

# Oil and the 2003 War in Iraq

## by Edward Nell and Willi Semmler

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The US administration claims it invaded Iraq because only a 'regime change' would suffice to protect the United States from the threat of weapons of mass destruction. Also the change would bring democracy to Iraq and contribute to its development throughout the region, with greater regional security and less threat to Israel and the West.

Yet there is no clear-cut evidence of any weapons of mass destruction, or of any facilities to build them, and any concealed biological weapons would be too old to be effective, although some dangerous chemical or biological material may still be there.

What is clear by now, in fact, is that, far from being more menacing, Saddam was much less of a threat before this war than in the past. His army had been reduced to about half its previous size; his conventional weapons were out of date; his missiles had been used up and not replaced; and most of whatever arsenal of mass destruction he had was destroyed by inspectors or bombing. And it was clear that the regime was not popular; in the north, the Kurds were in almost open revolt, while in the south of the country, the Shiite majority had long resented its exclusion from government. In short, before the invasion of Iraq, Saddam was weaker and less dangerous than ever.

Prior to the invasion the US administration did not seem to have a plan for the future after Saddam. None of the obvious questions were answered. What would replace him? Would there be a new constitution? Who would draw it up and how? Would genuine democracy be allowed even if fundamentalist Islamic parties are elected?

Would the large French and Russian investments in Iraq be protected, and the huge foreign debt (ten times more than other debt-ridden countries, such as Argentina) be honored? Much is owed to the Kuwaitis, as reparations, and to the French and Russians for various kinds of development projects. Would the French and Russians be allowed to participate in the reconstruction of Iraq and be invited to join in policy-making? And how much autonomy will Kurds and Shiites have?

Far from dealing with these issues, the administration evaded them. A look at the writings of the group around Vice President Cheney, and the neo-conservatives generally, however, did indicate an interest in using military force to redraw the map of the Middle East. But it is hard to find details. The administration had kept its designs largely secret, and concentrated publicly on "weapons of mass destruction" and threats to the security of US citizens.

### Oil Imports, Production and Reserves

	US Imports % of its total 2002 imports, from:	Production million barrels per day, 2001	Reserves billions of barrels
Kuwait	2	1.8	99
Saudi Arabia	15	7.3	262
Iraq	3	2.3	115

Any outline of plans for a new Iraq, and for new arrangements for the control of oil, were never made public before the invasion. It is understandable that the administration did not want to show its hand in advance, but there is no evidence that it had a hand. Managing and rebuilding post-war Iraq did not even seem to be on the table until the US was pushed by the international community - the Bush team has opposed 'nation-building.' It may have had something else in mind - perhaps a compliant pro-American, government, along with a large US military presence...?

And why would it be worthwhile to go to war for this? One reason might be to enhance the security of Israel by reconfiguring the balance of power in the Middle East. This is plausible and the administration has admitted as much, but we also see a more economic reason too.

## The Oil Issue

After 9/11, it became apparent that Saudi Arabia was not just the home of 16 of the 19 hijackers, but that Saudi money had financed both the Taliban and Al Qaeda, and that internal pressures kept the Saudi regime from cooperating fully in the investigation. Bin Laden came from the establishment of Saudi Arabia, the world's largest oil producer, which sits on the world's largest and most easily tapped pool of reserves, a country that could no longer be trusted to be loyal and cooperative. The US depends on Saudi Arabia and on Iraq for imported oil. The Texas oilmen who are prominent in the US administration are unlikely to opt for conservation and improved energy efficiency.

What to do? Well, Saddam's weakness, together with his belligerence and general unpopularity, offered an opportunity.

The United States obtains almost half the world total net imports of oil. It imports 2.3 million barrels a day from the Middle East with Europe importing 2.56 million from the region. In percentage terms the US imports 20.2 percent of its oil from the Middle East compared with imports by OECD Europe of 35.9 percent of its oil.

Looking beyond imports and annual production, the ease of extraction and remaining reserves show who controls the most significant potential resources.

After Saudi Arabia, Iraq ranks second in world oil reserves. Overall, the Persian Gulf/Middle East commands over two thirds of world oil reserves, and some 40 percent of these are in Saudi Arabia according to current official estimates of proved reserves. Less official estimates as from the London-based Centre for Global Energy Studies, put Iraqi reserves at 300 billion or well above Saudi Arabia. Thus two countries account for an enormous proportion of reserves.

The quality of this oil is orders of magnitude better than other oil in terms of ease of extraction and efficiency of processing at a low cost. This is not just a matter of profit for whoever controls the oil. These world energy reserves are needed by the entire world, either to wean itself from fossil fuel dependency or to muddle through as now.

This article is based on a longer forward-looking analysis entitled *The Economic Consequences of the Peace in Iraq*. Both Edward Nell and Willi Semmler are Professors of Economics at the New School University, New York.

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