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It's not about oil

Critics say U.S. foreign policy is driven by a desire for cheap oil. In fact, the West's primary concern in the Persian Gulf is not economic, it's strategic

Mark Proudman

National Post

Friday, November 15, 2002

'It's just a business, You can pay us in crude ... We're gonna send in the eighty-second airborne.' Those were the words of the Rolling Stones' song Highwire, released at the time of the 1991 Gulf War. As a source of economic analysis, a rock band is easy to dismiss, but albums don't sell millions of copies without capturing some part of public sentiment.

The notion that U.S. foreign policy is driven by a desire for cheap oil is not merely a commonplace of popular culture, it is an idea repeated with an air of knowing sophistication by people who imagine themselves to be critical and intelligent. In an article typical of this thinking, the influential British journalist Paul Foot wrote this week that the disarmament of Saddam Hussein was really about "U.S. oil imperialism."



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It is thus casually asserted that the United States is about to go to war with Iraq in order to get cheap oil: There is oil, there are Americans, and the required conclusion follows with dogmatic ease.

Though Mick Jagger can perhaps be excused for not knowing any economic history, those knowing pundits who rush to condemn America ought be held to a higher standard.

It ought to be obvious that the United States does not in fact get cheap oil: It gets expensive oil, and it also gets the pleasure of protecting the price-gougers and even of being attacked by some of them. It gets oil at exactly the same price as the Europeans -- who in fact take more Persian Gulf oil than do the Americans. Arguably, the United States gets some degree of influence over the Saudis and



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Saddam Hussein.

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Kuwaitis, and therefore may exert a moderating influence on the oil cartel, OPEC. But intelligent oil producers long ago perceived that driving their customers' economies into recession was not rational profit-maximizing behaviour. The Saudis have long behaved like the intelligent monopolist they are, and they don't need the United States to tell them how to do it.

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Plainly, oil and oil prices are central to the politics of the Middle East. But that anodyne observation does not show that U.S. foreign policy is motivated chiefly by a desire for cheap oil: After all, the United States did not intervene in the Middle East during precisely those periods -- the oil crises of 1973-4 and 1979-81 -- when it was most hurt by high prices.

If the real objective of U.S. policy was simply to get cheap oil, it would only need to lift the blockade of Iraq, thus letting the enormous Iraqi oil reserves onto the market, and probably driving the price of oil below US\$10 a barrel. The problem, of course, is that the money would go into the coffers of Saddam Hussein, and would then get spent on nuclear weapons.

A second and related idea has U.S. policy driven by the interests of oil companies. The accusation has a certain facile credibility for the conspiracy-minded because President Bush used to be an unsuccessful oil prospector, and Vice-President Cheney used to sell services to oil companies. But anyone with the foggiest knowledge of the oil industry would recognize that these two often-conflated accusations -- that the United States wants cheap oil and that it wants oil company profits -- are mutually contradictory. Oil companies make more money when the price is high: The United States cannot want both cheap oil and high prices.

Those who believe that the United States is a rapacious imperial power might be surprised to learn that the U.S. has never deployed its forces in order to seize oil wells. That the United States does not use its overwhelming military power to grab control of an immense source of wealth is historically unique.

Had the United States been a real imperial power, it would have capitalized on the 1991 Gulf War victory to demand the cession of some Iraqi oil fields, as reparation for the costs and risks of war. But the idea was never even mooted. Were the United States a real imperial power, it would have demanded the same form of compensation from Gaddafi's Libya in recompense for that regime's air piracy -- and it would not have bothered with the long and unsatisfactory pseudo-legal process that eventually put one minor official in jail.

It is commonly asserted that the foreign policies of modern capitalist countries are driven by economic needs: This is what the more self-consciously "sophisticated" brand of scribbler means by that omnipresent epithet "imperialist." In fact, capitalist countries have, for most of the past century, found it almost impossible to use force in a directly imperialist way.

When Winston Churchill converted the British fleet to oil in 1912 -- oil burning battleships being both faster and longer-range than coal-fired ones -- he set up a company, the Anglo-Persian Oil Company (later Anglo-Iranian, now British Petroleum) to provide the oil. Instead of just conquering the oil fields, the company signed an

agreement with the then-Shah of Persia, an agreement that represented a windfall for the Persians.

In 1951, when the Iranians nationalized the British-owned Abadan oil fields, the British proposed military power to retake them, but were restrained from doing so by the United States.

American policy in Iran is often given a prominent place in the long catalogue of the sins, real and imagined, that created the "root cause" of terrorism. But the Shah of Iran, so often portrayed as a U.S. puppet, retained the oil fields seized by his predecessor, and was long known as a "price hawk" within OPEC, pushing against U.S. interests and for high oil prices. With puppets like the Shah, the United States had little need of enemies.

As in the Iranian case, in 1956 the United States again frustrated a British attempt to seize an economic asset, the Suez Canal. This was the last time that a Western power attempted to use force to take or to protect an economic asset (and it was an asset that it in fact owned).

The Western powers' inability to use force to protect economic resources is one side of their long post-war loss of power throughout most of the Third World. As Kanan Makiya points out in *Republic of Fear*, his authoritative study of Iraq, since the 1950s the Western powers have had almost no influence over the internal politics of the Arab world -- notwithstanding all the shouting about Western imperialism, both by Arab regimes and by the opinion-making classes in the West.

The 1950s and 1960s saw a progressive takeover of oil resources by what are euphemistically called the "producing countries": It is a phrase that conveniently obscures the fact that countries and governments don't produce anything -- companies, investors and workers do. The benefits of monopolistically high oil prices went into the coffers of hostile governments, and there was little that the West could or did do about it. The demands for "participation," as it was called -- or royalties on production -- got higher and higher, and the "producing countries" eventually simply nationalized oil wells, often without compensation. The major oil companies, those spectres of imperial power, were reduced to being mere refiners and distributors of resources owned and controlled by others.

In a post-Saddam Iraq, the United States will be in the same position: U.S. companies will certainly be able to buy oil -- but only at the same prevailing world price available to everyone else. The benefits of oil royalties will go to the new government, and will obviously be used to rebuild the country, in which there is enormous pent-up demand for investment and expenditure of all kinds. No doubt U.S. companies will get some rebuilding contracts -- as well they should, considering that that the United States has carried the burden of containing Saddam all these years. But the benefits to U.S. companies and investors will be tiny compared to the overall costs of the wars against Saddam.

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