Controlling energy reserves

Although low oil prices and access to reserves are important, a crucial element of US policy is control of energy resources as a lever of strategic influence. By controlling key reserves of oil, the US can use energy costs to exert influence over global economic policy. This is why US policy (e.g. over Palestine) sometimes come into conflict with its allies in Europe and Japan, whose economies are more reliant on Middle East oil.

Increased control of strategic oil reserves also allows huge profits for energy corporations, construction firms, arms

"It's pretty straightforward. France and Russia have oil companies and interests in Iraq. They should be told that if they are of assistance in moving Iraq toward decent government, we'll do the best we can to ensure that the new government and American companies work closely with them. If they throw in their lot with Saddam, it will be difficult to the point of impossible to persuade the new Iraqi government to work with them."

Former CIA director James Woolsey,
The Washington Post, 15 September 2002

producers, as well as petrodollars recycled to US treasury bonds. The US government encourages its Middle East allies to use their oil profits to buy advanced US weapons systems - this recycling of oil profits ensures a huge subsidy for high-tech arms and computer corporations (Saudi Arabia and the United Arab Emirates, for example, are among the largest buyers of advanced US weapons systems).

In times of crisis, oil prices have been driven up sharply. But the United States and other western governments, together with the transnational energy corporations that control much of the actual oil production, have often used conservative states within the Organisation of Petroleum Exporting Countries (OPEC) to change production levels and lower oil prices in opposition to other oil producers such as Iraq, Libya or Venezuela, who seek increased returns for their natural resources.

Global interests

The issue of access and control of oil reserves are not limited to Iraq and the Middle East. US energy corporations are diversifying their operations in the Caspian Sea (Azherbaijan and Kazakhstan); Latin America (Venezuela, Colombia, Mexico); and sub-Saharan Africa (Angola, Nigeria).

Around the world where there are disputes over oil reserves and pipelines, US military or political support is a significant element in the conflict:

- US special forces are training troops in Georgia, where oil pipelines transit from the Caspian to the Black Sea and Mediterranean.
- The Bush administration has asked Congress for US\$96 million for "pipeline protection", as the US military wages a war on "narco-terrorists" in Colombia. Military forces are needed to protect Occidental Petroleum and Ecopetrol's Cano Limon pipeline, which runs from near Venezuela to the Caribbean coast.
- In Venezuela, a key Latin American oil producer, the US government supports opposition forces trying to overthrow the proudly nationalist Chavez government. The military-backed President in a failed April 2002 coup was an oil company executive.
- Hundreds of US troops are still deployed in the southern Philippines, near disputed oil reserves in the South China Sea.

OIL AND AFGHANISTAN

The US-led attack on Afghanistan in 2001 was presented as the liberation of the Afghan people from the Taliban and their Al-Qaida supporters. Few media commentators spoke about the growing strategic importance of Afghanistan as a route for Central Asian oil pipelines.

In 1995 the US oil company UNOCAL started negotiating to build oil and gas pipelines from Turkmenistan through Afghanistan and into Pakistani ports on the Arabian Sea. There were few qualms about working with the Taliban - in 1997, UNOCAL invited key Taliban leaders to Houston Texas, where they were royally entertained. In February 1998, John Maresca, UNOCAL's head of international relations, told the US Congress that growth in demand for energy in Asia and sanctions against Iran determined that Afghanistan remained "the only other possible route" for Caspian oil.

Just days before the September 11 attacks, the US energy information administration reported: "Afghanistan's significance from an energy standpoint stems from its geographical position as a potential transit route for oil and natural gas exports from central Asia to the Arabian sea. This potential includes the possible construction of oil and natural gas export pipelines through Afghanistan."

Risk assessment for the proposed UNOCAL pipeline was originally done by an Afghan-born aide to the company, Zalmay Khalilzad. President Bush later appointed Khalilzad as his special envoy to Afghanistan, to liaise with incoming President Hamid Karzai (who also worked as a consultant for UNOCAL). In 2002, President Bush appointed Khalilzad as his liaison to the opposition Iraqi National Congress, which is seeking to overthrow Saddam Hussein.

In December 2002, following the US-led assault on Afghanistan and the overthrow of the Taliban, Pakistan, Afghanistan and Turkmenistan signed a framework agreement setting up a consortium to build and operate a US\$3.2 billion gas pipeline to tap reserves at the Dauletabad fields in Turkmenistan and pipe them through Afghanistan and Pakistan.

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