Fueling Conflict

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More than any other commodity, oil is the lifeblood of modern economies and the engine of military machines. It is a source of enormous profit and political might. The major powers have gone to great lengths over the past century to secure access to it and influence the terms of its trade. In the pursuit of black gold, world leaders have established colonial outposts, supported dictatorial regimes that did their bidding, plotted against those who stood in the way, and militarized oil-rich regions with scant concern for the impact on local people or ecosystems. The first colonizers that jockeyed to divide the oil-rich Middle East between them were Britain and France. The United States soon joined the fray. The current U.S. occupation of Iraq is the latest chapter to draw international attention to the violent history of oil. But around the world, armed conflicts over the profits from oil development continually cause strife and personal loss.

To an extent unrivaled by any other nation on earth, the United States is addicted to oil. Much of the population regards unlimited consumption as a birthright. Subsidies actively nurture the habit of guzzling. Sprawling settlements and related dependence on motorized transport make high-volume energy use a day-to-day necessity. The U.S. economy remains far less energy efficient than Japan and industrialized countries in Europe.

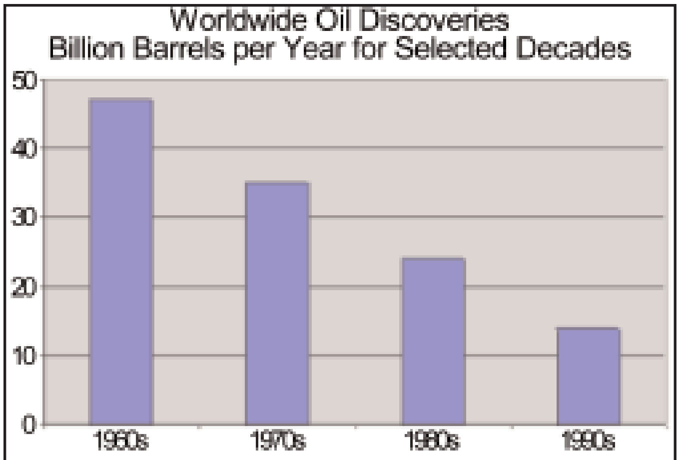
Representing a mere 5% of global population, the United States claims 26% of the world's oil use. U.S. oil consumption is projected to increase by one-third over the next two decades. But domestic oil production has been declining since 1970 and will continue to fall by a projected 12% over the next 20 years. The upshot is that U.S. dependence on imported oil, which has already risen from one-third in 1985 to more than half today, is set to climb to two-thirds by 2020.

Keeping the Persian Gulf in the U.S. Orbit

Although the United States and other industrialized countries have made strenuous efforts to diversify their import sources, the Middle East, and specifically the Persian Gulf region, remains the world's prime oil province. The Middle East accounts for about 30% of global oil production and more than 40% of oil exports. Its importance is bound to increase, given that about two-thirds of the planet's known reserves are concentrated in the region.

The rate of oil discoveries over the last few decades tells a clear story. In the 1960s, an average of 47 billion barrels per year were discovered. But as oil companies concentrated their search outside the Middle East, in response to the nationalization of oil fields in most OPEC countries, the annual rate plummeted to 35 billion barrels in the 1970s, 24 billion in the 1980s, and a mere 14 billion in the 1990s.

The United States has gone to great lengths to maintain its domination over world oil during the past half-century. Washington has made particularly heavy investments in keeping the immensely oil-rich Persian Gulf region in its geopolitical orbit. It has done so by propping up client regimes with arms and credits, acquiring military bases, overthrowing or marginalizing those that stand in the way, influencing the routing of oil export pipelines, and exercising undisputed control over the sea-lanes through which much of the world's oil is shipped.



Source: "Oil War," BBC, March 26, 2003, as reposted in Global Policy Forum, http://www.globalpolicy.org/security/oil/2003/0326oilwar.htm.

Securing oil supplies has consistently trumped the pursuit of peace, human rights, and democracy. Armed with modern weaponry by the United States and its allies, the Shah of Iran was the West's policeman in the Persian Gulf region during the 1970s, until he was swept aside by the Islamic revolution in 1979. Washington responded by pumping rising quantities of weapons into Saudi Arabia, and began a quest for new military bases in the region. Iraq became a surrogate of sorts. Eager to see Teheran's revolutionary regime reined in, the United States turned a blind eye when former Iraqi President Saddam Hussein invaded Iran in September 1980. The two countries bled each other for eight years, killing hundreds of thousands of people, and spending hundreds of billions of petro-dollars on a war that eventually ended in a stalemate.

When it looked like Iraq might suffer defeat, U.S. President Ronald Reagan provided critical support to Iraq in the form of commodity credits and loan guarantees, covert and indirect weapons sales, battlefield information about Iranian troop movements, and even attacks on Iran's navy. In short, oil and geopolitical interests translated into U.S. support for Hussein when he was at his most dangerous and murderous point. The assistance to Baghdad was provided even though top officials in Washington knew at the time that Iraq was using chemical weapons.

Proxy intervention abruptly gave way to direct intervention following Iraq's 1990 invasion of Kuwait. After the 1991 Persian Gulf War, the United States and its allies supplied Saudi Arabia and allied gulf states with massive amounts of highly sophisticated weapons. Arms transfers since 1990 have been valued at more than $100 billion, reversing the situation from the 1970s and 1980s when Iran and then Iraq were leading arms recipients. In the 1990s, the gulf states were converted into staging grounds for U.S. military intervention with facilities that were put into use when U.S. President George W. Bush launched the 2003 invasion of Iraq.

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Competition Motivates Iraq Takeover

That invasion took place for a number of reasons, though not the ones publicly advertised by the Bush administration. Iraqi oil is plentiful, cheap to produce, and high quality, making it lucrative spoils of war. Achieving a pro-U.S. Iraq would help to perpetuate Washington's domination of the Persian Gulf region.

In desperate need to rebuild a starved and shattered country, Iraq is likely to open the oil spigot wide as soon as its war-damaged installations are repaired. The Iraqi oil sector is in a dilapidated state as a result of 12 years of sanctions compounded by widespread looting. The tenacious resistance to the U.S.-led occupation may well push the resurrection of the Iraqi oil industry farther into the future than U.S. war planners had expected. Post-Hussein Iraq is caught in the twilight of an occupation marked by high imperial purpose and symptoms of crony capitalism. Corporations closely connected to the Bush team are rewarded with fat reconstruction contracts.

A major increase in Iraqi oil production following reconstruction would accommodate the rise in oil demand projected by the Bush administration and reinforce the oil-centered world energy system. Although this could undermine efforts to move toward more sustainable and climate-friendly energy sources, it would give Washington greater leverage over the world's oil market and limit the influence of OPEC. Additionally, a pro-U.S. Iraq would help reduce U.S. dependence on Saudi Arabia. Although Washington and Riyadh have had close relations since the 1940s, Saudi Arabia is seen as a less than fully reliable ally in the wake of Sept. 11, 2001 terror attacks on the World Trade Center and the Pentagon. The Saudis receive red marks for supporting extremist Islamic groups and for domestic instability.

Access to Iraq's enormous resource wealth has long been a motive for worldwide competition between oil companies, prompting the United States to try thwarting foreign contenders with military tactics that would benefit its own business lobby. Under Hussein, oil firms from Russia, France, China, and a range of other countries were positioning themselves for operating in post-sanctions Iraq. U.S. corporations would have been left in the cold had sanctions been lifted without regime change in Baghdad, and international support for UN sanctions against Iraq was eroding in recent years. For instance, the humanitarian crisis in Iraq compelled the Security Council to raise the ceiling on permitted Iraqi oil production in February 1998 and then to lift it entirely in December 1999.

However, by achieving Security Council Resolution 1483 in May 2003, the occupiers gained broad control over the Iraqi oil industry and sole decision-making power until December 2007 over the use of oil revenues, barring any legal challenges. The occupation regime is pushing for a broad privatization of Iraq's economy in accordance with Bush administration goals. Before the start of the war, the administration drafted sweeping plans for asset sales, concessions, leases, and management contracts across the Iraqi economy, including the oil sector. The plans stipulated that the first year of occupation would be spent building "consensus" for privatization, to be followed by asset transfers over a three-year period.

For now, the oil industry is excluded from newly promulgated rules that allow foreign companies majority stakes in Iraqi industries, reflecting the fact that an open sell-off would be enormously unpopular. However, both before and after the invasion, U.S. officials and their Iraqi allies repeated statements indicating that foreign oil companies, and in particular, U.S. corporations, would get a big shot at Iraqi oil.

Table 1. Arms Deliveries 1985-2001, in Billions of Current U.S. Dollars

Deliveries to:	Saudi Arabia and other pro-Western Gulf States	Iran and Iraq	All Developing Countries
1985-1988	31.8	31.2	155.5
1990-1993	37.6	8.5	85.3
1994-1997	48.5	2.1	102.2
1998-2001	37.4	0.9	87.7
Total	155.3	42.7	430.7

Source: Calculated from Richard Grimmett, "Conventional Arms Transfers to Developing Nations," various editions, Congressional Research Service, Washington, DC.

Assuming such an outcome, who will get preferential access to Iraq's riches? To what extent will existing contracts concluded by Russian, French, and Chinese companies with Hussein's regime be upheld? Before the war, there were thinly veiled threats that companies whose home governments refused to support an invasion would be shown the door. By implication, the big winners in such a reshuffling would likely be the U.S. and British companies, such as ExxonMobil, Chevron-Texaco, BP, and Shell, which had lost their assets by nationalization in 1972.

It's possible that the opponents of the war will not be entirely excluded, if only to induce them to accept and legitimate the new masters of Iraq. But the manner in which the reconstruction contracts have been handled to date suggests a winner-take-all attitude in Washington. For example, the Pentagon announced on December 9, 2003 that French, German, and Russian firms will be barred from bids for U.S.-financed contracts "to protect the essential security interests of the United States."

Geopolitical Jockeying for Access

Corporate interests are only part of the picture. Demand has prompted governments of major oil importing countries to apply increasing pressure for access to oil in the Middle East and elsewhere. Only the European nations have managed to keep the growth of their oil consumption in check. With the help of North Sea oil, the continent has reduced net imports by about 8% to a little more than 8 million barrels per day. Runaway consumption in the United States caused it to surpass Europe in net oil imports in the early 1990s. The United States, for the first time, imported more oil from the Persian Gulf region than Europe did in 2001. U.S. oil imports have increased by a whopping 65% over the last decade.

Meanwhile, China is entering the skirmish. As its economy surges, domestic supplies are incapable of satisfying the rapidly rising demand, and it is becoming more and more import dependent. The Middle East is of growing interest to Beijing, and China's state oil companies recently took steps toward securing a stake in oil from Central Asia's Caspian Sea basin.

Outside the Middle East, major industrial powers and leading international oil companies are vying for access to oil in the West African countries of Nigeria, Angola, and Chad, as well as in the Caspian region. As the industrial powers increasingly rely on imported oil, the rivalry could lead to confrontations and interventions to ensure compliant regimes in exporting countries.

Both in the Middle East and in other regions, securing access to oil, pipelines, and shipping lanes go hand-in-hand with a fast-expanding U.S. military presence. From Pakistan to Central Asia to the Caucasus, and from the eastern Mediterranean to the Horn of Africa, a dense network of U.S. military facilities has emerged, with many bases established in the name of the war on terror. In South America, the United States is getting more and more drawn into the civil war in Colombia. The Bush administration decided to provide training and equipment for Colombian troops protecting an oil export pipeline against frequent bombings by rebel forces.

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Oil and Civil War

In a number of developing countries, including Colombia, Sudan and, until recently, Angola, the revenues from oil production are fueling internal wars. In other countries, including Nigeria and Indonesia, oil and gas exploitation has led to disputes, protests, and repression, as domestic elites and foreign investors capture the bulk of the profits, while local communities are forced to shoulder the heavy social, economic, and environmental burdens associated with oil production.

Why are some countries susceptible to oil-based conflicts? Ample resource endowment can have negative economic consequences, as countries grow overly dependent on these resources, under-invest in critical social areas such as education and health, and fail to diversify their economies. Oil and other resource extracting industries tend to create enclaves of wealth weakly linked to national economies. The more countries depend on exporting oil, the worse they score in terms of human development. Specifically, they fall far short in terms of child mortality rates, life expectancy at birth, and child education. They also experience significantly higher levels of inequality between the rich and poor than other countries with comparable levels of income.

This is not mere coincidence. Societies in which the main income flows from oil royalties tend to suffer from extremely poor governance. Because such regimes rely less on revenues derived from a broad-based system of taxation, they also have less need for popular legitimacy and feel less pressure to be accountable. Corruption and patronage are rife.

Many governments of oil-rich countries spend a very high proportion of state income on internal security. They purchase weapons and maintain sizable armed forces to suppress democratic movements or other challenges to their power. In such situations, rulers often foster and manipulate conflicts among different communities, factions, and ethnic groups as a means to hold onto control. However, this intensifies friction within the society. Discontented and aggrieved groups turn increasingly to protest and sometimes hostilities. Rivals rise to challenge discredited leadership. Ruthless criminal entrepreneurs, who sense opportunities for pillaging resources, use violence to achieve their objectives. In a developing country with a poorly diversified economy, seizing control of a prized resource is the most likely ticket to wealth and power.

Colombia

Although the civil war in Colombia started in the 1940s over social injustice and ideological differences, it is now mainly fueled by a fight over natural resources: coca and crude oil. Increasingly, oil money has become the key to the ongoing conflict. Colombia became a net exporter in 1986, and oil now accounts for one-third of the country's total export earnings. It is a critical resource as the country has come under increasing pressure from the International Monetary Fund to accelerate oil development so it can pay its foreign debts.

The rebel groups, FARC and ELN, have sought to exact payments from oil firms and others. The ELN, for instance, levies a 5% tax on all public works projects in the oil-rich Arauca province. But the rebels have also sought to cut into the government's income by obstructing the flow of oil and deterring additional foreign investment in the oil sector. Since 1986, they have bombed the Caño Limón pipeline hundreds of time. The important export pipeline runs 480 miles from the border of Venezuela to Colombia's Caribbean port of Coveñas. Jointly operated by state-owned Ecopetrol and Los Angeles-based Occidental Petroleum, it moves about 35 million barrels of oil annually. Over the years, the attacks caused 2.6 million barrels of oil to spill into lakes, rivers, and the soil. The ELN has been careful to avoid totally shutting down the pipeline. But the FARC has had less reason for restraint, stepping up its own attacks in part to deny the rival ELN oil extortion money. During 2001, attacks put the pipeline out of operation for a record 266 days, costing close to $600 million in foregone revenue.

The government has tried to protect the pipeline from rebel attacks, not only to steady the flow of oil and revenues, but also to ensure additional exploration investment by foreign oil companies. In 1992, the government levied a war tax of more than $1 per barrel on foreign oil companies to finance the army's defense of the pipeline and other oil facilities. The government is counting on far greater assistance from Washington. Lobbied hard by Occidental Petroleum, the Bush administration is following a policy similar to that laid down by former U.S. President Bill Clinton. The United States is providing growing amounts of aid to the Colombian military in a two-pronged effort to suppress the production of coca and protect the flow of oil. In the process, the United States is getting more deeply drawn into the war. For fiscal year 2003, the administration requested $573 million in aid to Colombia, including $98 million to train and support a 2,000 to 4,000-member brigade of the Colombian army to protect the Caño Limón pipeline.

Oil well fires, Gulf War, 1991.

Caño Limón runs just north of the U'wa indigenous community in northeastern Colombia. Since the early 1990s, the U'wa, with the support of solidarity groups, have resisted Occidental Petroleum's attempts to drill for oil on ancestral land adjacent to their current reservation. In 1999, the central government granted a drilling permit to Occidental without consulting the U'wa, which violated Colombian law. Subsequent protests were met with military and police repression. In November 2000, Occidental began drilling operations, protected by thousands of army troops. The company announced in May 2002 that it would relinquish the drill site after having failed to find commercially viable oil deposits.

Angola

In Angola, oil money bought arms and fed the recently concluded civil war even after the warring sides lost the support of foreign patrons. Angola is the second-largest oil producer in sub-Saharan Africa. Its oil production rose seven-fold to about 900,000 barrels per day between 1983 and 2002. While UNITA rebel forces financed themselves through the exploitation of diamond deposits, the government was able to utilize oil revenues.

Many of the world's largest oil firms, including Chevron, Elf Aquitaine, BP, and ExxonMobil, operate in Angola. Much of the nearly $900 million in signature bonuses that these companies were required to pay in order to secure exploration and production rights in ultra-deep offshore blocks in the late 1990s was apparently used to buy arms. The consortia of companies awarded two of these blocks, led by Elf and Exxon, include firms that have been involved in arms dealing.

Since the mid-1980s, the Angolan government has resorted to securing loans from international banks by mortgaging future oil production. Much of the money from these high-interest loans financed military spending. As a result, a substantial portion of oil revenues flows directly into a foreign bank account for debt servicing. Indeed, much of the country's oil revenue is channeled outside the official budget, with little financial accountability and plenty of opportunities for corruption. An estimated $1 billion annually has been diverted in recent years, enriching a small government and military elite.

Almost three times as much budget money was allocated to the war as to badly under-funded social programs. A quarter century of warfare and pervasive social neglect has rendered Angola "the worst place in the world to be a child," according to the United Nations Children's Fund. Almost 30% of Angolan children die before they turn six. Nearly half of all children are underweight, and a third of school-age children have no access to a school. Adults are hardly better off. Two-thirds of Angolans scrape by on less than a dollar a day, and 42% of adults are illiterate. Unsafe drinking water, a pervasive lack of health services, and food shortages limit life expectancy to 47 years. Some 68% of the population lacks access to safe water, and 80% has no access to basic medical care. The 2002 Human Development Index of the UN Development Programme, a broad gauge of social and economic progress, ranked Angola 161st out of 173 nations.

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Sudan

In Sudan, civil war between the North and South broke out in 1983, resulting in more than 2 million deaths, 1 million refugees, and 4.5 million internally displaced persons. While a number of factors played a role in triggering violence, the discovery of substantial oil deposits in 1980 was an important contribution. The North-dominated government in Khartoum is claiming control over oil fields that are primarily located in the South. Oil revenues of $400 million per year helped to triple military expenditures, increased arms imports, and facilitated domestic weapons production. For instance, a January 2002 agreement committed Russia to assist in developing oil fields while Sudan will purchase Russian arms and assemble Russian-designed battle tanks.

To keep paying for the war, the government must expand oil production. This means exploiting oil deposits deeper in rebel-held territory in the South, which holds 75% of known oil reserves. To depopulate and control oil-producing and potentially oil-rich areas, Sudanese government forces have been conducting a scorched earth campaign that features aerial bombings of villages, destruction of harvests, rustling livestock, and blocking humanitarian aid deliveries. The Sudan People's Liberation Army (SPLA) opposition forces have targeted oil installations and also are acquiring more sophisticated weapons. More intense and deadly battles have ensued, leading to food insecurity and massive displacement of civilians. But the SPLA has been unable to stop the flow of oil to export markets. Under growing international pressure, the two sides have recently signed an agreement to end the conflict.

Nigeria

In Nigeria, one of the world's leading petroleum producers, oil development has enriched a tiny elite and served the interests of major foreign oil companies. However, it has translated into environmental devastation, health problems, and impoverishment for the inhabitants of the oil-producing areas who have traditionally lived from fishing, cassava and other agricultural crops, and palm oil production. Although Nigeria has sold hundreds of billions of dollars worth of oil over the last few decades, poverty has actually worsened for the majority.

The Niger Delta, where oil production is taking place, forms Africa's largest wetlands area, harboring extensive mangrove forests and providing habitat for a number of unique plant and animal species. Poor industry practices, such as constant flaring of natural gas, along with frequent oil spills from antiquated pipelines and leaks from toxic waste pits, have exacted a heavy toll on soil, vegetation, water, air, and human health. Local communities complain of respiratory ailments, skin rashes, tumors, gastrointestinal problems, and cancers. They have seen a drastic decline in fish catches and agricultural yields.

Throughout the 1990s, local communities staged protests, often directed against multinational oil companies in Nigeria. They primarily targeted the leading producer, Royal Dutch-Shell, but also Chevron, Mobil, France's Elf, and Italy's Agip. The Ogoni people constitute one of the Niger Delta communities that gained world attention for their cause. The Movement for the Survival of the Ogoni People (MOSOP) organized mass protests that succeeded in shutting down Shell operations in Ogoni territory in 1993. The military dictatorship responded with a campaign of violence and intimidation, provoking various ethnic groups in the delta to attack each other. Some 2,000 Ogoni were killed and 80,000 uprooted. MOSOP leaders were detained or forced to flee. In October 1995, the regime executed Ken Saro-Wiwa, MOSOP's well-known spokesman.

Aided by weak enforcement policies and oppressive government, the oil companies have flaunted Nigeria's environmental laws and have largely evaded paying compensation for damages to Delta communities. Corporate representatives deny knowledge of the government's repressive tactics, but the companies apparently often summon the notoriously abusive security forces to intervene against unarmed protesters. Chevron helicopters were reportedly used in a 1998 assault against protesters. Elf and Agip are alleged to have instigated deadly attacks against female protesters and an entire village that refused to let oil drilling go forward. Shell is reported to have helped finance and arm a local paramilitary force in Ogoniland.

The death of military dictator Sani Abacha in June 1998, allowed a transition to an elected government in 1999. According to Human Rights Watch, this brought a "significant relaxation in the unprecedented repression ... inflicted on the Nigerian people." The government withdrew the feared Internal Security Task Force from Ogoniland, but human rights abuses against those attempting to raise grievances in the oil-producing areas continue nevertheless. Conditions in the delta have changed little, and human rights abuses continue unabated.

Oil Dependency Fuels Suffering

From Iraq to Colombia to Nigeria, the exploitation of oil resources is often tightly bound up with violence, whether it be intervention by big powers or internal conflicts. Although the central characters in the violence change and each country's situation varies, all these cases share a common element. As much as oil is the lifeblood for the entire world economy, control over oil serves the profit and power interests of small elites among governments and corporations.

While the direct protagonists are Third World governments, warlords, and rebel forces, it is ultimately the high demand in industrialized countries that makes oil a resource worth battling over. Consuming countries, by and large, have callously ignored the violence and suffering this engenders in producer countries.

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