

Oil Wars

By Mamdouh G. Salameh*

The 20th century was truly the century of oil whilst the 21st century could be that of peak oil and the resulting oil wars. No other commodity has been so intimately intertwined with national strategies and global politics and power as oil. The close connection between oil and conflict derives from its vital importance to the economy and military power of nations, its irregular geographical distribution and peak oil.

In the Cold War years, the battle for the control of oil resources between international oil companies and developing countries was a major incentive and inspiration behind the great drama of de-colonization and emergent nationalism.

Yet oil has also proved that it can be a blessing for some and a curse for others. Since its discovery, it has bedevilled the Middle East and the world at large with conflicts and wars.¹

However, with dwindling global oil reserves and fast-rising oil demand, the economics and geopolitics of oil suggest that there could be more oil wars in coming years.

Oil Is a Leading Cause of War

There is no doubt that oil is a leading cause of war. Oil fuels international conflict through four distinct mechanisms: (1) resource wars, in which states try to acquire oil reserves by force; (2) the externalization of civil wars in oil-producing states (Libya, for an example); (3) conflicts triggered by the prospect of oil-market domination, such as the United States' war with Iraq over Kuwait in 1991; and (4) clashes over control of oil transit routes such as shipping lanes and pipelines (closure of the Strait of Hormuz, for example). These mechanisms can contribute to conflict individually or in combination.²

Geopolitics in a World of Dwindling Energy Supplies

Resource wars have been fought since the dawn of history, but today the competition is entering a new phase.³ Nations need increasing amounts of energy and materials to produce economic growth, but—as we have seen, the costs of supplying new increments of energy and materials are increasing. In many cases all that remains are lower-quality resources that have high extraction costs. Meanwhile the struggle for the control of resources is re-aligning political power balances throughout the world.

The United States maintains a globe-spanning network of over 800 military bases that formerly represented tokens of security to regimes throughout the world but that now increasingly only provoke resentment among the locals. This enormous military machine is becoming too expensive for the United States to maintain. Indeed, the nation's budget deficit largely stems from its trillion-dollar-per-year.⁴

The European Union, traditionally allied with the U.S., is increasingly mapping its priorities independently—partly because of increased energy dependence on Russia, and partly because of economic rivalries and currency conflicts with America.

China is the rising power of the 21st century with a surging military and lots of cash with which to buy access to resources (oil, coal, minerals, and farmland) around the planet. Its emergence as an economic superpower and competition with the United States over dwindling oil reserves could potentially lead to conflict in coming years.

Japan, with the world's third-largest economy, is wary of China and increasingly uncertain of its protector, the U.S. The country is tentatively rebuilding its military so as to be able to defend its interests independently. Disputes with China over oil and gas deposits in the South China Sea are likely to worsen, as Japan has almost no domestic fossil fuel resources and needs secure access to supplies.

Russia is a resource powerhouse. It vies with China and the U.S. for control of Caspian and Central Asian energy and mineral wealth through alliances with former Soviet states. It tends to strike tentative deals with China to counter American interests, but ultimately Beijing may be as much of a rival as Washington. Moscow uses its gas exports as a bargaining chip for influence in Europe.

The Middle East maintains a vast oil wealth, but is characterized by extreme economic inequality, high population growth rates, political instability, and the need for importation of non-energy resources (including food and water). The revolutions and protests in Tunisia, Egypt, Libya, Bahrain, and Yemen in early 2011 were interpreted by many observers as a refusal by common people to tolerate sharply rising food, water, and energy prices. As economic conditions worsen, many more nations could become destabilized.

* Mamdouh Salameh is an international oil economist, a consultant to the World Bank and a technical expert of the United Nations Industrial Development Organization. He is also a visiting professor of energy economics at the ESCP Europe University in London. He may be reached at mgsalameh@btconnect.com
See footnotes at end of text.

Oil Wars in Recent History

Prior to the 1990 Gulf War, the American energy company Halliburton's president and later U.S. vice president, Dick Cheney revealed, "We're there because that part of the world controls the world supply of oil, and whoever controls the supply of oil would have a stranglehold on the world economy."

Between 1941 and 2014, at least ten wars have been fought over oil with many potential ones that could happen during the next three decades of the 21st century.

1-Nazi Germany's Invasion of the Soviet Union (June 1941)

One of Hitler's most important strategic objectives in the invasion of the Soviet Union on June 22, 1941 was the capture of the oilfields in the Caucasus.⁵

Desperate for fuel, Germany entered North Africa and Russia in 1941 to reach the Middle East oilfields and Baku oilfields in the Caspian. German War Production Minister, Albert Speer, conceded in his post war interrogation that oil "was a prime motive" for these invasions.

2-The Attack on Pearl Harbor & U.S. Entry into World War II (1941)

Oil was central to Japan's decision to attack Pearl Harbor thus bringing the United States into World War II.

History might conclude that the Japanese attack on Pearl Harbor might have been provoked by the oil embargo imposed by the United States on Japan on July 25, 1941 as a result of Japanese military aggression in Asia. Increasingly worried about a cut-off of oil supplies from the United States, Tokyo instituted a policy to try to eliminate dependence on U.S. oil supplies. In 1940-1941, it was energy security that led Japan to occupy the Dutch East Indies and take control of its oilfields. Indeed, the U.S. oil embargo was the pivotal factor leading Japan to attack Pearl Harbor, bringing the United States into World War II.⁶

3-The Biafra – Nigeria Oil War (1967)

Oil was a major issue in the Nigerian civil war that lasted for 24 months and led to the death of 2 million innocent Nigerians. Biafra sits on huge oilfields. Approximately 30% of these fields lie in Nigeria with the remaining 70% in Biafra.

4-The 1973 Arab-Israeli War

While oil was not directly the cause of the 1973 Arab-Israeli War, using the oil weapon was a central part of the planning for the war.

On October 17, 1973, eleven days into the Arab Israeli War of the 6th of October, the Arab oil-producing countries wielded the oil weapon and imposed an oil embargo against the United States and other countries friendly to Israel. The embargo led to a quadrupling of crude oil prices and precipitated a severe recession, which adversely affected the economies of the industrialized nations.⁷

5-The Iran-Iraq War (1980-1988)

The real factor behind the Iran-Iraq war was a simmering rivalry between these two oil-producing nations underpinned by each one's aspiration for strategic primacy in the gulf region and supremacy inside OPEC. The war was a precursor for the invasion in Kuwait and the first Gulf War.

6-The Iraq-Kuwait War (1990)

The invasion of Kuwait in 1990 was triggered by a dispute with Iraq over the Rumaila oilfield, which straddles the border between the two countries.

There were several reasons for the Iraqi move, including Iraq's inability to pay more than \$80 bn that had been borrowed to finance the Iran-Iraq war and Kuwaiti overproduction of oil which kept revenues down for Iraq.

7-The War on Iraq (2003)

The U.S. invasion of Iraq in 2003 was undoubtedly about oil. This was the 21st century's first oil war. The prize was Iraq's spectacular oil wealth estimated at 330 billion barrels of proven, semi-proven and probable oil reserves.⁸ Even Alan Greenspan, the former chairman of the U.S. Federal Reserve System for seventeen years, agrees that the Iraq war was largely about oil.⁹

The war cost the U.S. economy an estimated \$6.65 trillion in running costs and also in oil price differences. It also cost the global economy (including the U.S.) some \$14.13 trillion and was instrumental in precipitating the 2008 global financial and economic crisis.¹⁰ It is estimated that the Iraq war may have increased energy costs worldwide by a staggering \$6 trillion.¹¹

8-The Sudan Oil War

When Sudan was divided in 2011, most of the oilfields wound up in the south, while the only pipeline capable of transporting the South's oil to international markets (and thus generating revenue) remained in the hands of the northerners. They had been demanding exceptionally high "transit fees" -- \$32-\$36 per barrel compared to the common rate of \$1 per barrel -- for the privilege of bringing the South's oil to market. When the southerners refused to accept such rates, the northerners confiscated money they had already collected from the South's oil exports, its only significant source of funds. In response, the southerners stopped producing oil altogether and launched their military action against the north. The situation remains explosive.

9-Syria's Civil War

Some would say the civil war and the massacres of civilians in Syria since 2011 are being exploited for narrow geopolitical competition to control Mideast oil and gas pipelines.¹²

Whatever the case, few recall that U.S. agitation against Syria began long before the civil war with the main objective of weakening Iranian influence across the Middle East.

9- The War on Libya in 2011

And while the war on Libya was portrayed as a humanitarian effort by the U.S. and NATO to protect civilians, it might be viewed it as an effort to get better terms for their oil companies.

After the lifting of sanctions in 2003, Western oil companies flocked to Libya with high expectations; they have been disappointed by the results. The Libyan government granted operating licenses to foreign companies that left the Libyan state-run National Oil Corporation of Libya (NOC) with 90% of the extracted oil.¹³

10- The Annexation of the Crimea

The annexation of the Crimea signals to the world that oil and natural gas are once again being used as a weapon of war.

Russia's intrusion into the Ukraine in February 2014 has been prompted by energy and geopolitical factors. The energy factor is that 50% of Russia's gas and oil supplies to the European Union (EU), amounting to 30% of its needs, are piped through the Ukraine. Moreover, revenues from these supplies are extremely important for the Russian economy. The geopolitical factor is to prevent the Ukraine from joining the EU and eventually NATO.¹⁴

Potential Future Oil Wars

At present, there are at least five conflicts that could potentially flare up over oil and gas resources in the next three decades of the twenty-first century.

1-Conflict over Iran's Nuclear Programme

Oil is at the heart of Iran's nuclear programme. Iran needs nuclear energy to replace the crude oil and natural gas currently being used to generate electricity, thus allowing more oil and gas to be exported. Without nuclear power, Iran could be relegated to the ranks of small exporters as early as 2015 with catastrophic implications for its economy and also the price of oil.¹⁵

Neither sanctions nor threat of war against Iran will force it to relinquish its nuclear programme. If attacked, Iran could plunge the world in the biggest oil crisis in its history by blocking or mining the Strait of Hormuz through which 17 mbd (20% of oil traded worldwide) pass every day. This could push the price of oil to \$150-\$200 a barrel thus sending the global economy back into recession.

2-Oil War between the United States & China?

Though a terrifying possibility, a potential war between China and the U.S. could be triggered by a race to secure a share of dwindling oil reserves or over Taiwan or the disputed Islands in the South China Sea claimed by both China and Japan with the U.S. coming to the aid of Japan.

In such a conflict, the United States would try to starve China of oil by blocking any supplies from the Middle East passing through the Strait of Hormuz or Malacca.

3-Conflict between Iraq and Kurdistan

Oil is raising the stakes and the tensions between Iraq and the Kurdistan Regional Government (KRG) in Iraqi Kurdistan.

Long before the toppling of Saddam Hussein's regime, the Kurds had been angling for independence. Baghdad currently disputes KRG control over Iraq's northern oilfields. Iraq considers a Kurdish declaration of independence as part of a plot to dismember Iraq.

4-War between the UK & Argentina over Falkland Islands Oil Reserves

Any future war between the UK and Argentina could be over the Falklands Islands' potential oil & gas reserves. In 2010, the two countries fell out when the British began drilling for oil off the coast of the Islands.

5-Tensions over the Disputed South China Sea's Islands

The ongoing territorial disputes in the South China Sea are really about oil. China has been involved in territorial disputes with Japan and Taiwan over the Senkaku islands, and with Vietnam over the Spratly islands off the coast of Vietnam.

Growing tensions between Japan and China over the Senkaku islands could escalate into armed conflict and could potentially bring the United States into it.

Conclusions

There is no doubt that oil is a leading cause of war. Between 1941 and 2014, at least ten wars have been fought over oil. At present, there are at least five major conflicts that could potentially flare up over oil and gas resources in the next three decades. The most dangerous among them are a war over Iran's nuclear programme and a conflict between China and the United States that has the potential to escalate to war over dwindling oil resources or over Taiwan or even over the disputed Islands in the South China Sea claimed by both China and Japan with the U.S. coming to the defence of Japan.

As the two largest consumers of oil worldwide, the United States and China share common interests in avoiding disruption to global energy supplies and ensuring political stability in key oil-producing regions. Cooperation between the two oil titans on these issues could reduce the possibility of conflict.

However, as long as oil continues to hold central place in the global economy, oil wars will not be far behind. This is the price humanity pays for their quest for the riches and power that oil represents.

Footnotes

¹ Mamdouh G Salameh, Oil Crises, Historical Perspective, Encyclopedia of Energy, Volume 4, 2004, p. 634.

² Jeff D. Cigan, Oil, Conflict & US National Interests, Quarterly Journal of International Security, Policy Brief, Belfar Centre for Science & International Affairs, Harvard Kennedy School, October 2013.

³ Richard Heinberg, Resource Wars in a World of Dwindling Energy Supplies, Post Carbon, June 20, 2011.

⁴ Mamdouh G Salameh, Oil Crises, Historical Perspective, p.636.

⁵ Ibid., pp. 638-639.

⁶ Ibid., p. 636.

⁷ Ibid., p. 636

⁸ Mamdouh G Salameh, Over a Barrel, Joseph D. Raidy Printing Press, Beirut, Lebanon, June, 2004, p. 191.

⁹ Alan Greenspan, The Age of Turbulence, Penguin Books Ltd, 2007, p. 463.

¹⁰ Mamdouh G Salameh, The 21st Century's First Oil War: The War on Iraq & the Impact on the Oil Price & the Global Economy (a paper given at the 2nd IAEE Latin American Meeting on Energy Economics, March 22-24, 2009, Santiago, Chile).

¹¹ The Independent on Sunday, 27 May, 2008 (an interview with Dr Mamdouh G Salameh).

¹² Nafez Ahmad, Syria Intervention Plan Fuelled by oil Interests not Chemical Weapons, Earthsight hosted by the Guardian.

¹³ Manlio Dinucci, The Invasion of Libya: Behind the U.S.-NATO Attack are Strategies of Economic Warfare, Global Research, May 1, 2011.

¹⁴ These were my comments on an article by Prof. John Yoo entitled: Russia: A Great Power No More, which was published by the American Enterprise Institute on 10 March, 2014.

¹⁵ Mamdouh G Salameh, Oil & Iran's Nuclear Programme (a USAEE Working Paper Series, No: 09-036, 29 December, 2009).