

EVOLUTION OF OIL POLITICS IN IRAQ FROM THE 20<sup>TH</sup> CENTURY ONWARDS

A THESIS SUBMITTED TO  
THE GRADUATE SCHOOL OF SOCIAL SCIENCES  
OF  
MIDDLE EAST TECHNICAL UNIVERSITY

BY

ZEYNEP CEREN AKYÜZ

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS  
FOR  
THE DEGREE OF MASTER OF SCIENCE  
IN  
THE DEPARTMENT OF MIDDLE EAST STUDIES

SEPTEMBER 2011

Approval of the Graduate School of Social Sciences

---

Prof. Dr. Meliha B. Altunışık  
Director

I certify that this thesis satisfies all the requirements as a thesis for the degree of Master of Science.

---

Assoc. Prof. Dr. Recep Boztemur  
Head of Department

This is to certify that we have read this thesis and that in our opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Science.

---

Prof. Dr. Volkan Ediger  
Co- Supervisor

---

Prof. Dr. Meliha B. Altunışık  
Supervisor

**Examining Committee Members**

Assoc. Prof. Dr. Recep Boztemur (METU, HIST) \_\_\_\_\_  
Prof. Dr. Meliha B. Altunışık (METU, IR) \_\_\_\_\_  
Assoc. Prof. Dr. Pınar Bedirhanoglu (METU, IR) \_\_\_\_\_

**I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.**

Name, Last name: Akyüz, Zeynep Ceren

Signature:

## **ABSTRACT**

### **EVOLUTION OF OIL POLITICS IN IRAQ FROM THE 20<sup>TH</sup> CENTURY ONWARDS**

Akyüz, Zeynep Ceren

M.Sc., Middle East Studies

Supervisor: Meliha Benli Altunışık

Co-Supervisor: Volkan Ediger

September 2011, 162 pages

The objective of this thesis is to analyze the Iraqi politics of oil in the period from 20<sup>th</sup> century onwards. Within this regard, while “rentier state” conception is generally put under consideration to understand the state’s centrality in political, economic and social spheres of oil –producing countries, contrary to this conventional approach, this thesis argues that the key to all achievements and all failures of Iraqi state is related to the status of oil in Iraq’s engagement with the superpowers and the attractiveness of Iraqi oil for other external actors like international non-state actors and multinational companies. In the first instance, the engagement of Britain and later on, the inclusion of the U.S to the national, regional and international affairs of Iraq are discussed within the boundaries of the aforementioned argument. The role of oil in the creation of the state, in its relations with neighbour countries and in relations conducted with the super powers of the international system is analyzed. Within this context, in the aftermath of the September 11, the U.S’s intense desires for regime change in Iraq is analyzed to reveal that the main motivation behind the invasion of Iraq in 2003 is related with the country’s vast oil resources. In the similar vein, the developments in the post- invasion period are analyzed to indicate the

prevailing prominent role of oil. Eventually, this thesis states that even though changes and continuities occur in the course of time and accordingly divergences and convergences exist in the implementations of the Iraqi state, the issue of guaranteeing the flow of oil at reasonable price has remained in the focal point of the external interventions to Iraq.

Key Words: Iraq, oil, rentier state, invasion of Iraq, Iraq Draft Oil and Gas Law

## ÖZ

### 20. YY'DAN İTİBAREN IRAK PETROL POLİTİKALARININ EVRİMİ

Akyüz, Zeynep Ceren

Yüksek Lisans, Orta Doğu Araştırmaları

Tez Yöneticisi: Meliha Benli Altunışık

Ortak Tez Yöneticisi: Volkan Ediger

Eylül 2011,162 sayfa

Bu tezin amacı Irak petrol politikalarının 20. yüzyıldan bugüne analize etmektir. Bu bağlamda, devletin politik ekonomik ve sosyal meselelerdeki merkezi rolü genelde “rantiye devlet” kavramı ile açıklanırken, bu konvansiyonel görüşün aksine, bu tez Irak devletinin tüm başarılarının ve başarısızlıklarının arkasında Irak’ın süper güçlerle ilişkilerinde petrolün konumu ve Irak petrolünün uluslararası devlet dışı aktörler ve çok uluslu şirketler için cazibesi bulunmaktadır. İlk aşamada Britanya’nın konuşlanması sonra ise Amerika’nın Irak’ın ulusal, bölgesel ve uluslar arası ilişkilerine dâhil olması bu varsayımın sınırları dâhilinde tartışılacaktır. Petrolün, ülkenin kuruluşunda, komşularla ilişkilerde ve uluslararası sistemdeki büyük güçlerle kurulan ilişkilerde ki rolü incelenecektir. Bu çerçevede 11 Eylül sonrası, Amerika’nın Irak’ta rejim değişikliği yönünde hararetli isteği incelenerek ve 2003 Irak işgalinin arkasındaki başlıca harekete geçirici unsurun ülkenin muazzam petrol kaynakları ile ilgili olduğunu ortaya koymaktır. Benzer bir anlayışla, işgal sonrası gelişmeler petrolün geçerli olan önemli rolünü göstermek için incelenecektir. Sonuç olarak, her ne kadar değişim ve süreklilikler vuku bulmakta ve bu doğrultuda Irak devletinin uygulamalarında ayrılıklar ve birlikler var olsa da, makul fiyata petrol akışını garanti etme meselesi Irak’a dış müdahalenin odak noktasında kalmaktadır.

Anahtar Kelimeler: Irak, petrol, Rantiye Devlet, 2003 Irak işgali, Irak Petrol ve Doğalgaz Yasa Tasarısı

To my beloved grandfathers Mehmet and Muzaffer



## ACKNOWLEDGMENTS

I would like to express my deepest gratitude to my supervisor Prof. Dr. Meliha Benli Altunışık for her guidance, advice, criticism. She has been more than a supervisor, a constant source of inspiration for me. I wish to express my sincere gratitude to my co-supervisor Prof. Dr. Volkan Ediger. I will always remember his academic assistance and support for my thesis as well as his patience and kindness. I'm extremely grateful to Prof. Altunışık and Prof. Ediger not only for their invaluable contributions and comments, but also for their moral support and encouragement during my research.

I would like to thank the member of the examining committee, Assoc. Prof. Dr Recep Boztemur and Assoc.Prof. Dr.Pınar Bedirhanoglu for their detailed reading, contributions and comments which have incredibly been important for my academic work.

The assistance of my friends has been incredibly important. They have pulled me away from everlasting confusions with their beliefs in me and their supports. My beloved library gang, Hande, Berkay, Bilge and Müslüm, without you, I am not sure whether my day long studies could be such beautiful. My dear friends, İrem and Betül also deserve special thanks for their encouragements and supports. I am also thankful to my precious friend Ayça for always being with me. I owe thanks to my colleagues at Bartın University with their supports in the last months of my research.

The words are too inadequate to articulate my appreciation to my family, but, I would like to thank my beloved brother for brightening up me constantly with his joy and jokes. I am heavily indebted to my beloved mother for her love and tenderness along this stressful process and for her continuous belief in me in my hard times. Lastly, I am grateful to my beloved father who always leads me to the paths of honesty, tenacity and wisdom. Without my family's patience and encouragement, I would not be able to complete my studies.

## TABLE OF CONTENTS

PLAGIARISM.....	iii
ABSTRACT.....	iv
ÖZ.....	vi
DEDICATION.....	vii
ACKNOWLEDGMENTS.....	ix
TABLE OF CONTENTS.....	x
LIST OF ABBREVIATIONS.....	xiii

### CHAPTERS

1. INTRODUCTION.....	1
2. THE EMERGENCE OF IRAQ.....	9
2.1 Introduction.....	9
2.2 Inadequacy of the “Rentier State” theory for comprehending Iraq....	10
2.3 The late Ottoman period; Mesopotomian lands.....	18
2.4 The First World War; the role of oil in demarcation of the borders of Iraq .....	20
2.5 Iraq during the British Mandate Years.....	26
2.6 The Post- Independence period of the Iraqi State.....	30
2.7 The Second World War; Britain passes it’s role to the United States in Iraq.....	33
3. IRAQ; FROM ESTABLISHMENT OF REPUBLIC TO THE FALL OF SADDAM.....	38
3.1 Introduction.....	38
3.2 The establishment of the Republic of Iraq.....	39

3.2.1 Organization of the Petroleum Exporting Countries on the scene.....	39
3.2.2 The Law no: 80; first step towards nationalization of IPC.....	41
3.3 The reign of the Arif Brothers; Iraq National Oil Company on the scene.....	43
3.4 The years of Baath Party begun in Iraq.....	44
3.4.1 A milestone; Nationalization of Iraq Petroleum Company (1972)..	45
3.5 The First Oil Crisis and its reflections to Iraq.....	48
3.6 The Second Oil Crisis and Iraq.....	52
3.7. The Battle with the neighbour; Iran-Iraq War.....	54
3.8. Iraq invades Kuwait; the role of oil before and after the invasion.....	58
3.9 The Economic and Political Situation of Iraq in early 21st century and the role of Iraqi oil in the international scene.....	68
4. IRAQ: POST-2003 ERA TILL THE YEAR OF 2011.....	73
4.1 Introduction.....	73
4.2 Historical and Theoretical Framework.....	74
4.2.1 The assumptions of “Hegemonic Stability Theory” in comprehending the U.S prior to the Invasion of Iraq.....	81
4.2.2 Notes on the Democracy Argument of the U.S in the invasion of Iraq.....	86
4.3 The Causes of Invasion of Iraq in 2003.....	91
4.4. Oil as the silent cause of the Invasion of Iraq.....	98
4.5. The general assesment of the political and economic situation of Iraq in the aftermath of the invasion; the role of oil in reconstruction.....	105
4.6 The Elections of 2005 and the Constitution in Iraq.....	115
4.6.1 Constitution.....	116
4.6.2 Federalism Discussions in Relation to Sharing and Administration of oil revenues.....	119

4.7 2007 Draft Oil and Gas Law; a Milestone in Iraq Politics and Economy.....	121
4.7.1 The Revenue Sharing.....	125
4.7.2 Inclusion of Foreign Companies to Iraqi Oil Sector.....	126
4.7.3 The Models of Contracts.....	127
4.7.4 Role of Institutions.....	129
4.8 The situation of Iraq from post- 2007 onwards.....	131
4.9 Concluding Remarks.....	133
5. CONCLUSIONS.....	138
BIBLIOGRAPHY.....	147

## **LIST OF ABBREVIATIONS**

### **ABBREVIATIONS**

Bbl: Barrels

Bbl/d: Barrels per day

Bcm: Billioncubic meters

BP: British Petroleum

CGES: Centre for Global Energy Studies

CPA : Coalitional Provisional Authority

EC : European Community

ERAP : Entreprise de Recherches et D'activités Pétrolières

EU: European Union

FOGC: Federal Oil and Gas Council

GNP: Gross National Product

IAMB: International Advisory and Monitoring Board for Iraq

IGC: Interim Iraqi Government

INOC: Iraqi National Oil Company

INOGATE: Inter-State Oil and Gas to Europe

IOC: International Oil Company

IPC: Iraqi Petroleum Company

KDP: Kurdistan Democratic Party

KRG: Kurdistan Regional Government

MoO: Ministry of Oil

NATO: North Atlantic Treaty Organization

NEPDG: National Energy Policy Development Group

OECD: Organisation for Economic Co-operation and Development

OIL: Operation Iraqi Liberation

OPEC: Organization of the Petroleum Exporting Countries

PNAC: Project for the New American Century

PSA: Production Sharing Agreements

PUK: Patriotic Union of Kurdistan

SU: Soviet Union

TAL: Transitional Administrative Law

U.S: United States of America

UAE: United Arab Emirates

UN: United Nations

UNSC: United Nations Security Council

USCENTCOM: United States Central Command

## CHAPTER I

### INTRODUCTION

In 1911, Winston Churchill was assigned to the British Ministry of Navy, in the course of his incumbency; Britain was in a position to base its superiority in naval forces on oil in order to beat its rival Germany in seas. <sup>1</sup> Churchill wanted to avail from the advantages of oil for improving the speed of British naval forces. Even though production of oil for commercial purposes had started in the U.S in 1859<sup>2</sup>; hence oil could be regarded as an important commodity in commercial sense by the second half of 19<sup>th</sup> century; 20<sup>th</sup> century was marked as the century which was transformed and shaped by the issues of oil. <sup>3</sup>

When the role of oil is examined since the beginning of the 19<sup>th</sup> century, it has passed through changes. In the first instance, along with industrialization, oil began to be used not only for lightening, but also for meeting the needs of modern industry. Later oil became a symbol of national power when horses and coal powered locomotives were replaced by “internal combustion engines” which were widely used during the First World War. Afterwards in the wake of the Second World War, as well as in the course of the Cold War, certain conflicts between international companies and developing countries broke out due to the oil. In 1970’s, non-confidence environment emerged between countries which based their industrial and economic development particularly on the oil. Later, the end of Cold War introduced important conclusions for international economic and political system with the momentous repercussions on nation states. Until the collapse of the Soviet Union, ideologies have been at the focus point of conflicts, from then on, they have been replaced by other factors such as economic competition, regional conflicts and ethnic

---

<sup>1</sup> Daniel Yergin, *The Prize, The Epic Quest For Oil, Money and Power*, ( New York: Simon& Schuster, 1991), p.

11

<sup>2</sup> *ibid*, p. 27

<sup>3</sup> *ibid*, pp. 12- 15

problems.<sup>4</sup> In the 21<sup>st</sup> century, due to depletion of the oil reserves and increase in the energy demands of the developing nations and other oil- importing countries, having access to oil without interruption at a reasonable price became indispensable. Thus oil has increasingly been assuming a central role in the competitions at national and international levels for keeping the pace with globalization.

While the history of Mesopotamia's rich oil reserves dates back to the very old times, richness of Mesopotamian oil resources was revealed from the second half of 19<sup>th</sup> century by studies of the European researchers.<sup>5</sup> Thus, both the abundance and the location of Baghdad, Mosul, and Basra's oil have started to attract attention of the European countries as Germany, Britain, France, Netherlands, Belgium and finally the U.S. Even though, in the period of Ottoman Empire, Sultan Abdülhamid II registered Mesopotamian fields as his personal property<sup>6</sup> and put research and operating privileges under the duty of Administration of Private Treasury of Ottoman Sultan<sup>7</sup>, his arrangements could not prevent the separation of the Baghdad, Basra and Mosul provinces from the Empire. After the separation of these provinces from the Ottoman Empire, Iraq became the center of attraction with 115 billion barrels proven oil reserves.<sup>8</sup>

On the other hand, the couple of Iraq and oil is also important due to the fact that country owes a significant portion of its income to the oil revenues since its foundation.<sup>9</sup> Thus, as Iraqi economy draws its strength from oil, this kind of power made the country vulnerable to the international and national fluctuations in the oil

---

<sup>4</sup> *ibid*, pp. 13- 14

<sup>5</sup> "One of the prominent European researcher is British Colonel Maunsell who researched on the Mesopotamian oil in 1897" (Terzi, 2009, p. 97)

<sup>6</sup> Arzu Terzi, *Bağdat- Musul'da Abdülhamid'in Mirası, Petrol ve Arazi*, ( İstanbul: Timaş Yayınları, 2009), p.39

<sup>7</sup> "Mosul in 1889 and Baghdad in 1898" , ( Terzi, 2009, pp. 99- 111)

<sup>8</sup> US Energy Information Administration's Iraqi country Analysis Brief; <http://www.eia.gov/countries/cab.cfm?fips=IZ>, ( accessed in July, 2011)



sector. Moreover, Iraqi politics sometimes gave active and reactive responses to the developments revolving around the oil politics.

The “Long durée” conception of Fernand Braudel can be applied to the oil related studies since the term is designed for expressing a different time comprehension than a chronological one and while this notion of time’s historical tie with the past and its correlation with the present time is worthy of consideration.<sup>10</sup> With his own words;

Events are the ephemera of history; they pass across its stage like fireflies, hardly glimpsed before they settle back into darkness and as often as not into oblivion. Every event, however brief, has to be sure a contribution to make, lights up some dark corner or even some wide vista of history. Nor is it only political history which benefits most, for every historical landscape – political, economic social, even geographical – is illumined by the intermittent flare of the event<sup>11</sup>

In that sense, this thesis aims to indicate that even though numerous transformations occurred in domestic and foreign policies of Iraq; oil has been a continuous and consistent element with a determining capacity in social, political and economic spheres. To this end, Iraqi oil policies will be examined from 20<sup>th</sup> century to the year of 2011 and this time period will be instructive to a comprehensive examination of the evolution of oil’s role in Iraqi politics. This time frame is also selected for the sake of a historical analysis of the causes of the U.S’s invasion of Iraq 2003 together with its outcomes both on the national oil policy and on the international oil market. Furthermore an analysis of this period is vital to evaluate how and in what way oil issue always protects its attraction for the external forces and superpowers no matter how these cyclical changes are radical and influential in these relations from the establishment of Iraq state in modern sense.

For the main arguments of this study, it is vital to grasp the idea of how the notion of oil in Iraqi state and in the international scene is constructed in a historical context. To this end, the changes and continuities in oil policies of the Iraqi state will be

---

<sup>10</sup> Immanuel Wallerstein, *Modern Küresel Sistem*, (İstanbul; Pınar Yayınları, 2005), p. 8

<sup>11</sup> Fernand Braudel, *The Mediterranean and the Mediterranean World in the Age of Philip II*. (Berkeley: University of California Press, 1995), p. 901

examined within the framework of national dynamics, relations with neighbour states and the international relations. While this thesis will cover almost a century long period, the elements which have changed and transformed within the historical flow will be examined in political and economic structure of Iraq in relation to the oil to figure out the reasons and outcomes of continuous external intervention to Iraq. Based on the events happened in the world history, the changes occurred in this process are explained in political and economic spheres of Iraq. While developments within this historical process are being interpreted and change and transformation are being examined, internal developments together with situation of Iraqi society and their ideological positionalities will also be touched briefly. Finally, this thesis will try to avoid reductionist approaches and generalizations such as attributing all changes or continuities to a single event or an external development occurred as the outbreak of the Second World War, the end of Cold War, 11 September, 2003 occupation, etc. Accordingly, the chapters of this thesis will be shaped in accordance with to the evolution phases of the Iraq itself.

Methodologically, this thesis does not only focus on the centrality of state as potent and autonomous actor which has its own interests and essence distinct from society.<sup>12</sup> The state's position in relation to the political and economic forces outside the control of state as international non-state actors, mainly multinational companies and international organizations will be taken into account in this thesis. Besides, this thesis will attempt to analyze the questions that whether oil solidifies the centrality of Iraqi state and how oil conducts the discussions away from the capacity of Iraqi state as a commercial product which has its own standards. What is more, this thesis will exhibit the change and continuity on the axis of "truth, power and wealth" themes by adopting the approach of prominent Middle East historian, Hourani;

By "truth" I mean that what people believe: beliefs and the culture that grows up around them (...) by "power" I mean interactions between organized power and social

---

<sup>12</sup> Peter B. Evans, Dietrich Rueschemer, Theda Skocpol, *Bringing the state back in*, (Cambridge: Cambridge University Press, 1985)

solidarities. By “wealth” I mean social and economic structures.<sup>13</sup>

However, in this thesis, the major emphasis will be on economic order in other words, on the “wealth”, the difficulty of examining and comprehending the economic attitude and dynamics of economy independent from the other two concepts is obvious. Additionally, throughout this thesis, discussions will be carried out around certain political themes for understanding the Iraqi politics; some of those are “rentier state” approach, self-determination, economic perspective of Arab nationalism, war and capitalism relationship and the relationship between democracy and economy. However, all of these themes will be visited concisely within the context of Iraq.

For the scope of this thesis, political economy is to form a relevant departure point. Its relevance stem from the reality that interaction of political and economic factors had great impact upon the foundation process of the Middle Eastern countries and the establishment of Iraq in modern sense. Considering this fact, as Halliday points out, “Middle East is in the sense of domain where economics and politics interlock, the kingdom of international political economy.”<sup>14</sup> Thus, understanding of geography of the Middle East in general and Iraq in particular in political sense are only possible with reference to the economic data since the region bears a substantial amount of world oil resources. With reference to Halliday, as a field of study, political economy is where political elements such as state, ideology and policies interact with the economic elements as production, sector, and market.<sup>15</sup> Thus, since political and economic issues are interlocked with each other in the region; analyzing the issues of oil becomes complicated without considering these key political and economic issues. Since the dissolution of the Ottoman Empire, interests of world powers especially of European powers to the territories of modern Iraq arose due to the combination of the economical motivations as having upper hand on trade and raw materials together with the political incentives. Therefore, comprehending the

---

<sup>13</sup> Nancy Elizabeth Gallagher, *Approaches to the History of the Middle East, Interviews with Leading Middle East Historians*, (Reading: Ithaca Press, 1994), p. 39

<sup>14</sup> Fred Halliday, *The Middle East in International Relations, Power, Politics and Ideology*( Cambridge: Cambridge University Press, 2005), p. 261

<sup>15</sup> *ibid*, p. 262

external forces' interests directed to Iraq subsequent to first oil and gas drilling in 1902 and the discovery of oil in the country in 1923<sup>16</sup> can be possible only with a thorough consideration and evaluation of the political and economical issues simultaneously.

To this end, this thesis aims to answer the following questions; to what extent the commodity of oil was influential in the state building process of the Iraq? What was the role of oil in demarcation of Iraqi state's borders? Can "rentier state model" be explanatory to understand the political and economic structure of Iraq or the true tool should be the comprehension of colonialist and neo-colonialist impacts? What is the international environment which gives rise to discussions regarding the central role of the oil in Iraqi country's internal and foreign relations in political and economic domains? Above all, to what extent oil is determining in external interventions of superpowers to Iraq and in Iraq's interventions to the other countries?

The thesis is organized in following line. After an introduction part, due to the extent of the noted time frame, Chapter II will attempt to provide a brief historical and a theoretical framework. This part will commence with criticism of "rentier state" model and analyzing the determining capacity of the impacts of colonialism to oil producing countries with reference to Iraq. Furthermore, the second chapter will proceed with focusing on the Iraqi oil politics in the years of pre-independence, mainly from the early 20<sup>th</sup> century to the year of 1958 for analyzing whether oil is determining in creation process of the Iraqi state and during the British Mandate. In the course of historical flow of events, this chapter will visit the concept of "self-determination" while discussing whether this phenomenon has an economic dimension or not in relation to Mosul and Kirkuk oils.

Chapter III will address the period from the foundation of the Republic of Iraq in 1958 to the end of 1990s. This chapter will aim to provide a reading of the Iraqi oil

---

<sup>16</sup> Saad Z. Jassim and Mohammad Al-Gailani "Hydrocarbons" in *Geology of Iraq*, ed. by Saad Z. Jassim and Jeremy G. Goff, (Czech Republic: Publishers Dolin, 2006), p. 232

politics throughout the Cold War years as well as to present the prominent internal developments hand in hand with the external ones together with their outcomes in relation to the commodity of oil. Chapter III will also examine how the super power rivalry resulted on behalf of the U.S and how the policies of the U.S have begun to be determining instead of the British ones in Middle East in general and in Iraq in particular in the wake of the Second World War. In addition, this part will focus on the oil crisis of 1973-74 and 1979-1980 addressing the question of how oil price and transactions are vulnerable to the political developments and how oil is indispensable for the Iraqi state, for countries of the Middle East and for the rest of the world. This chapter will proceed with scrutinizing the motivations behind the war with Iran between the years of 1980 to 1988 and the invasion of Kuwait in 1990 in relation to the role of oil. This part will particularly focus on whether oil is the leading actor in deterioration of the bilateral relations both with the neighbouring countries (Iran, Kuwait) and the U.S following the invasion of Kuwait. This section will also involve the evaluation of main conclusions of the aforementioned two incidents. In the same chapter, the leading motives behind the establishment of the Organization of Petroleum Exporting Countries (OPEC) and Iraq's position within the organization; the situation of the communities of the northern Iraq, Kurdish communities, in relation to these territories' vast oil resources and the nationalization of the Iraqi Petroleum Company in 1972 by indicating the vital points in economic outlook of Arab and Iraqi nationalism will be analyzed.

Chapter IV will mainly focus on the period of the invasion of Iraq from 2003 to the year of Draft Oil and Gas Law in 2007. This chapter will commence with analyzing the path towards the invasion of Iraq with its spoken causes and questioning the role of oil in the invasion by use of historical and theoretical approaches. Following the historical evaluation by focusing on the September 11 events and providing theoretical consideration in relation to oil, this chapter will proceed with concentrating on the post-2003 period, which will be revealed under four subheadings to ensure the integrity of these concentric issues by conceding the oil as centre. The first subheading will present the general assessment of the economic situation of Iraq and the state of oil sector. In the wake of the invasion, the economic

reform policies of the Coalitional Provisional Authority (CPA) between March 2003 to June 2004 in collaboration with the Iraqi Governing Council since July 2003, then the policies of Interim Iraqi government from June 2004 to January 2005 and from then on, transitional national assembly's economic policies will be examined one by one in relation to the role of oil for reconstruction measures in the period of transitional economy. While the second subheading of this part puts forward prominent developments in the economic sphere of the Iraqi country, the third subheading's concern will be the tenets and the provisions of the Iraqi constitution in 2005 with its weaknesses and strengths by analysing the status of the oil. This subheading will continue with evaluating the applicability of federalism to Iraq by examining prospective reflections of the federalist structure to administration of oil transactions and the revenue sharing. The final subheading will attempt to analyze the draft Oil and Gas Law in 2007 of Iraq in relation to the provisions of the constitution with questioning whether the draft law will be complementary to the economic reform policies of the Iraqi state by forming a legal basis to the future implementations. To this end, the articles of the Draft Oil and Gas Law concerning the revenue sharing, inclusion of the foreign companies to the operations of the country's oil sector together with discussions regarding the type of contracts and the institutional structures will be examined. Then, the post-2007 period will be also briefly mentioned. Finally, Chapter V will conclude with a summary of the main conclusions and the evaluation of chapters.

## CHAPTER II

### THE EMERGENCE OF IRAQ

#### 2.1 Introduction

This chapter is designed to provide a conceptual framework and a historical context to comprehend the nascent role of oil in international and Iraqi political economy. The developments between the late years of Ottoman Empire in early 20<sup>th</sup> century to the foundation of the Republic of Iraq in 1958 will be covered in a chronological order by particularly examining oil-related issues and their consequences. To understand the political, economic and social dynamics of the Iraqi state, first part of this chapter will comprise a theoretical framework with an analysis of “rentier state model” to comprehend whether this model can provide a convenient tool for approaching the state of Iraq or not. The concept is fundamental to comprehension of the relationship between the role of oil in a state’s weaknesses and in its strengths. On the other hand, the second part of this Chapter provides a historical background to the Republic of Iraq. The legacies of the Ottoman Empire, the British Mandate and the years of independence prior to the establishment of Republic will be examined in terms of social, political and economic domains. The developments on the commodity of oil in the international scene will be analyzed to provide a better understanding of the attractiveness of today’s Iraq. In addition to the examination of domestic and international developments in this time period, the second chapter also introduces oil as a commodity which has capacity to determine global, military, political and economic balance. Moreover this part also aims to give an account of the evolution of oil’s different phases that have been experienced and to reveal the reflections of the time period to the prospective developments together with recognizing the factors of change and continuity.

## 2.2 Inadequacy of the “Rentier State” theory for comprehending Iraq

While “rentier state” concept is generally put under consideration to understand the nature of Iraqi state and the state’s centrality in political, economic and social spheres of the country, contrary to this conventional approach of the “rentier state” related literature, this study argues that the key to all achievements and all failures of Iraqi state is related to the status of oil in Iraq’s engagement with the superpowers and the attractiveness of Iraqi oil for other external actors like international non-state actors and multinational companies. Thus for the scope of this study, while plumbing into oil producing countries in general and Iraq in particular, the “unequal power relations should be at the forefront”<sup>17</sup>.

Even though, in the first instance the “rentier state” may be viewed as an economic concept, the “rentier” nature of states with their peculiar characteristics has certain repercussions on social and the political spheres as well. In that sense, the conceptions of “the paradox of plenty” of Lynn Karl<sup>18</sup>, the “resource curse”<sup>19</sup> and “Dutch Disease”<sup>20</sup> served to indicate the conclusions of the peculiar nature of these states on the social, political and economic domains. However within the framework of this study, these conceptions present an economic model which is approaching in a *faulty* manner to the states that fall under the category of oil- producing countries.<sup>21</sup>

Frequently referenced “rentier state theory” is developed as a way of approaching the oil rich countries. The founders of this conception, Hossein Mahdavy (1970)<sup>22</sup>,

---

<sup>17</sup> Tim Di Muzio, “The Real Resource Curse and The Imperialism of Development”, *Suomen Antropologi: Journal of the Finnish Anthropological Society*, Vol.35,Issue.1, (2010), p. 95

<sup>18</sup> The detailed information can be find in Lynn Karl, *The paradox of plenty: Oil booms and Petro- states*, (Berkeley: University of Columbia Press, 1997)

<sup>19</sup> The detailed information can be find in Pauline Jones Luong and Erika Weinthal, “Rethinking the Resource Curse: Ownership Structure, Institutional Capacity and Domestic Constraints”, *Annual Review of Political Science*, Vol. 9, (2006), pp. 241-263; Macartan Humphreys, Jeffrey Sachs and Joseph Stiglitz, *Escaping the resource curse*, ( New York: Columbia University Press, 2007)

<sup>20</sup> The concept of “dutch disease” studied by numerous authors, some prominent authors are ” Bruno (1982); Buiter and Purvis( 1982) ; Corden and Neary( 1980) ; Forsyth and Kay (1980) ; Neary and Purvis( 1981) .” Michael Bruno and Jeffrey Sachs, “Energy and Resource Allocation: A Dynamic Model of Dutch Disease”, *Review of Economic Studies*, XLIX,845-859, (1982), p. 845

<sup>21</sup> Muzio, p. 94

<sup>22</sup> The detailed information can be find in Hossein Mahdavy, “The patterns and problems of economic development in rentier states: The case of Iran” in *Studies in economic history of the Middle East*, ed. by M. A. Cook, (London: Oxford University Press, 1970), pp. 428- 467



Beblawi (1987)<sup>23</sup> and Luciani (1987)<sup>24</sup> named this particular disposition of the states as the “rentier states”. They have been making use of the “rentier” term or in a rather tactful expression “distributive”<sup>25</sup> term to define and to understand the political and economic phenomenons of oil producing states.<sup>26</sup> According to Yates, the theory “in its broadest sense defines rentier states as countries that receive on a regular basis substantial amounts of external economic rent (...)” and “massive amounts of foreign currency and credit generated by petroleum development flooded into state coffers.”<sup>27</sup> Moreover, as Luciani defines, these states are “financially independent from the society, in the sense of not being accountable”, they “do not need to seek legitimacy through democratic representation (...)” they “inherited a political order from history, they do not create their own political order; a few are democracies and majority are authoritarian. The advent of the rent allowed them to reinforce and consolidate authoritarian rule.”<sup>28</sup>

In this context, rentier states are regarded as the states which utilize a number of esoterical methods to consolidate and continue their incumbency and power as “distribution, penetration and coercion. In this regard, the distribution tool frequently used by the rentier states includes food and energy subsidization, inducements for investments and the assignment of lands at no cost for housing. On the other hand, the tool of penetration also leached into every segments of the society which includes getting into partnerships and carrying out businesses with influential families to exert control over number one and strategic political positions. Moreover in the social sphere, penetration extends all the way into the private life as conducting strategic marriages with outstanding families and having a command of religious, Islamic, foundations. Finally, the third tool, coercion is also widely resorted in the rentier

---

<sup>23</sup> The detailed information can be find in Hazem Beblawi, “The rentier state in the Arab world” in *The rentier state*, ed. by Hazem Beblawi and Giacomo Luciani, ( Beckenham, Kent: Groom Helm, 1987), pp. 49- 62

<sup>24</sup> The detailed information can be find in Giacomo Lucian, “ Allocation vs. productions states: A theoretical framework”, in *The rentier state*, ( Beckenham, Kent: Groom Helm, 1987), pp. 63- 82

<sup>25</sup> The concept of “distributive state “ is used by Dirk Vandewalle in approaching the state of Libya, ( Dirk Vandewalle, *Libya since Independence: Oil and State-Building*, ( New York: Cornell University Press, 1998)

<sup>26</sup> Giacomo Luciani, “Oil and Political Economy in the International Relations of the Middle East”, in *International Relations of the Middle East*, ed. by Louise Fawcett, ( New York: Oxford University Press, 2005), p. 90

<sup>27</sup> Douglas A. Yates, *The Rentier State in Africa, Oil and Rent Dependency and Neocolonialim in the Republic of Gobon*, (Trenton NJ: Africa World Press, 1996), pp.11-12

<sup>28</sup> Luciani, p. 92

states, huge intelligence units and the limitations on freedoms illustrate its implementations.<sup>29</sup>

According to rentier state conception, in addition to these repercussions of the rentier nature to the social sphere, in the political sphere, the rulers of rentier states place a particular emphasis to their political continuity. The rulers of those states give preference to the strategies to reap the profits of the rentier economy that is pivoting around oil which are politically in their own interest, but not really standing as an optimal solution in economic sense. Moreover, by means of oil revenues, ruling clique establishes a political ground which has capacity to prop up the regime for their survival. On the other hand, these revenues are also employed for eliminating all oppositional actors against their permanence by excluding these sections of opposition from the share of the revenues coming from the rent<sup>30</sup>, namely oil.<sup>31</sup>

Moreover, due to the externally acquired nature of the rent<sup>32</sup>, in other words, since the revenue acquired from the sale of oil is highly vulnerable to the turbulences of the international developments,<sup>33</sup> rentier states are the states which determine their priorities according to the level of the rent acquired. Thus, their policies change in times of economic austerity due to low level of oil imports and in times of economic boom as a result of high level of oil incomes, so states can address the needs of the society within the bounds of the possibility<sup>34</sup>. Consequently within such boundaries, the state's continuity in both political and economic sense is dependent on the condition of whether the level of international oil demand and the country's export capacity keep on track or not. Thus, according this conception, with the purpose of the decreasing their vulnerability to the international developments and for securing

---

<sup>29</sup> Gwenn Okruhlik, "Rentier Wealth, Unruly Law and Rise of Opposition", *Comparative Politics*, Vol.31, No.3, (1999), p. 301

<sup>30</sup> Hazem Beblawi, "The Rentier State in Arab World The Arab State", in *The Arab State*, e.d by Giacomo Luciani, (London: Routledge, 1990), p. 87

<sup>31</sup> Hootan Shambayati, "The Rentier State Interest Group and the Paradox of Autonomy: State and Business in Turkey and Iran", *Comparative Politics*, Vol.26, No.3, (1994), p. 309

<sup>32</sup> "Rent is defined by a super-normal level of profit; that is economic return to natural resource extraction that exceeds production and transport costs and some "normal" return to capital. Alternatively, rent is the excess over the return to capital, land, and labor as the factors of production.", (Yates, 1996, pp. 16-17)

<sup>33</sup> Okruhlik, p.308

<sup>34</sup> Rex Brynen, "Economic Crisis and Post- Rentier Democratization in the Arab World: The case of Jordan", *Canadian Journal of Political Science/Revue Canadienne de Science Politique*, Vol.2, No.1 (1992), pp.70-72

their positions as much as possible, rentier states emphasize on the formation and empowerment of the state companies in order to obtain capacity to put leverage on political issues since these issues of politics are directly in conjunction with the issues of oil.<sup>35</sup> At this point, it is pertinent to note that, the father of the rentier state model, Mahdavy, conceptualised this model for oil- producing countries subsequent to the nationalization of the Anglo-Iranian Oil Company in Iran in 1951.<sup>36</sup> In that sense, there is a strong presumption that state's raison d'être behind the motivation for the formation of the state company, in other words, nationalization of the already operating oil company is oriented to benefiting from this initiation's political and economic outcomes. Since those companies are located at the core of the politics and economics, such kind of implementation means heading all the transactions towards the benefit of the state therewith those can serve both to the service of the economic reason and political objectives.<sup>37</sup> Besides, since the actors of private sector can originate from different ethnic and sectarian units, states are generally involved with the national companies and "national bourgeoisie" to increase their ability to survive. Due to the fact that, these states only seek their survival and not seek for international competitiveness, so relying solely on the national units sounds plausible for themselves.<sup>38</sup> In brief, these countries attach at most priority to the political continuity of their tenure, so in the economic scene, political rationality overcomes the economic ones.<sup>39</sup>

Thus this study asserts that oil producing states can be properly understood not only through identification of the actors and methods that involved into the "resource extraction process", but the way how the decisions are taken for implementation of the all kind of policies should also be put under consideration to comprehend the forces behind the main actors and methods that have chosen.<sup>40</sup> Most importantly,

---

<sup>35</sup> L. Donald Losman, "The Rentier State and National Oil Companies: An Economic and Political Perspective", *The Middle East Journal*, Vol.64, No:3, (2010), p. 427

<sup>36</sup> Hossein Mahdavy, "The patterns and problems of economic development in rentier states: The case of Iran" in *Studies in economic history of the Middle East*, ed. by M. A. Cook, (London: Oxford University Press, 1970), pp. 428- 467

<sup>37</sup> Kiren Aziz Chaudry, "Economic Liberalization and the Lineages of the Rentier State", *Comparative Politics*, Vol.27, No.1( 1994), pp.10,15

<sup>38</sup> *ibid*, p.6

<sup>39</sup> Atif Kubursi, 'Oil and Global Economy' in *Iraq War Causes and Consequences*, ed. by Rick Fawn and Raymond Hinnebusch, (Boulder, Colo: Lynne Rienner Publishers, 2006), pp. 247-248

<sup>40</sup> Muzio, p.95

within the context of this study, being “critically aware of the international dimensions of these power relations” is a must and pertinent.

Much of the literature on the resource curse places blame on the local political culture for poor social, economic and political outcomes. But while studying local political dynamics is important, the effects of colonialism, international norms and transnational firms are often downplayed.<sup>41</sup>

In addition to this dimension of the issue, a *historical* point of view is also a must to better understand the “power relations involved in producing certain outcomes.”<sup>42</sup> Tim Di Muzio’s pertinent remark with questioning the exact applicability of the “resource curse” concept to those countries that have been the faced with Western colonialism and neo-colonialism is the point that is worth- stressing. Even more as Muzio asserts that the term itself bears an imperialist nature with its euro-centric definitions since while this concept defines the resource rich countries, it appreciates the features of the West which is destitute of those natural resources.<sup>43</sup>

Although in the early 1990s, Richard Auty’s theory of resource curse is identified that oil has been constituted an impediment for development and improvement of African oil producing countries<sup>44</sup> and even in advance of these theories as well, rent seeking has already been receiving negative reactions, for instance, Ricardo has depicted rent as the thing that is formed from nature, not from the “ingenuity or work”.<sup>45</sup> Rent seeking is also regarded as an “immoral way” of maintaining life.<sup>46</sup>

However, in order comprehend oil producing countries in full sense, the previous experiences of those countries under their own colonial past with British, French, Portuguese and Spanish influences had to be put under consideration.<sup>47</sup> Since as oil is a common denominator among the oil producing countries, their colonial and post-independence experiences have been in common with each other.<sup>48</sup> Thus, not solely

---

<sup>41</sup> *ibid*

<sup>42</sup> *ibid*

<sup>43</sup> *ibid*

<sup>44</sup> Gisa Weszkalnys, “The Curse of Oil in the Gulf of Guinea: A View From São Tomé and Príncipe”, *African Affairs*, Vol. 108, No. 433, (2009), p. 679

<sup>45</sup> *ibid*, p. 680

<sup>46</sup> *ibid*

<sup>47</sup> *ibid*

<sup>48</sup> *ibid*

the “skewed market or institutional failure” of these states, but also their *colonial experiences* are responsible for the predicament situation of those countries.<sup>49</sup>

Historically, in the first step Industrial revolution together with liberalism and nationalism had transformed Europe then the European influence has almost spread all around the world by means of imperialist policies.<sup>50</sup> While imperialism is regarded as a product of matured level of capitalism, in other words, “the highest state of capitalism” and such phase is necessitated “geographical expansion of trade and capital flows.” and<sup>51</sup> as the capitalism in the form of mercantilism covers the period in the wake of the Industrial Revolution which stands for the 18<sup>th</sup> and 19<sup>th</sup> centuries long time, the imperialist era has prefaced by the end of 19<sup>th</sup> century.<sup>52</sup> Even though, as Hobson says, imperialist motivations were regarded as economic at first sight, in the course of time the European powers and later on the U.S assigned political and strategic meanings to their imperial policies.<sup>53</sup> In the era of imperialism, those oil producing had almost no chance to dissociate themselves from the effects of international atmosphere of political competition. The outbreak of wars, escalation of the authoritarian nature of the states, the spread of political instabilities among the bourgeois democracies and the increase in the poverty both in the oil producing countries and the Western countries had all substantial repercussions on those countries.<sup>54</sup> Even though imperialism left its mark in the certain period of the history, imperialist policies have also evolved over time and have reshaped themselves and redesigned their policies in line with the changes that occur under new conditions.<sup>55</sup>

Throughout the 19<sup>th</sup> century until the outbreak of the First World War in 1914, the bourgeoisie was the leading actor which canalized decision makers to industry, trade

---

<sup>49</sup> *ibid*, p.683

<sup>50</sup> Oral Sander, *Siyasi Tarih, İlkçağlardan 1918'e*, (Ankara: İmge Kitabevi, 1989) , p. 208

<sup>51</sup> Achin Vanaik, “Imperialism, Soviet Collapse and Implications for Post- Colonial World”, *Economic and Political Weekly*, Vol. 28, Issue. 5, (1993), p. 38

<sup>52</sup> Ranjit Sau, “Capitalism, Imperialism and Underdevelopment”, *Economic and Political Weekly*, Vol. 10, No. 33/35, (1975 ) , p.1265

<sup>53</sup> T. V.Sathyamurthy, “Marxism and Imperialism”, *Economic and Political Weekly*, Vol. 32, No. 49, (1997), p. 3119

<sup>54</sup> Vanaik, p. 38

<sup>55</sup> *ibid*, p. 38

and colonial expansionism rather than wars.<sup>56</sup> However, rivalry for the certain territories of the world gathered pace in the first quarter of the 20<sup>th</sup> century<sup>57</sup> and the resources as oil that flow from these territories to the Western countries have served for sustaining their legitimacies in domestic politics.<sup>58</sup> Even, in this regard, considering the predicament situation of European powers and the U.S during the Great Depression in the aftermath of the First World War until the end of 1930s, their concerns about Iraq made sense.<sup>59</sup> Therefore, it is not wrong to claim that the relationship between capitalism and colonialism is also provided a convenient basis while trying to explain these oil producing countries.

While Iraq is attractive for the imperialist powers not only because of its vast oil resources, but also with its rich agricultural potential.<sup>60</sup> Iraq offers geopolitical privileges to the powers who exercise power and influence over Iraqi territories too.<sup>61</sup> Russian, French and British competition for the Mesopotamian territories of the Ottoman Empire were also originated the territories adjacent position to colonial possessions in India and the Central Asia and Britain motivated to prevent Russia to reach Mediterranean as well.<sup>62</sup> In this sense, Britain's role in the Arab Revolt in return for its support to Sharif Hussain in his endeavours for Arab Kingdom, British inspiration to divide Mesopotamian territories of the Ottoman Empire under Sykes Picot agreement together with France and lastly Balfour Declaration of 1917 are regarded as three landmark imperialist implementations of the Britain.<sup>63</sup> Later on, European powers' insistence on the necessity of the "*tutelage in statecraft*"<sup>64</sup> deepened their impacts on political and economic spheres of these countries.<sup>65</sup> Thus, while the contemporary borders of Middle Eastern states are consequential results of

---

<sup>56</sup> Gianfranco Poggi, *Modern Devletin Gelişimi*, (İstanbul: İstanbul Bilgi Üniversitesi Yayınları, 2009), p. 112

<sup>57</sup> *ibid*, p. 113

<sup>58</sup> *ibid*, p. 155

<sup>59</sup> Sathyamurthy, p. 3121

<sup>60</sup> Gareth Stansfield, *Iraq, People, History, Politics*, (Cambridge: Polity Press, 2007), p. 10

<sup>61</sup> *ibid*, p. 23

<sup>62</sup> *ibid*, pp. 30- 34

<sup>63</sup> Eugene L. Rogan, "The Emergence of the Middle East into the Modern State System" in *International Relations of the Middle East*, ed. by. Louise Fawcett, (Oxford: Oxford University Press, 2005), p. 23

<sup>64</sup> Rogan, p. 21

<sup>65</sup> *ibid*, p. 23

European countries' ambitions,<sup>66</sup> colonial powers have left their marks on their mandated territories.<sup>67</sup>

Within the framework of this study, the comprehension of imperialism and neo-imperialism is revealing to make sense of relationship between the Middle Eastern countries with European countries and the U.S<sup>68</sup> since their inclusion into the affairs of the region has upset the balance of the “*age-old lines of communication, administration, kinship and association.*”<sup>69</sup> and that caused the emergence of “*militarist, undemocratic and client regimes thereafter.*”<sup>70</sup> Therefore, the debates that revolved around the “artificiality” of the creation of the Iraq were also in relation to imperialist policies<sup>71</sup> and the main cause behind the Iraq's authoritarian regimes is originated from the reality that consolidation and maintenance of such regimes have been regarded as the “only mechanism by which the fractious country could be held together”<sup>72</sup> If those countries are supposed to be located in the “periphery” and the West is accepted as the “center”. The evolution of the imperialism has made the way for the transformation of the reciprocal influences of these two parties to each other.<sup>73</sup>

While in the general tendency, Iraqi state is regarded as possessing indications of the rentier state considering its composition and structure together with oil revenues' substantial contributions to the budget. Moreover, as the share of the revenues acquired from land (agriculture, tax etc.) had been decreasing by 1920s, oil incomes substituted these revenues and so contributed to a considerable extent to the survival of the state.<sup>74</sup> However, since the attitudes of the oil importing countries towards the region have been designed to engage in and to guarantee the flow of oil according to their own benefits,<sup>75</sup> although, rich oil and agricultural capacity of Iraq promised a

---

<sup>66</sup> Rosemary Hollis, “Europe in the Middle East” in *International Relations of the Middle East*, ed. by. Louise Fawcett, (Oxford: Oxford University Press, 2005), p. 311

<sup>67</sup> *ibid*, p. 310

<sup>68</sup> *ibid*, p. 309

<sup>69</sup> *ibid*, p. 313

<sup>70</sup> *ibid*

<sup>71</sup> Stansfield, p. 3

<sup>72</sup> *ibid*, p. 29

<sup>73</sup> Sau, p.1265

<sup>74</sup> Marion Farouk-Sluglett, Peter Sluglett, *Iraq Since 1958 From Revolution to Dictatorship*, (London; New York : I.B. Tauris, c2001), pp. 33- 35

<sup>75</sup> Halliday, pp.271- 272

functioning economy,<sup>76</sup> the effects of continuous external intervention put Iraqi economy to the completely reverse situation. Therefore since discussions concerning the structure and nature of the economy collide with the questions that arose from issues about state's territorial borders, the characters of the political forces and social components,<sup>77</sup> external intervention's influence has spread to political and social spheres as well.

### **2.3 The late Ottoman period; Mesopotomian lands**

In order to overarch the temporal and spatial constraints of the Iraqi politics of oil and to be able to present a thorough view about the issue of oil that has been in course of transformation till the present time, it is pertinent to commence with the Ottoman Empire.<sup>78</sup>

Seepage of oil from the surface of the land and external fires in Mesopotamia were known since the Biblical times. The lands of Mosul, Baghdad and Basra merged to Ottoman Empire during sixteenth and seventeenth centuries, within the course of time became the territories of the modern Iraqi state.<sup>79</sup> Later on, until the coming of the eighteenth century, the economies of Middle Eastern territories of the Ottoman Empire were capable of competing against rest of the World, in particular to those of Europe. The Middle Eastern economies carried out trade activities on equal footing with the Europeans and more importantly they could afford feeding their subjects. Nevertheless, the winds have changed following the Industrial Revolution in Europe and Ottoman capital began to have difficulty to take a stand against interferences coming from Russia, France, Austria and Britain.<sup>80</sup> As a result, in the nineteenth century, Ottoman Empire which was suffering from lack of power vis a vis Europe, began to undertake reactive reforms. Especially, under the reign of Sultan Mahmud II (1808- 1839), Ottoman authorities initiated policies for retrieving its authority in

---

<sup>76</sup> Eugene L. Rogan, *The Emergence of the Middle East into the Modern State System in International Relations of the Middle East* ed. by Louise Fawcett, (Oxford: Oxford University Press, 2005), p.32

<sup>77</sup> Charles Tripp, *A History of Iraq*, (New York: Cambridge University Press, 2007), p. 2- 5

<sup>78</sup> Stephen J. Rahdall, *United States Foreign Oil Policy since World War I*, (London: McGill-Queen's University Press, 2005), p. 1

<sup>79</sup> Volkan Ediger, *Osmanlı'da Neft ve Petrol*, (Ankara, ODTÜ Yayıncılık, 2007), pp. 1- 96

<sup>80</sup> Halliday, p. 268



peripheral provinces including Mosul, Baghdad and Basra.<sup>81</sup> On the other hand, by the late of nineteenth century, Ottoman Empire's ruling clique became aware of the oil fields and their commercial potentials. Even, Sultan Abdulhamid II got the Mesopotamian territories under his own control and attributed concessions of these fields to his Civil List just like his other private properties.<sup>82</sup>

However, the measures of the Abdulhamid II era fell short of resisting to the spread of European powers and so Ottoman Empire's relatively weak position made it unable to countervail. Under those days' conditions, since Ottoman Empire could not properly afford far-reaching development projects due to its scarce financial resources and backward technical infrastructure in its Middle Eastern territories, they tried to benefit at most from the advantages of granting concessions starting from the mid-19<sup>th</sup> century till the First World War. The system operated in such a way; in return for royalty acquired from Ottoman Empire, European companies entered into construction and operation activities of development projects with only little amount of down payments and annual tenancy payments or they agreed on carving up prospective profits. Initially, implementation of the development projects by granting concessions solely oriented to transportation and communication plans. The Suez Canal which was opened in 1869 and the Indo-European telegraph line that completed in 1865 were forerunner among these projects, but in the course of time new ramifications of public services began to be considered and these services leaped forward to mineral extraction schemes too.<sup>83</sup>

On the other hand, in the course of protectionism epoch, national priorities of the industry were taken in hand. In this sense, in relation to oil, France initiated tariff on oil in 1893 and Germany experimented implementation of a similar action in 1913, while the U.S proceeded towards protectionism in the era late 19<sup>th</sup> century as well. On the contrary, considering Britain's dominance on sea routes and its exclusive position within transport business, it is not an enigma to understand why she did not choose to pursue protectionist policies. However, in the course of time,

---

<sup>81</sup> Ediger, pp.1-96

<sup>82</sup> Benjamin Shwadran, *The Middle East Oil and The Great Powers* (New York: 1973), pp. 195- 243; Terzi, p.99

<sup>83</sup> Robert G. Landen, *The Emergence of the Modern Middle East, Selected Readings*, ( New York: Litton Educational Publishing, 1970), p.174

transformation of the role of oil put protectionist attitudes out of action. Although two leading European powers, Germany and France were deprived of oil, their approaches differed in line with changing conditions. While France was able to rely on its colonies which were endowed with oil, Germany had to seek for remedy in far away places, as the Mesopotamian territories of Ottoman Empire in order to confidently move forward. <sup>84</sup>

By the end of the 19<sup>th</sup> century, the Western corporations have commenced their long standing struggle for grabbing mineral and railroad concessions. Considering the in-depth studies carried by Kent and Yergin, it is possible to reach a conclusion that desire for taking the helm of Mesopotamian oil and therewith the prosperity was not only high at the agenda of the Anglo- French bargainings rather, oil was at the top of the agenda for Germans as well. <sup>85</sup> In pursuit of Kirkuk and Mosul discoveries, current state of struggling for oil turned into constant reality for these countries. The prominent among those bargains was the concessionary preference that was given to Germany for construction of railroad from “Baghdad to Berlin”. Besides Britain, Belgium and the Netharlands had also been competing for concessions. Not only European companies but also corporations of the U.S were eager to acquire concessions from Ottoman lands. In 1908, for the first time, American Chester company had a recourse to Sultan Abdulhamid II for a royalty construction of a railway from Aleppo to Alexendretta. Concerning that, the most considerable side of that concession was granting right of exploitation of minerals, more precisely oil, within 20 km distance of lane on both sides of the railroad. <sup>86</sup>

#### **2.4 The First World War; the role of oil in demarcation of the borders of Iraq**

The century preceding the First World War, Britain maintained a policy for preservation of the territorial integrity of the Ottoman Empire. By pursuing such policy, British objective was to utilise Ottoman territories as a buffer to protect its

---

<sup>84</sup> Stephen Pelletière, *Iraq and the International Oil System, Why America went to war in the Gulf*, (Westport, Conn: Praeger Publishers, 2001), pp. 24- 26

<sup>85</sup> Yergin, 2007; Marien Kent, *Oil & Empire British Policy & Mesopotamian Oil, 1900-1920*, ( London: Macmillan, 1976)

<sup>86</sup> George E. Gruen, “The Oil Resources of Iraq: Their Role in the Policies of the Great Powers”, in *The Creation of Iraq, 1914-1921*, ed. by Reeva Spector Simon and Eleanor H. Tejirian, (New York: Columbia University Press, 2004), pp.111- 112

vulnerable road to India against the threat of Russia. However, sequent to the coup d'état in 1908 within Ottoman ruling class and their choice to enter the First World War on the German side, things have changed. The entrance of the Ottoman Empire on the side of Germany in 1914 symbolized the stimulus factor for Britain to initiate the “creation of modern Middle East”.<sup>87</sup> At this point, the vital question that should be asked is about the main motivation behind the Entente powers’ overcommitted manner in their combat in the Middle East where they employed time and resources mightly during the course of first World War.<sup>88</sup> The issues of oil comes at the forefront of the factors of motivation.

While the rivalry for the concessions have been continuing, from the second half of the 19<sup>th</sup> to the first quarter of the 20<sup>th</sup> century, two dates mark the change of the role and position of the Middle East in the international political and economic system. The first date 1869 marking the inauguration of the Suez Canal symbolizing an increase in the region’s significance and strategic manoeuvrability. The second date is 1914, which altered the course of the First World War when the naval forces of Britain substituted coal with the oil. Considering from this point, oil reserves of the Middle East put the region at the center of rivalries.<sup>89</sup>

The Middle Eastern oil in commercial sense was first discovered in Masjid-i Suleiman, Iran in 1908, later in Naft Khana<sup>90</sup>, Iraq in 1923 and then in the Arabian Peninsula in the Middle East. Following the oil field discoveries with vast amount of potentials, oil became a determining factor of the status of the Middle East and as a by product of this change, the place of Iraq in the world economy has also transformed.<sup>91</sup> Considering the calorific power of oil which is triple than that of coal, that provides great convenience for military means and commercial activities, the significance of commodity becomes obvious.<sup>92</sup> While, ever increasing inclusion of oil in naval and air forces triggered strategic and economic indispensable status of oil

---

<sup>87</sup> David Fromkin, 'Britain, France and the Diplomatic Agreements' in *The Creation of Iraq, 1914-1921*, ed. by Reeva Spector Simon and Eleanor H. Tejirian, (New York: Columbia University Press, 2004), p.134

<sup>88</sup> Pelletière, p. 29

<sup>89</sup> Halliday, p. 263

<sup>90</sup> Jassim and Al-Gailani, p. 232

<sup>91</sup> Halliday, pp. 271- 272

<sup>92</sup> Randall, p. 3

in industrial nations, <sup>93</sup> low cost of drilling and production of the Middle Eastern oil means huge profit for those who control this natural resource. <sup>94</sup> In this regard, due to the peculiar features of oil commodity, the relationship between the great powers and the Middle East oil producing countries transformed.<sup>95</sup> Therefore, since oil is not merely an economic issue, but rather it is a question of political economy, as a consequence of this shifting positions, super powers of the time begun to consistently strive for making inroads into Middle East for being influential in it's conduct of affairs. <sup>96</sup>

In this respect, if an era is to be characterized by it is of prime importance material, the epoch in the aftermath of the First World War will have to be called "Oil Age". <sup>97</sup> In the course of the First World War, oil has gained prominence in the international scene and as from the years of the First World War, oil has come to be essential to stabilize global military, political and economic complexion. In that sense, the great power politics of the 19<sup>th</sup> and early 20<sup>th</sup> centuries to have a command position in control of natural resources have begun to be a fact for the territories of Iraq and the rivalry over these territories turned into a repeating phenomenon for Iraq in the following years. In other words, since the foundation of Iraq, the crises have become a periodical and retroactive truth due to interventions of external forces striving for access to the oil resources.<sup>98</sup> In this sense, Halliday applied the term of "the curses of black gold" to reveal these implications of the oil to the political and economic nature of the region in general and of Iraq in particular.<sup>99</sup>

In the post- First World War period, subsequent to the break down of the Middle Eastern territories and so the economies into the seperate organisms, that made outside interference to these territories easier. Due to their colonialist nature, Britain and France had ease to expose their political effects with their converting capacities to the region.<sup>100</sup> In a similar vein, the prominent diplomatic issues of the post- war

---

<sup>93</sup> Yergin, pp. 167- 168

<sup>94</sup> Halliday, pp. 270- 271

<sup>95</sup> *ibid*, p. 271

<sup>96</sup> *ibid*, pp. 270- 271

<sup>97</sup> Atif Kubursi, 'Oil and Global Economy' in *Iraq War Causes and Consequences*, ed. by Rick Fawn and Raymond Hinnebusch, (Boulder, Colo: Lynne Rienner Publishers, 2006), pp. 247- 248

<sup>98</sup> *ibid*, p. 247

<sup>99</sup> Halliday, p. 270

<sup>100</sup> *ibid*, p. 270

period focused on the debate that turned around the axis of oil and mainly for consolidation of access to oil resources on a reciprocal basis among Britain, France and the United States.<sup>101</sup>

In this context, as a beginning, within the Sykes Picot Agreement of 1916 signed between the British and French authorities, the two states shared the territories of the Middle East. In this secret agreement, oil concerns of both countries were influential. Even though, in the first instance, Mosul was left under the jurisdiction of France, the British Prime Minister of the time, Lloyd George was not satisfied with the annexation of the Mosul into French zone considering the vast oil potential of the Mosul. To this end, Britain made use of predicament situation of France that was seeking support for defending its interests against Germany during peace negotiation. Under such circumstances, Britain bartered away Mosul in return for its support.<sup>102</sup>

Later on, by virtue of an understanding reached in Paris Peace Conference in 1919 about the formation of League of Nations<sup>103</sup>, the Entente Powers<sup>104</sup> entitled to mandate over territories, while the duration of mandate was concerned to proceed until the time when they had forjudged in terms of termination of the process. Entente Powers agreed on such clause with the exception of Russia, since Russia was occupied with the Bolshevik Revolution of 1917. However, while outlining their power within the regime of mandate, it should be noted that Entente Powers did not take ethnic realities into account, rather they gave priority to their own economic and strategic interests.<sup>105</sup>

Moreover, within the provisions of the agreement of “Paris Peace Conference” , a number of enforcements were placed upon defeated Ottoman Empire. One of the conspicuous provisions of the agreement was concerned with the dwellers of the Ottoman territories where the president of the United States of the time, Woodrow Wilson prescribed independence for Arabs, Kurds and Armanians with the principle

---

<sup>101</sup> Rahdall, p. 29

<sup>102</sup> Yergin, pp.180-181

<sup>103</sup> Added Dawisha, *Iraq a Political History from Independence to Occupation*, ( New York: Princeton University Press,2009), p. 11

<sup>104</sup> Entente powers were Britain, France and Russia.

<sup>105</sup> Fromkin, pp.136, 142

of “self- determination”, which furnished an occasion for these units to decide their own fates. <sup>106</sup>

While self- determination principle made the Ottoman Empire anxious, the triumphant Entente Powers could not able to ignore the notions of President of the U.S since their victory in the First World War was possible thanks to the help of the U.S’s economic, military and industrial capabilities. In that sense, owing a debt of gratitude to the U.S made Entente Powers to concede the necessity for rearranging their positions and stances in the Middle East that peaked under the terms of Sykes Picot Agreement.<sup>107</sup>

At this point it is pertinent to reflect upon the “self- determination” principle which came to forefront among the “Fourteen Points” of Wilson. The concept of “ self determination “ had political and economic dimensions in relation to the oil rich, Kurdish populated northern territories of Iraq. In the international scene, the Kurdish community appeared for the first time in San Remo Conference in April, 1920 which was the preceding conference to the Agreement of Sevres in August, 1920. Following San Remo Conference, Sevres Treaty went one step further and contained clauses which signaled possibility of a formation of a Kurdish state on the territories where their population outnumbered and that could be possible only in reference to the principle of “self- determination”, even though, according to Oran, “the motivations were oriented to breaking down of Ottoman Empire, rather than creation of the independent Kurdistan”<sup>108</sup>. It is a matter of priority to pay attention to the concept of “self- determination” for formation of a conceptual understanding of Iraq’s history. In this regard, the discussions concerning self-determination basically stand on two different and conflicting approaches, the ones who perceived the term as a right and the ones who were cautious towards the term.

The ones who approach with suspicion had stated their confrontations and justifications with economic perspectives. Considering the existence of the vast oil

---

<sup>106</sup> Eleanor H. Tejirian, “The United States, The Ottoman Empire and the Post War Settlement”, in *The Creation of Iraq, 1914-1921*, ed. By Reeva Spector Simon and Eleanor H. Tejirian, ( New York: Columbia University Press, 2004), pp. 151- 153

<sup>107</sup> Shwadran, pp. 204- 205

<sup>108</sup> Baskın Oran, “*Kalkık Horoz*”, *Çekiç Gücü ve Kürt Devleti*, ( Ankara: Bilgi Yayınları, 1996), pp. 11, 26

resources where the Kurds are majority in northern territories of Iraq , “self-determination” promises the formation of a state to those who are high in number in the ex- Ottoman territories. Thus, approaching through lenses of both politics and economics is pertinent to the issue of self-determination.

In the first place, within the context of the First World War, Rosa Luxemburg accepts a presupposition that self determination, in other words, determining on their own, is impossible within the capitalist era. More precisely, she evaluates the situation and asserts that “the nation is a cloak to conceal the imperialistic desires and (...) warmongering of the imperialist competition.” In addition to her emphasis on the imperialistic desires, she turns her attention to the intra-state economic interests as well. In that respect, she addresses that the right of self determination is at the first look “nothing more than discourse of bourgeoisie nationalism’s expression about the right of nations to be free and independent”.<sup>109</sup> According to these statements of Luxembourg, self determination principle bears strong economic purposes in itself. On the other hand, Ernest Gellner supportively stresses that there is a connection among “colonization, imperialism and decolonization processes”.<sup>110</sup> While, in the same sense, Ernest Belfor Bax<sup>111</sup> also points out that the idea of nation, capitalism and the market relations coincided with each other. Further he asserts that each and every national independence movement fall under hegemony of the market and in the end smooth the way for the development of capitalism. In connection with the case of Iraq, Bax stresses that following to the collapse of the Ottoman Empire, nations which are in the nascent state, went into the orbit of Britain since they had no other option. Besides, concerning the First World War era, he asserts that national movements represents triumph of the capitalism against feudalism since only the nation state could accomodate the capitalist progress and each national movement oriented to founding of a nation- state.<sup>112</sup> Whereas Hobsbawm puts forward the “threshold principle” and according to this, the right of self determination can only

---

<sup>109</sup> Rosa Luxemburg, *Ulusal Sorun, Ulusların Kendi Yazgısını Tayin Hakkı ve Özerklik*, ( İstanbul: Belge Yayınları, 2010), pp. 22-23, 101

<sup>110</sup> Ernest Gellner, *Uluslar ve Ulusculuk*, (İstanbul: Hil Yayınları, 2006), p.120

<sup>111</sup> Antonis Liakos, *Dünyayı Değiştirmek İsteyenler Ulusu Nasıl Tasavvur Ettiler?*, ( İstanbul: İletişim Yayınları,2008), pp. 29- 30

<sup>112</sup> Antonis Liakos, *Dünyayı Değiştirmek İsteyenler Ulusu Nasıl Tasavvur Ettiler?* ( İstanbul: İletişim Yayınları, 2008), pp.18-28

be considered for the nations who are able to survive by themselves and who have not only culturally, but also economically self-sustained character.<sup>113</sup>

In relation to the aforementioned discussions, economic aspects of the national consciousness became evident and the emphasis of the great powers on the nation in the aftermath of the First World War took on a new meaning which carries an economic conviction in itself. On the other hand, in addition to these economic dimensions of the issue concerned, it is also asserted that behind President Wilson's exposition of self-determination, the tactical purpose also stands against the Russia where the Bolshveik regime abdicated from the Allies' secret wartime agreements, as Sykes- Picot agreement after 1917.<sup>114</sup>

## **2.5 Iraq during the British Mandate Years**

In April 1920, decisions that have been taken under San Remo Meetings granted the Mandate for Iraq to Britain.<sup>115</sup> In this regard, Britain mandated Iraq in 1920 and in compliance with the provisions of the Sevres Treaty in August of the same year, Britain also seized Mosul province together Kurdish populated and the oil-rich Kirkuk territory and patched these lands to the British Mandate of Iraq.<sup>116</sup> Britain's persistence derived from its pecuniary interests since by the possession of the Mosul oil, Britain believed that it could afford facilities necessary for the functioning of the Mandate of Iraq, besides the commodity of oil could make transportation and development affordable, or put it differently, possible. Thus, even though Iraqi Mandate was dominated with Arab population, the mandate government also pledged for taking propensities and claims of the Kurdish population into account.<sup>117</sup>

However, in the meantime, the Turkish state which was succeeding Ottoman Empire did not feel obliged to pursue the clauses of the Treaty of Sevres. Even though some argue that the basic reason behind the annulment of the Treaty of Sevres was related

---

<sup>113</sup> Eric J. Hobsbawn, *The Nation And Nationalism since 1780: Programme, Myth, Reality*, (Cambridge: New York : Cambridge University Press, 1992)

<sup>114</sup> Gruen, p.115

<sup>115</sup> Charles Tripp, *A History of Iraq*, (New York: Cambridge University Press, 2007), p. xii.

<sup>116</sup> Gruen, p.119

<sup>117</sup> Sarah Shields, "Mosul Question: Economy, Identity and Annexation", in *The Creation of Iraq, 1914-1921*, ed. by Reeva Spector Simon and Eleanor H. Tejirian, (New York: Columbia University Press, 2004), p. 57



to the U.S's attitude of the time since it pursued a policy of non-ratification of the peace treaties.<sup>118</sup> After all, things have changed by the Treaty of Lausanne in July, 1923 since the Treaty conceded northern part of the Iraq which was densely populated by Kurdish communities to the next door neighbour Turkish Republic.<sup>119</sup> However, while British was seemed disposed to leave oil-poor parts of the northern Iraq to Turkey, it held tight the rest of oil-rich parts and seemed determined to keep these parts, as the province of Mosul, under her jurisdiction. Later on, Turkish and British parties of the conflict have left the border dispute regarding the status of Mosul under the charge of League of Nations. In December 1925, the Commission in charge came to a final decision and left the Mosul territory under the Iraqi Mandate.<sup>120</sup> The demarcation line between these two successors of the Ottoman Empire, Turkish Republic and the Mandate of Iraq, was named as the "Brussels Line" by League of Nations.<sup>121</sup> Even though three years later of the Lausanne Treaty, League of Nations granted the province of Mosul to Iraq, still Mosul district's vast oil reserves and its strategic position made it vulnerable to conflicts. Accordingly, following the discovery of oil with enormous yield capacity, Basra, the southern province of Iraq, also turned into a center of attraction.<sup>122</sup>

On the other hand, during the San Remo Conference, Britain and France arrived at decisions regarding their zone of influences in the Middle East. In addition to the agreement to share of the territories that formerly belonged to the Ottoman Empire, negotiations also comprised issues of oil in which Britain and France promised for further cooperation. Based on their mutual interests, the negotiations' clauses included provisions concerning transportation activities, mainly pipelines. For instance, for transit passage through pipelines which were recumbent on the French mandate's territory, France promised to secure safe passage without any wayleave from the transported oil and this policy of France found a reciprocal response from the lands of Britain.<sup>123</sup> However such kind of clause caused discontent among the region's countries since this provision disregarded the benefits of the people of Iraq, Syria, Lebanon and Palestine and divested them of taking share from earnings of

---

<sup>118</sup> Shwadran, p. 207

<sup>119</sup> Gruen, p. 121

<sup>120</sup> Tripp, p. 57

<sup>121</sup> Shwadran, p. 223

<sup>122</sup> *ibid.*, pp. 238- 239

<sup>123</sup> *ibid.*, p. 201

transportation. In short, they became deprived of revenues from the passage of oil through their territories.<sup>124</sup>

Following the settlement of the border dispute, neither Iraq's nor other actors' concerns for the oil-rich northern territories finished. Contrarily, in the upcoming days, Kurds became one of the primary actors of Middle East's political arena. Even, in the course of time, as Oran asserts, "oil interests of the U.S become influential to the Kurdish community's desire for a state". Therefore, although Middle East region has been a scene for both Arab-Israel conflict and the conflicts between "Fanatic Conservative Arab Regimes and Progressive ones", ultimately the contention concerning the status of Kurds were also accrued to the apple of discord of the Middle East.<sup>125</sup>

On the other hand, by the end of the First World War, this new period was marked with the inclusion of the United States into the balance of power mechanism. In other words, when the time ripened, the U. S commenced to play its everlasting key role.<sup>126</sup> Actually the U.S had been gearing up for entering into the politics of the Middle East for some time due to the appearance of expectations regarding the depletion of the oil and the prospective adverse effects of oil depletion on its industrial, civil and above all military uses. Therefore, while the U.S had been self-sustaining in terms of oil in the earlier times, it turned into the frontrunner oil importer. Paradoxially, as a result of rushing out of European powers and the U.S for oil, the oil producing countries of the Middle East and correlatively Iraq gained power.

Besides, as the rivalry gained pace for the influence in the oil producing countries of the region, not only access to oil, but also accessing at a reasonable price has begun to gain importance. In the 20<sup>th</sup> century, prices have begun to be admitted as the indicators of the world economy. As the course of economy has begun to be embodied, discussed with regard to prices, the markets have started to be shaped and comprehended. In that respect, as Çalışkan asserts, "market is about perceptions",

---

<sup>124</sup> Gruen, p. 119

<sup>125</sup> Oran, pp.11-12, 25-26

<sup>126</sup> Shwadran, p. 202

and these perceptions “ produced, consumed, circulated and contested.”<sup>127</sup> Thus, the price factor gradually bears more and more decisive role in oil market as well. Especially after 1925 when oil prices began to decrease substantially due to the commencement of the production in the new fields including the fields of Iraqi lands

128

In the meantime, in March 1925, the Iraqi government agreed on a deal for granting oil concession to Turkish Petroleum Company<sup>129</sup> , but when the determinative capacity of the price is taken into account, even though considerable amounts of oil was discovered in Iraq by the year of 1927 and production has begun in 1928 at low levels, Iraqi country had to wait until August of 1934 for carrying out the first export transaction from Tripoli, since the inclusion of Iraqi oil to the markets could have damaged the balance of oil price. Meanwhile, Turkish Petroleum Company was renamed as Iraqi Petroleum Company Ltd (IPC) in June 1929, here it is important to note that IPC has an history utterly different from the similar companies in a sense that its creation came out of overlong political and economic negotiation process.<sup>130</sup> Throughout the time period from 1925 to 1934, even though recruitment of the petroleum capacity for commercial purposes have taken place, “fabian tactics” employed to impede Iraqi oil’s entering into the world market by the major shareholders of Iraqi Petroleum Company (IPC). Since, the significance of the price factor came into prominence increasingly for the oil transactions in the second quarter of the 20<sup>th</sup> century. <sup>131</sup>

On the other hand, by the year of 1928, signatories to the Red Line Agreement took a crucial decision to realize the rebirth of the company with a new face in 1929 as Iraqi Petroleum Company. Signatories also decided to share IPC among these companies with the following proportions<sup>132</sup>;

---

<sup>127</sup> Koray Çalışkan, “The Meaning of Price in World Markets”, *Journal of Cultural Economy*, Vol.2, Issue 3, (2009) pp. 239- 268

<sup>128</sup> Walter Adams, James W. Brock, John M. Blair, ” Retarding the Development of Iraq’s Oil Resources: An Episode in Oleaginous Diplomacy, 1927- 1939” *Journal of Economic Issues*, Vol. XXVI, No: 1, (1993), pp. 69- 93

<sup>129</sup> Tripp, p. xii

<sup>130</sup> Adams, Brock, Blair, pp. 69- 93

<sup>131</sup> *ibid*

<sup>132</sup> *ibid*

Royal Dutch –Shell Co. (British and Dutch) : 23.75

Anglo- Iranian Oil Co. Ltd ( British) : 23.75

Compaigne Française des Petroles ( French) : 23.75

Near East Development Co. (American ) : 23.75

C.S.Gulbekian: 5.00 percent.

Their respective positions were factored into the calculation at the rate of their shares. The U.S's Near East Development Company took the place over from the Germans. Although IPC has remained as the main vein, the two other oil companies, Mosul Petroleum Co. and Basrah Petroleum Co. have carried on their operations on their lease areas in the Iraqi territory.<sup>133</sup> In 1931, the agreement between new Iraqi government and IPC which is under the control of Britain was equally significant.<sup>134</sup> This agreement superseded the agreement of 1925, which was about initiation of prospecting activities following the exploration of an oil well in Baba Gurgur region.<sup>135</sup> Besides, IPC could be able to preserve right of oil exploration in the area situated on the east of the Tigris River in return for the construction of the petroleum pipeline which would go down to the Mediterranean.<sup>136</sup>

## **2.6. The Post- Independence period of the Iraqi State**

In June 1930, British and Iraqi parties signed the new Anglo- Iraqi Treaty that pledged independence to Iraq and two years later in October, 1932, League of Nations announced the end of the British Mandate in Iraq and granted independence to Iraq.<sup>137</sup> Eventhough, the Iraqi state proclaimed its independence from the British mandate in 1932,as Dodge indicates, this date represents only the formal end of the British influence in the country, the fact is that, Britain remained influential subsequent to the independence as well.<sup>138</sup> Thus, in the post- independence period, the Iraqi state faced the question of whether it could get through this process and accomplish its state- building or not.

---

<sup>133</sup> Shwadran, pp. 236- 239

<sup>134</sup> *ibid*, pp. 238- 239

<sup>135</sup> Gruen, p. 122

<sup>136</sup> Adams, Brock, Blair, pp. 69- 93

<sup>137</sup> Tripp, p. xii

<sup>138</sup> Toby Dodge, *Inventing Iraq, The Failure of Nation Bulding and a History Denied*, (New York: Columbia University Press, 2003), p. 40

In the wake of the independence, by 1934, exported amount of oil reached 80.000 barrels, by means of generated income from the oil sales, the Iraqi state took steps on policies concerning education, welfare and agricultural production with the purpose of healing the inadequacies of the earlier period. In the post- independence period, due to the prevailing British influence over the country, a widespread opinion emerged among the people of Iraq as its sole significant national asset, oil, is a symbol of the British influence since Britain has been keeping its dominant position in the composition of IPC.<sup>139</sup> Keeping this psychological element in mind, which both relates to the past and the future, might be beneficial to comprehend the events in a better way.

Even though since the establishment of Iraq, oil revenues were utilized for the implementation of numerous projects, Iraqi state clearly proved the difficulty of originating and maintaining smooth functioning of market economy. In this regard, the political risks of originating market is the retentive factor with the belief that it could breed potential mobility which undercut traditional rights of royalty to the state<sup>140</sup> and so it could topple the status quo from its throne in both political and economic sense. Thus, as Kubursi addresses, debates about the nature of politics of oil and the nature of market goes hand in hand with the discussions on the formation of political community and territorial borders of state. In other words, "*Economic rationality doesn't work in Iraq and markets are not politically neutral*".<sup>141</sup>

At this point, the necessity for comprehending the formation of the political community became more important before further analysis of the issue. The constituent provinces of the Iraqi country, Mosul, Baghdad and Basra have been composed of dwellers that are from wide- spectrum of social constituents with different characteristics while the dynastic and tribal figures have determinative capacity in the lives of these three provinces' dwellers. Historically, these local fellows had been reaping the benefits of the complex relationships between the different components of the society and their privileged locations in between of

---

<sup>139</sup> William R. Polk, *Irak'ı Anlamak*, (İstanbul: NTV Yayınları, 2007), pp. 137- 143

<sup>140</sup> Chaudry, p. 4

<sup>141</sup> Kubursi, p. 247

Ottoman and Persian Empires by keeping their roots in the territories of the both.<sup>142</sup> At this point, it is pertinent to touch upon the characteristics of these three constructing units of the Iraqi country, Mosul, Baghdad and Basra respectively in the period after the dissolution of the Ottoman Empire. In the province of Mosul, the population was mainly Sunni Arab, but Kurds, Turkmens, Jews and Christians also dwelled.<sup>143</sup> Whereas in the district of Baghdad, the high number of Shi'i community and its adjacent position to Persia distinguished the province as a provincial capital.<sup>144</sup> On the other hand, the community of Basra, similar to Baghdad, also subsumed diverse groups in itself, while its dwellers were predominantly Arab and Shi'i in its composition, the notable families were overwhelmingly Sunni.<sup>145</sup>

Considering these diverse communities with their peculiar defining features, as Tripp asserts, agents of power could constitute its pragmatic and normative strata for consolidation of its legitimacy and so, when change of power position occurs, prevailing narratives also depreciate. Thus in the case of Iraq, politics of identity are not predicated on constant and standing tradition, in contrast they profoundly incorporate into material expediences and gains. Due to the stated pragmatical reasons, this situation is a leverage for giving preference to one narrative above another.<sup>146</sup>

Furthermore, apart from the fluctuating nature of identity politics and its relationship with the power groups, the other hot spot and problematic narrative of the Iraqi state stemmed from its ambivalent and unsettled political economic structure. Even though revenues acquired from oil were incremental and procuring huge and incomparable monetary gains into the pockets of those who are among heads of the state, it resulted in reinforced state autonomy in Iraq.<sup>147</sup> In other words, as oil sales increased, the Iraqi state transformed into the shape of a "rentier state".

---

<sup>142</sup> Tripp, pp. 9- 29

<sup>143</sup> *ibid*, p. 11

<sup>144</sup> *ibid*, p. 12

<sup>145</sup> *ibid*, p. 13

<sup>146</sup> *ibid*, pp. 2, 5

<sup>147</sup> Tripp, p. 6

## 2.7 The Second World War; Britain passes its role to the United States in Iraq

In the course of the Post-World War II period, in a similar vein with the earlier periods, oil has maintained its forefront position in the Iraqi economy, even oil interpenetrated into all segments of the economy.<sup>148</sup> Although oil represents a factor of continuity in Iraq, here, it is appropriate to mention about the international developments of the time with reference to shifting balances and entries of the new actors into the system. As Wallerstein indicates, during the period starting from 1945, the U.S has become the world's "hegemonic power".<sup>149</sup> In the mid of 20<sup>th</sup> century, the only serious power that possessed the capacity to confront the U.S was the Soviet Union ( S. U) which harbored quite different political goals compared to those of the U.S. At the same time, the Soviet Union was the world's other important military power in post- 1945 period. In the aftermath of the Second World War, the predicament situation of the other important powers, alias, European countries and Japan, created a large gap in production capacity and efficiency of the international system, while Britain became unable to sustain its leading, 'hegemonic' position<sup>150</sup> as it weakened in the aftermath of the Second World War, the U.S gained power.

From this time onwards, considering the strong and cogent position of the S.U, in 1950's, the U.S embarked on initiations to prevent the spread of the Soviet influence by imposing barriers as the creation of pacts with the belief that these pacts could serve for the purpose of regional defence. In that respect, the Baghdad Pact of 1955, in which Iraq assumed a prominent position, was one of the forefront among these military pacts. In addition to the rivalry in terms of defence between the U.S and the S.U, in course of the Cold War period, making efforts to ensure the access to oil

---

<sup>148</sup> Marion Farouk-Sluglett, Peter Sluglett, *Iraq Since 1958 From Revolution to Dictatorship*, (London; New York : I.B. Tauris, c2001), pp. 216- 217

<sup>149</sup> "Considering the hegemonic power of the U.S, Wallerstein mentions that while prosperity provides an important opportunity for the U.S, it is a burden at the same time, that quid pro quo are the burden of sustaining the existing prosperity. Considering the costs of sustaining the existing prosperity for the US during 1945-1990, Wallerstein explains three essential necessities. These are customers for the great industrial production, a world order in which trade could be conducted with the lowest cost, and the guarantee that the processes of production will not be interrupted." ( Wallerstein, 1998, pp. 170-171)

<sup>150</sup> Immanuel Wallerstein, *Liberalizmden Sonra*, (İstanbul: Metis Yayınları, 1998), pp. 169-176

resources was the another vital point of contention between two super powers of the time.<sup>151</sup>

In the aftermath of the Second World War, the U.S has begun to change its discourse for approaching the countries of Middle East. In times of post- First World War, the U.S had been approaching cautiously to the stances of the ex-colonials and tried a different track in its attitude towards the region. More precisely, in the aftermath of the First World War, the U.S's strategy was mainly based on three pillars;" self determination, economic prosperity and political freedom" of Arab States.<sup>152</sup> However, by the end of the Second World War, the U.S transformed its political rhetoric. In other words, the U.S's order of precedence changed.<sup>153</sup> The head of Policy Planning in the U.S State Department, George Kennan's speech illustrates the change in the U.S's policy stance;

We should cease to talk about vague and unreal objectives such as human rights, the raising of the living standards and democratization. The day is not far off when we are going to have to deal in straight power concepts." (Document PPS23, 24 February 1948)<sup>154</sup>

As it has been mentioned earlier, the U.S's inclusion into the oil affairs of the Middle East, commenced for the first time in post- First World War period. This was also the time when the oil conglomerates Exxon and Mobile got into partnership with the Iraqi Oil Company. In the course of post- Second World War period, the vital position of the region was not depreciated. In contrast, the U.S's concern increasingly continued on the ground of existence of the vast oil resources and the region's strategic position since it is adjacent to the Soviet Union together with taking the irreplaceable position of Suez Canal into account.<sup>155</sup> However the U.S' s political rhetoric and methods have been passed through transformation in this new era.

---

<sup>151</sup> Yakub Halabi, *US Foreign Policy In The Middle East: From Crises To Change*, (Aldershot, Hants, England ; Burlington, VT : Ashgate, 2008), p. 29

<sup>152</sup> *ibid*, p. 30

<sup>153</sup> *ibid*, p. 35

<sup>154</sup> William R. Clark, *Petro Dollar Warfare Oil Iraq and The Future of Dollar*, (Gabriola Island: New Society Publishers, 2005), p. 24

<sup>155</sup> Clark, p. 29



The reason of the change in the discourse of the U.S can be traced from the high increase in the world energy consumption as the demand for petroleum increased proportionally. On the other hand, in addition to the remarkable increase in need for energy, meantime, Israel stepped into the Middle East's political arena in 1948. Following the inclusion of a new actor into the political scene, towards the end of 1940s, the U.S has begun to pursue mainly three motivations in its policies regarding the region; respectively, maintaining interrupted flow of oil, keeping down the S.U and ensuring the security of Israel. <sup>156</sup> However, concerning the latter ambition, as Hallabi asserts, even though the U.S was dedicated to establishment of peace between the Arab countries and the Israeli state by use of repetitive peace negotiations during Nixon, Ford, Carter administrations and afterwards, these efforts did not originate from the U.S's craving status for settlement of the matter, but rather from the fulfillment of long term oil market stabilization.<sup>157</sup>

On the other hand, in the meantime, while oil exporting countries of the region, including Iraq, were generating higher incomes throughout the 1950's, they accomplished higher incomes not through raising prices, but by attempting to increase the volume of the petroleum sold. As Yergin asserts, in that time, "markets still were not seeking for oil for themselves, but oil was seeking markets".<sup>158</sup>

Meanwhile, in pursuit of the nationalization of the Anglo- Iranian Oil Company in 1951, the Iraqi side has begun to force Iraqi concession holders to review their positions and pressed for the increase in the amount paid as royalties. To this end, the agreement of 1952 was marked as the outcome of this revision in which a new commercial formula was adopted for sharing of profits. According to this, half of the current year profits, which equals to the difference between the posted price of oil exports and the cost of production generated from the oil, would be given to the government, thus the government became competent to obtain profits from the free on board, seaboard. <sup>159</sup>

---

<sup>156</sup> Halabi, p. 30

<sup>157</sup> *ibid*, p. 78

<sup>158</sup> Yergin, p. 486

<sup>159</sup> Abbas Alnaswari, *The Economy of Iraq, Oil, Wars, Destruction of Development Prospects, 1950- 2010*, ( Westport, Conn: Greenwood Press, 1994) , p. 2

Similar to the experiences of the Iraq and Iran, the presence of Britain and its interferences to the decisions concerning Suez Canal caused political and social unrest in Egypt. <sup>160</sup>Although both Britain and the U.S tried to get Egypt on their own side by offering financial aids, the Egyptian leader, Nasser took a decision in the direction of the nationalization of the company of the Suez Canal in 1956. Right after the nationalization attempt of Nasser, Britain and France together with Israel initiated an attack against Egypt considering the strategic importance of the Suez Canal together with the fear from spreading of Nasser's nationalist policy. The nationalist spirit could infect other countries of the region, including Iraq. <sup>161</sup> However, the U.S became anxious about the British, French and Israeli joint venture attack towards Egypt since such action could push Egypt to the Soviet's sphere of influence. In that respect, the U.S tried to find a middle way between the nationalist aspirations of Nasser and security concerns of Britain.<sup>162</sup>

While, subsequent to the Suez Crisis in 1956, the reliability of the region of the Middle East has created serious question marks in minds of European countries and the U.S,<sup>163</sup> concerning the influences of the Suez Crisis to the Iraqi country, it should be noted that, following the Suez Crisis, western oil conglomerates became hesitant to initiate any pipeline project in risky territories of the region. Such inclination revealed the fact that, even though Iraq was in course of increasing production capacity in oil sector, its earnings were highly contingent upon its good relations with neighbours and stability of region's countries. <sup>164</sup> To be more precise, the significance of transportation and terminals for the oil issue became apparent once again, especially for Iraq, considering the necessity for transmitting the oil generated from the northern lands of Iraq through the lands of neighbouring countries to reach across the country, to the Mediterranean and other ports. <sup>165</sup>

While in the course of the Suez Crisis, as Halabi explains, the aim was to ensure the safe and free passage and access to the Suez Canal, disproportionate to such an objective, the U.S employed its military might to acquire the full control of the Suez

---

<sup>160</sup> Halabi, p. 35

<sup>161</sup> *ibid*, pp. 37- 38

<sup>162</sup> *ibid*, pp. 37- 38

<sup>163</sup> Yergin, pp. 510- 512

<sup>164</sup> Shwadran, p. 270

<sup>165</sup> *ibid*, p. 289

Canal. As a reaction to the U.S 's ambition for control, nationalist leaders have begun to raise their doubts concerning the role of the U.S in the region. In other words, the reaction of the U.S to the incident of the Suez Canal symbolized the change of the U.S 's course of action, from then on, the U.S has relinquished its "soft policies" , as Hallabi asserts, it has begun to have " tendency to confuse means with ends; (...)identifying a steady supply of oil with control over oil resources".<sup>166</sup> That shift was to have significant ramifications on the Iraq in the coming years.

---

<sup>166</sup> Halabi, p. 40

## CHAPTER III

### IRAQ; FROM ESTABLISHMENT OF REPUBLIC TO THE FALL OF SADDAM

#### 3.1 Introduction

The July 1958 Revolution overthrew the monarchy of Iraq and afterwards the Republic of Iraq was established. This chapter aims to analyze the period from the establishment of the Republic of Iraq to the end of Saddam era. In the economic sphere, new period brought with ruptures from the earlier period. The economic discourse of the 1958 Revolution stands for "two overriding goals (...) attainment of economic independence and the achievement of more equitable distribution of wealth and income."<sup>167</sup>

This chapter will commence with the reign of Qasim from 1958 to 1963 and continues with the consolidation of the Ba'ath Party from 1968 till 2003. While in 1961, Law No: 80 of the Qasim paved the way for further steps in the oil sector of Iraqi economy, it took time for the wave of nationalization to reach Iraq and after all nationalization of the IPC took place in 1972. This chapter will proceed with analyzing both the causes and the consequences of the First (1973- 1974) and the Second Oil Crisis (1979- 1980) with questioning whether high oil income generated in the course of crisis become determinative in waging war against Iran between the years of 1980 and 1988 and afterwards, in the invasion of Kuwait in 1990.

Even though Iraq has experienced momentous changes; one can argue for the presence of some parallelisms with the pre-Republic times considering the country's features resulted from the nature of state and from its social components. Apart from this, in this chapter, within holistic framework, oil dimension of the discussion again

---

<sup>167</sup> Alnaswari, p. 37

necessitates predicating the issue on regional and international developments. On the other hand, due to the changing balances, the United States has been gradually taking over the role of the Britain in the Middle East in general and Iraq in particular. This change of command made itself felt with the flow of events that are to be discussed throughout this chapter.

### **3.2 The establishment of the Republic of Iraq**

In July 1958, monarchy was overthrown by the military coup d'état, afterwards the Iraqi Republic was established in Baghdad while Abd al- Karim Qasim became the prime minister, defence minister and the chief commander of the Iraqi country.<sup>168</sup>

In time of 1958 Revolution, while putting the oil sector aside which bears the most part of the economic activity and carried by the state itself, Iraqi economy shared similarities with the economies of the underdeveloped countries. When have a look at the ratio analysis of share of sectors in the economy, manufacture sector corresponded to the almost 10 % of the GDP, while agriculture sector embodied large amount of labor force by making substantial contribution to the economy as well.<sup>169</sup>

#### **3.2.1 Organization of the Petroleum Exporting Countries on the scene.**

The Organization of the Petroleum Exporting Countries (OPEC) was established in September 1960 with the inclusion of the countries of Iran, Saudi Arabia, Kuwait, Venezuela and Iraq.<sup>170</sup> There were number of motivation factors behind the establishment of the organization.

In the aftermath of the Suez Crisis, Nasser was the leading figure of track of nationalism and his experience in the crisis became the potent symbol of the fight against omnipotent image of Europe and the U.S in the region together with their oil

---

<sup>168</sup> Tripp, p. xiii.

<sup>169</sup> Sluglett, p. 216

<sup>170</sup> Tayyar Arı, *İran, Irak, ABD ve Petrol*, (İstanbul: Alfa Basın Yayın Dağıtım, 2007), p. 184

conglomerates.<sup>171</sup> Meanwhile, the problem of the fall in oil prices started to be felt much severer in 1958. The quota applied on oil transactions in the U.S and most importantly, the re-entering of the S.U to the oil market were regarded as influential factors in falling of prices.<sup>172</sup>

Under these circumstances, in the advance of the formation of OPEC, the “Arab Petroleum Congress” came to the agenda in 1959 in order to conduct negotiations on the existing situation. However, Iraq did not attend to the Congress, since the Congress was held in Cairo and such location led to the perception as leaving the issues of oil to the control of Nasser.<sup>173</sup> Representatives of the countries attending the Conference prepared a “Gentlemen’s Agreement” according to which a number of agreements were taken forming a basis for the foundation of OPEC. Furthermore, recommendations were given to governments for the creation of a “Consultative Committee of Petroleum” and national petroleum companies. Moreover, the accord requested from the governments to reduce their concessionary agreements by “half” and to re-organize the proportion of their profit sharing in accordance with their own interests. By including such provisions, this agreement has been the first and the most significant step in forming a joint unit against the oil companies.<sup>174</sup> On the other hand, starting from these years, oil and its economic might began to be considered for the political purposes in the battle against Israel as well.<sup>175</sup>

Within this period, the government of Iraq, established by Abd al-Karim Qasim, was searching for ways to turn these conditions to Iraq’s own benefit and aspired to be in a position independent from the Egyptian leader Nasser<sup>176</sup>. For this purpose, by utilizing the anxious atmosphere resulted from the reduction in prices, Qasim sought

---

<sup>171</sup> Yergin, p. 508

<sup>172</sup> Alnaswari, pp. 8- 9

<sup>173</sup> Yergin, pp. 487- 488

<sup>174</sup> *ibid*, p. 490

<sup>175</sup> *ibid*, p. 509

<sup>176</sup> “Under those days’ conditions, it should not be forgotten that even if Egypt lacked petroleum, Nasser had military power and wanted to regain his prestige which he had lost in the eyes of the Arab World in the 1960’s. Nasser wanted to take revenge of the war that Israel had won in 1956. Thus, in May 1967, the Third Arab Israeli war which is also known as the “Six Day War” started.” ( Yergin, pp. 522- 523)

to dismantle Nasser's petroleum policies. This idea also became determinative in the axis of the path that would be followed in the creation of a new organization.

Considering the formation of the organization, Qasim contemplated an entity which would also entail the non-Arab oil exporting countries as Iran and Venezuela with a belief that this kind of a union that would strengthen Iraqi government's position against the IPC and would produce the necessary income for development projects of Iraq. The accomplishment of the gathering petroleum exporting countries under the auspices of a single organization, OPEC<sup>177</sup> was a milestone not only for Iraq but also for international oil transactions. Since its establishment, OPEC aspired to have a say in quoting of prices and to create a system which would "regulate production" between the member countries.<sup>178</sup> On the other hand, despite the fact that, OPEC was an important development for the economic well-being of the countries since increasing oil incomes are for the mutual goals of member countries, it is noteworthy that, as Yergin expresses, OPEC also encourages the political competition between these countries<sup>179</sup> and the results of this competition became evident in the prospective developments.

### **3.2.2 The Law no: 80; first step towards nationalization of IPC**

In December 1961, the law numbered 80 was promulgated. Prior to the promulgation of the law, though Qasim had been effective in OPEC initiative to change the long lasting balance of power, he realized that Iraqi state could gain more profit from oil with changing state- consortium relations, to this end, it requested from IPC to release 90 percent of the unexploited parts of the concessionary region under the provision of the law 80. In addition to this initiation, although Qasim declared his intention for the creation of a national petroleum company, his initiatives received

---

<sup>177</sup> "OPEC has symbolically maintained its existence throughout 1960's, while the U.S's export quotas and Russian petroleum exports have been the main determinants of petroleum policies within those days' conditions." (Alnaswari, pp. 7- 9; Yergin, p. 496)

<sup>178</sup> Yergin, pp. 493- 494

<sup>179</sup> *ibid*, p. 495

with a harsh reaction within IPC which was accustomed to working together with the government of Iraq in a harmony for so long.<sup>180</sup>

After the proclamation of the Republic of Iraq, oil sector of the country has also passed through transformation period. Following the promulgation of new oil law, the institutional structure of the administrative units in the oil sector experienced a rearrangement as well. According to this, Oil Administration Council, The Great Board of Oil Affairs, the Oil Refinery Administration<sup>181</sup> and the Petroleum Products Department merged under the name of Oil and Minerals Ministry. Thus oil issues began to fall under the jurisdiction of a single unit.<sup>182</sup>

Even though, the law has influenced the country in a positive way, the heritage of the early 20<sup>th</sup> century was still vivid since the borders of Iraq were defined primarily by British and French forces without taking these territories' traditions and the ethnic or religious separations into the consideration. As a result of this historical reality, there were not only internal conflicts among ethnic and religious groups not only within the boundaries of the country, but also transnational conflicts have been occurring resulting from border and resource issues. In the post-independence period, those types of contentions began to come to the fore more frequently.<sup>183</sup> In this context, in July 1961, the Kurdish Leader Molla Mustafa Barzani demanded autonomy<sup>184</sup>, in pursuit of this demand, though Qasim had adopted a compromising approach in the beginning, in the end Iraqi army entered into a fight in 1961 against the guerillas (peshmerge in Kurdish). Therefore, this conflict situation has consumed government's resources substantially.<sup>185</sup>

---

<sup>180</sup> Polk, pp. 141- 142

<sup>181</sup> "Concerning the situation of the refineries, Iraq had never been in possession of huge refineries which could serve for large scaled export production. First refinery that was established under the jurisdiction of the Oil Refinery Administration was Alwand in Khanaqin (1952) and after that Muftiyah Refinery (1953), Daura (1955) and Qaiyarah fell under the auspices of it in a chronological order. In 1966, Haditha refinery was confiscated from the IPC" ( Shwadran, p. 287)

<sup>182</sup> Shwadran, p. 274

<sup>183</sup> Shwadran, p. 275

<sup>184</sup> Tripp, p. xiii

<sup>185</sup> Polk, p. 127



### 3.3 The reign of the Arif Brothers; Iraq National Oil Company on the scene

Even though in February 1963, Iraqi Baath Party staged a coup and took over the control of Iraq, in November Abd al- Salam 'Arif and his clique recaptured the rule of the country in November 1963.

In 1964, Iraq National Oil Company (INOC) was established under better market conditions by Abdel Salam Arif who has continued Qasim's initiatives regarding the issue of oil.<sup>186</sup> The government of Iraq formalized the foundation of the Iraq National Oil Company within the scope of the Law numbered 11 and the company was endowed with authority in all areas with the exception of refinery and distribution within the boundaries of the state.<sup>187</sup> Iraqi National Oil Company was not entitled for bestowing concessionary rights and getting into joint-venture partnerships. In accordance with the law, the company launched its initial operations in the fields where it would get marginal capacity, namely in Naft Khaneh field and Qaiyarah field.<sup>188</sup> Later, in April 1966, Abd-al Rahman Arif took the helm from his brother and in 1967, government promulgated Law numbered 97 that nominated the INOC for the development of the confiscated oil fields where the IPC had been holding the exclusive rights.<sup>189</sup> Although Iraq Petroleum Company and Mosul Petroleum Company tried to reach a compromise with the government after giving an offer for paying extra 7 cents for a barrel in May, 1968.<sup>190</sup>

However since the Iraqi country was deprived of appropriate funds, technology resources and infrastructure, it could not get on well without the foreign capital inflows and technology transfer.<sup>191</sup> As a result of this fact, in order to open new oil fields and new markets for oil produced, Abdurrahman Arif allowed the companies from France and Russia to get involved into the operations within the sector. The French state company, Entreprise de Recherches et D'activités Pétrolières (ERAP)

---

<sup>186</sup> Polk, p. 142

<sup>187</sup> Shwadran, p. 279

<sup>188</sup> *ibid*, p. 279

<sup>189</sup> *ibid*, p. 277

<sup>190</sup> *ibid*, p. 277

<sup>191</sup> Alnaswari, p. 1

entered into a contractual service agreement with the INOC.<sup>192</sup> According to the terms of the agreement, Iraqi side did not bear any responsibility for a situation in which ERAP could not manage to strike oil in consequence of the exploration. Although INOC possessed quantity of total production in its entirety, which was not at its own risk, the %30 of the oil production pertained to the ERAP in accordance with their contractual service agreement.<sup>193</sup> Due to these measures, income from petroleum rapidly increased.

In his political view, Abdal-Salam Arif had pro- Nasser political stance, he took steps within the nationalist discourse and proceeded to the actualization of Iraq and United Arab Republic union with Egypt and Syria, moreover he continued nationalisation measures with the banks and big businesses.<sup>194</sup> However, in this regard, neither Qasim's venture to nationalize the lands and concessions nor the establishment of the Iraq National Oil Company (INOC) in 1964 by Abdal Salam Arif, were sufficient to the formation of national oil industry since that goal had still required "legislation and funds".<sup>195</sup>

### **3.4 The years of Baath Party begun in Iraq**

In the wake of the coup d'état of the 17 July 1968 led Ahmad Hasan Al Bakr<sup>196</sup>, Arab Baath Socialist party acceded to the power again .A year later, in June 1969, the active role of the Eastern Bloc countries for the helping out Iraq financially and technically became visible. Iraq signed agreements with the Soviet Union, East Germany and Hungary for receiving aids, technical support and training together with acquiring required fitments for the formation of national oil industry. As Iraq's relations with the France dates back to old times<sup>197</sup>, in addition to government's economic partnerships with the French company (ERAP) for North Rumelia field, government also closed a deal with the Soviet Machinoexport as a supplier for the

---

<sup>192</sup> Shwadran, p. 279

<sup>193</sup> *ibid*, p. 280

<sup>194</sup> *ibid*, p. 275

<sup>195</sup> Alnaswari, p. 64

<sup>196</sup> "Subsequent to the coup d'état, Ahmad Hasan al Bakr succeeded to the ruling."( Tripp, p. xiv)

<sup>197</sup> Sarah Graham Brown, *Sanctioning Saddam, the politics of intervention in Iraq*, ( London: I. B. Tauris& Co. , 1999) , p. 2

logistical and technical aspects. Right after, Iraqi Soviet Agreement of Economic Technical Cooperation of 1968 deepened economic cooperation with the Soviet Union.<sup>198</sup> Expansion of loading facilities at the Fao terminal set a good example for the results of these financial contributions and technical support.<sup>199</sup> On the other hand, Iraq introduced new method for reimbursement of its debts; it has initiated to make its payments in terms of oil and utilization of this method also has made compromising with other countries easier.<sup>200</sup>

In November 1969, Saddam became the vice-chairman of the Revolutionary Command Council.<sup>201</sup> Considering the oil issue, in the beginning of the 1970's, Saddam believed that the most crucial point with regards to negotiations between the IPC and its predecessors has been overlooked for years; although the provisions concerning the regulation of income distributions that concluded by his predecessors were important, according to him, the actual point which was ignored to a certain extent, was the amount of production.<sup>202</sup> Thus, if the IPC restricts production, as it had done in 1972, by limiting production in the Kirkuk oil field by 50 percent, or if it keeps production at a constant level in Iraq while drilling cheaper petroleum from other regions, then Iraq would never be independent in the real sense, so BP and Esso were regarded as responsible for blocking Iraq oil's expansion.<sup>203</sup>

### **3.4.1 A milestone; Nationalization of Iraq Petroleum Company (1972)**

The Iraqi Petroleum Company was nationalized in June 1972. The first day of the June in 1972 was important milestone in political and economic history of the Iraq when President Ahmad Hassan al-Bakr declared the nationalization of the Iraqi Petroleum Company to the public. Although, the two other operating companies, Mosul and Basrah Petroleum companies were not kept within the scope of nationalization attempt, Syria's initiation for the nationalization of IPC's plants and

---

<sup>198</sup> Shwadran, p. 281

<sup>199</sup> "Regular transmission began in 1972 from Fao to "Communist Bloc" (Shwadran, p. 281)

<sup>200</sup> Alnaswari, p. 68

<sup>201</sup> Tripp, p. xiv

<sup>202</sup> Sluglett, p. 142

<sup>203</sup> Polk, p. 142

facilities indirectly had an effect upon the Mosul petroleum company as well.<sup>204</sup> Prior to the nationalization of the Iraqi Petroleum Company, oil companies reached a decision for negotiation with the OPEC countries with the intention of the discussing the level of prices and this negotiation was concluded with the “Tehran Price Agreement” in 1971, that set forth the stabilization of the prices and tax rates for the scheduled coming years. By concluding Tehran agreement of 1971, OPEC and the companies with concessionary rights aimed to realize the provisions of the agreement which included a 5 percent increase from share of profit.<sup>205</sup> As reaction to the situation, while the OPEC members convened in order to press for changes in concession regime, Iraq took a different path and nationalized the IPC concessions in 1972. Approximately one year later, with the outbreak of the Arab-Israel War, governments took the opportunity to apply a unilateral increase in price<sup>206</sup> of oil.<sup>207</sup>

While on the one hand, the notion of nationalization bears strong economic disposition, on the other hand it carries an emotional configuration of the national sense of belonging. In the case of Iraq, absence of national technical know-how together with the limited financial means for establishing a market presence revealed the need for the foreign companies which are able to respond all these needs, but even under such circumstances, since the relationship between government and the company had not been going well for a long time, this situation climaxed with the nationalization of the Iraqi Petroleum Company in June 1972.<sup>208</sup>

At this point, it is pertinent to visit the Arab nationalism, in its historical context; capitalism needed the ideology of nationalism for the creation of the market -based economy which was sine qua non for the foundation and the advancement of the nation states.<sup>209</sup> Prior to the 19th century, Ottoman Empire benefited from its Islamic discourse to sustain its dominance over the lands of Arabs where Iraq was included. However, when Ottoman Empire became unable to retain its authority any longer, as

---

<sup>204</sup> Shwadran, p. 279

<sup>205</sup> *ibid*, p. 278

<sup>206</sup> “Governments raised prices to \$5.12 per barrel, so their revenue increased from \$1.28 per barrel to \$ 3.04 per barrel” (Alnaswari, p. 11)

<sup>207</sup> Alnaswari, p. 11

<sup>208</sup> Shwadran, pp. 267- 273

<sup>209</sup> Alnaswari, pp. 55- 56

a consequence the inspiration of the Arab nation flourished on the ground of its ethno-linguistic unity.<sup>210</sup> Despite the strengths of the Arab nationalism, it suffered from its inadequacy concerning the economic outlook, in other words, as Alnaswari asserts, the Arab nationalist movement had no economic vision.<sup>211</sup> Even, quite the contrary, Arab nationalist intellectuals did not esteem an economic rhetoric. Former Secretary General of OPEC, and former Iraqi Prime Minister, Abdel Rahman Al-Bazzaz made a speech concerning the Arab nationalism;

It's possible for nationalism to arise among people who are aware of their national existence, their national language and the spiritual values given them by their common history without the need for a materialistic economic unity to hold group together<sup>212</sup>

This speech is explanatory to understand the ruling clique's way of thinking and intellectuals that were affiliated to the Arab nationalist ideology with their stances and priorities in the social and political arena. However, the nationalization of the Iraqi Petroleum Company was an important step both for the Arab and for Iraqi nationalism's economic complexion.<sup>213</sup> Nationalization brought positive effects on Iraq. In 1973, from oil sales, Iraq earned revenue of 8 billion dollars<sup>214</sup>. While the revenue generated from oil sales provided sources for the implementation of infrastructure projects, it also caused the enlargement and modernization of armed forces<sup>215</sup>. However, passing of time shorter than a decade, became enough to observe what kind of results would introduce for the development of armed forces.

---

<sup>210</sup> *ibid*, p. 56

<sup>211</sup> *ibid*, p. 60

<sup>212</sup> *ibid*

<sup>213</sup> "Although Saddam's regime sustained mounting evidence of Arab identity and Arab nationalism, Saddam tried to flourish Iraqi identity as well with emphasis on ancient civilizations. However, in pursuit of the war with Iran, Iraq had no chance but had to review its self definition in terms of identity politics. Saddam began to underline its Arab links with fear of losing Shite community to the Iran. In addition, emphasis on Arab identity also made possible the unity of the Iraqi army. In this regard, the significance of the military of the regime became explicit when Iraq experienced military devastation and became unable to take the Shite and Kurdish insurrections under control." (Dawisha, p. 232)

<sup>214</sup> "Revenue from oil sales has reached 26 billion in 1980" (Polk, p. 143)

<sup>215</sup> Polk, p. 143

### 3.5. The First Oil Crisis and its reflections to Iraq

The first oil crisis erupted in October 1973 when Saudi Arabia, Kuwait, Libya, Abu Dhabi, Qatar, Algeria and Iraq declared that they would reduce their productions by 5 percent each month, until Israel withdraws from all the Arab territories that were invaded in 1967 by reinstating the legal rights of the Philistine community.<sup>216</sup>

For the time being, OPEC was in a predicament situation and was unable to impose the desired level of price to the companies since “the new organization did not have the power, the means and the unity of the purpose “. <sup>217</sup> Although they lacked capacity, the countries made decisions for collaboration for a number of motivations from time to time; <sup>218</sup> in addition to the economic motivation factors, a political impetus arose in reaction to actions of the Israeli state at the time of the first oil crisis. Furthermore, with the purpose of changing the course of the Yom Kippur War of 1973, Arab oil exporting countries, apart from Iraq and Libya, headed for further reduction (additional 25% to reduction of 5%)<sup>219</sup> in their level of production and initiated an embargo on the U.S.<sup>220</sup> At this conjunction, while OPEC countries enjoyed the doubled price of oil, Iraq generated relatively higher levels of income<sup>221</sup> since it begun to acquire earnings in its totality following the nationalization of the IPC.<sup>222</sup>

The First Oil Crisis have three prominent conclusions. The first result of the crisis is the oil price surge and its effects on the U.S, Britain and the European Countries, second one is the change in the status of dollar in the world markets in relation to the change in the perception of the U.S and the final result is the existence of both

---

<sup>216</sup> Alnaswari, p. 9

<sup>217</sup> *ibid*

<sup>218</sup> “It is pertinent to refer them in a broad sense; the US’ initiation for the application of quota sytem, the enterance of the new sellers to the market, lack of capacity of the each single oil producing governments to convert the level of prices to the intended levels. These listed reasons motivated the oil producing countries since each one of all lead to the decrease in price of oil.”( Alnaswari, p. 9)

<sup>219</sup> Ari, p. 193.

<sup>220</sup> Alnaswari, p. 10

<sup>221</sup> “Iraq oil revenue rised from 214 million ID in 1970 (Iraqi Dinnar)to the ID 1.7 billion in 1974 and oil revenue increased from 16 percent Iraq’s GNP to 57 percent in 1976”, (Alnaswari, p.11)

<sup>222</sup> *ibid*, p. 11

positive and negative outcomes of the increase in the oil price and oil revenues to the Iraqi country.

Firstly, till the occurrence of the 1973-1974 oil embargo crisis, oil -importing countries got used to the conformity of the low- priced oil, as a result of the embargo they went through crises situation due to oil price boom. <sup>223</sup> As a result of the oil price upsurge, the balance of the game turned in favor of the other side, to the side of the oil exporting countries. In addition to the effects of the oil embargo crisis, concurrently, nationalization of the foreign operations also damaged the oil importing and oil sector operating countries' advantageous positions, so changed the favourable level of oil price to the advantage of the oil producing countries as well.<sup>224</sup>

While the U.S came to being the leading power of the international system, the economic trouble originated from oil in the years of 1973-1974 disrupted the beliefs about the permanence of the hegemony of the U.S in world politics.<sup>225</sup> While the embargo on oil created panic in the U.S in 1973, the shock was also equally damaging in Europe due to the increasing price of oil and the delivery embargo applied on the continent. Moreover from Britain to the countries of Continental Europe felt the effects of the economic crisis originated from the oil embargo. While bankruptcies and unemployment have spread all over Europe,<sup>226</sup> it was not difficult to understand what oil meant for Europe and to observe the continent's and the British vulnerability in relation to oil.

Secondly, the crisis situation also had results on the status of dollar. As a result of the fact that USA's oil companies have been dominating the market after the Second World War, global oil transactions were being priced, out of international habit, by dollar since 1945. Therefore, a sudden and sharp increase in the price of oil meant that the demand for the U.S dollars necessary to pay the costs of oil was also increasing quite evidently. Thus, subsequent to the shock of 1973- 74 oil embargo

---

<sup>223</sup> Halabi, p. 63

<sup>224</sup> Halabi, p. 63

<sup>225</sup> *ibid.*, p. 64

<sup>226</sup> William Engdahl, *Petrol Para İktidar*, (İstanbul: Alfa, 2008), p. 197

crisis, a major portion of dollar revenues from OPEC countries entered into a cycle again as stated, so over time, the significance of the crisis changed firstly for banks of the U.S and then for the banks of London. Therefore, in the course of time, British and the U.S's banks have become pleasant with the opportunity they have received on their share from the oil crisis since the profits earned with "petro-dollars" being invested in their banks.<sup>227</sup>

Moreover, as a consequence of the correlation between the oil and dollar in the aftermath of the oil crisis, "underdeveloped" countries were not only obliged to pay for their oil imports, but had to pay these amounts in dollars.<sup>228</sup> In accordance with the strategy of recycling petro-dollars, the U.S banks and their European counterparts were competing against each other in order to give loans to these countries. These arrangements were quite important for the U.S's financial institutions and London markets.<sup>229</sup> Under the aforementioned circumstances, these countries were being forced to buy large amounts of dollars in order to meet their necessary energy supplies.<sup>230</sup> On the other hand, following the 1974 oil crisis, even though European governments entered into serious bargains with oil supplier countries for making contracts in order to buy long-term oil on the basis of their own national currency. However, OPEC has already reached a decision not to accept any currency other than the U.S dollar.<sup>231</sup>

Thirdly, as a result of the 1973-74 oil crisis, Iraqi economy has experienced an important transformation which is a milestone in its history which had capacity to transform the role of the state.<sup>232</sup> Even though, in 1950s and 1960s, the revenues generated from oil had contributed marginally to the budget of the state, subsequent to the 1973 crisis, prices peaked through the roof. Thus, Iraq could handle large amount of money by means of the oil price boom.<sup>233</sup> Record increase in revenue of

---

<sup>227</sup> *ibid*, p.199

<sup>228</sup> *ibid*, p. 217

<sup>229</sup> Engdahl, p. 214

<sup>230</sup> *ibid*, p. 217

<sup>231</sup> *ibid*, p. 216

<sup>232</sup> Fran.Hazelton, *Prospects For Iraq Since The Gulf War Prospects For Democracy*, ed. by Hazelton, (London ; Atlantic Highlands, N.J. : Zed Books, 1994), p. 72

<sup>233</sup> Sluglett, p. 217



the state intensified the state's central position in the economic sphere since state located at the heart of the relationship between the oil sector and the rest of the economy.<sup>234</sup> As a result, since the state made a pile of money out of oil, it became able to increase its space of autonomy.<sup>235</sup> In other words, Ba'th Party of Iraq reinforced its capacity as the decisive actor of the economic system. Furthermore, it fortified its position as having the final word in the fields of employment, distribution of income and development policies,<sup>236</sup> eventhough the existence of a fact that income from "rent is received through the utilisation of social, political and legal privileges"<sup>237</sup> still prevailed.

Subsequent to the oil crisis, national development plan of 1970s was differentiated from the earlier ones since the generation of high incomes from the oil sales provided convenient means for planning projects for a prosperous environment even though the reality of lack of economic perception was still prevailing over the course of diverse internal and external developments. The fruits of such an environment made the government brave enough to draw the plan of 1970 with projection of five years period.; despite the fact that, it failed at the end and government returned to its short term planning for period of a year.<sup>238</sup> However, still the plan of 1970 has an important place since it intended to minimize the subjection the all projects to the oil and it aimed to develop the agricultural and industrial sectors of the economy by altering the course of attention from definite places and plans with the projects that targeting the country in its entirety.<sup>239</sup>

However, on the contrary to the tenets of the 1970 national development plan, while on the one hand, revenue growth facilitated government in amount and scope of its capabilities and potentialities, on the other hand, high levels of income interrupted elaborated plans of the government for national development.<sup>240</sup> More precisely, in

---

<sup>234</sup> Hazelton, p. 72

<sup>235</sup> Sluglett, p. 217

<sup>236</sup> Hazelton, p. 73

<sup>237</sup> Terry Lynn Karl, *The Paradox of Plenty, Oil Booms and Petro –States*, (Berkeley : University of California Press, c1997), p. 6

<sup>238</sup> Alnaswari, p. 62

<sup>239</sup> *ibid*, p. 63

<sup>240</sup> *ibid*, p. 70

time of oil revenue boom, agricultural and industrial sectors still remained underfunded; government chose to spend on defence and security. <sup>241</sup> In the end;

Ironically the oil price explosion of the 1970s dashed the hope of NDP planners to change the structure of economy. Thus, instead of lowering the contribution of the oil sector<sup>242</sup> to the GDP to 26.4 percent in 1974, its share increased to 60.4 percent. <sup>243</sup>

### **3.6. The Second Oil Crisis and Iraq**

In July 1979, Saddam Husain succeeded Ahmad Hasan al- Bakr following the latter's resignation, in February of the same year, Shah Regime had been overthrown and the Ayatollah Khomeini took over the administration in Iran.<sup>244</sup>

Moreover, in 1979, following the invasion of Afghanistan by Soviet Union, the U.S's long-standing rival, S.U became no longer able to gain an advantage in the countries of the region and in Islamic world. Such environment gave a reason to the U.S to stir up ideological oppositions again, thus, US withdrew its support to Shah in Iran in 1979.<sup>245</sup> The regime change in Iran caused rise in oil prices due to suspension of the oil flow from Iran.<sup>246</sup>

The second oil shock of the 1979 had short and long term outcomes on Iraq, on the Middle East countries and on the international politics. On the other hand, the results of the second crisis can also be regarded as cumulative conclusions of the consecutive oil crisis of the last decade.

---

<sup>241</sup> *ibid*, p. 74

<sup>242</sup> "This particular single sector dominant nature of oil producing states are defined as "Dutch Disease, whereby new discoveries and favourable price changes occur in one sector of the economy, for instance, oil sector, that cause distress in other sectors of economy as agriculture and manufacturing. This situation provides an explanation for the poor performance of oil exporters." (Karl, 1997, p. 5)

<sup>243</sup> Alnaswari, p. 71

<sup>244</sup> Tripp, p. xv

<sup>245</sup> Wallerstein, 1998, p. 180

<sup>246</sup> Halabi, p. 80

Firstly, oil crisis contributed substantially to the leading position of the U.S in international politics. By means of increase in OPEC oil price, the world surplus value capital pumped to the Third World countries and to a central fund which would return as national debts for providing short-term stability in these countries and artificially supporting the world market.<sup>247</sup> On the other hand, since increasing prices of OPEC oil has caused greater difficulties for Western Europe and Japan that also made positive effects to the U.S by slowing down competition capacities of the European and Asian countries.<sup>248</sup> Lastly by influencing inflation rates, particularly in the US and in OECD countries, the oil shock caused decrease in real prices<sup>249</sup> that also had some positive outcomes. Therefore, although increase in the price of OPEC petroleum in the 1970's has led to diverse results in world economy , it contributed to slowing down of the process of weakening of the U.S's economic superiority.<sup>250</sup> In other words, the U.S's and Britain's successes in being able to emerge out of both from Iranian Revolution safe and sound made them feel stronger and more irresistible.<sup>251</sup>

Secondly, the accumulated wealth by the increase in oil prices caused substantial impacts for the countries of the region as well. At this point, for the sake of comprehending the relations between the countries of the region, it is pertinent to pose the question of Hallabi" why are the states spending such huge sums on security rather than on social welfare or development programs?"<sup>252</sup>.

In addition to the nature of states that were previously discussed with reference to the "rentier state model", the economic constraints lie behind this security oriented attitude of the oil exporting governments. While governments of Gulf Region are able to reconfigure their security spendings in accordance with their earnings from oil. In time of high oil income, they can devote their gains to purchase of military equipments on the contrary in time of low oil income generations, they can reduce

---

<sup>247</sup> Wallerstein, 1998, p. 179

<sup>248</sup> *ibid*, p. 179

<sup>249</sup> *ibid*, p. 179

<sup>250</sup> *ibid*, p. 179

<sup>251</sup> Engdahl, p. 248

<sup>252</sup> Halabi, p. 73

their military spendings accordingly. However, necessary outlays for the policies oriented to the living standards and welfare are not easily adjustable to the changing revenues from oil.<sup>253</sup>

To this end, as the first oil crisis of 1973- 1974 and the second oil crisis of 1979 resulted in oil price trubalance, the increase in the price of oil caused great increase in demand for dolar and so led to “petro-dollar recycling”.<sup>254</sup> In the chain of events, since the politicians and economists put their all energy in generating a solution for the financial trouble that arose from the petro-dollar, the U.S ventured upon arms sale as a way to release from the pressures from the recycling petro-dollars. The U.S’s arm sales business was double- acting to the benefits of the U.S. While on the one hand, the income from oil sales charged into the pockets of the U.S and to the countries of Europe, on the other hand, as oil exporting countries involved into the armament race, their capability to perform under umbrella of OPEC disappeared, they have begun to lose their cartel characteristic.<sup>255</sup> The statements of the Samir Amin sheds light as following;

Arab history does not, of course, begin with oil, nor does the history of its integration as a periphery dominated by imperialism. None the less, oil has certainly accentuated the distortations of dependent Arab development, both before, and especially after 1973. The apparent wealth provided by oil from 1973 onwards, has of course accelerated growth but in a regressive direction; it is indubitably the root cause of the Arab world’s increasingly unequal integration into the world system.<sup>256</sup>

### **3.7. The Battle with the neighbour; Iran-Iraq War**

In September 1980, forces of Iraq surged into the Iranian territory<sup>257</sup> which lasted for eight years. As arm sales gave cause for breaking down of mutual trust environment

---

<sup>253</sup> *ibid*, p. 74

<sup>254</sup> Clark, p. 21

<sup>255</sup> Halabi, pp. 70- 71

<sup>256</sup> Simon Bromley, *American Hegemony and World Oil: the industry, the state system, and the world economy*, (Cambridge: Polity Press, 1991) p. 236

<sup>257</sup> Tripp, p.xv

among the countries of the region,<sup>258</sup> the war between Iran- Iraq of 1980 typified this mistrustful atmosphere. However, the U.S could not predict such conclusion in the end of its arm sales policy, quite the contrary, the U.S expected that its initiative would have resulted in making countries of the region subject to the decisions coming from the arm dealers in general and the U.S in particular, and so by this way the U.S could guarantee the stabilization of the oil market in its terms.<sup>259</sup>

There are a number of reasons to explain why 1980 was convenient for waging war against Iran. The first one is the economic reason, although Saddam had been actively involved into all the segments of the Ba'ath Party since the 1968 coup, he waited until 1979 to rise the presidency of Ba'ath party<sup>260</sup> and when he had taken the risk of a war with Iran, the Iraqi budget was strong due to the high oil income generated in the course of oil crises of 1973-74 and 1979.<sup>261</sup> Besides, while Iraqi army was tremendously strong and treasure of the state was full, the conflict with Kurdish communities in the north of the country had stalled for some time, even though temporarily.<sup>262</sup>

The second reason for waging war was the Iraqi side's desire for take back the territories ceded to Iran in 1975.<sup>263</sup> More precisely, Iraq took the advantage of Iran's predicament situation in time of 1979 revolution and mounted an attack against Iran in September 1980 to realize its aspiration; "expanding its coastal strip at Shatt El-Arab".<sup>264</sup>

The Iran- Iraq War had numerous conclusions for disputing parties; Iraq and Iran, for the U.S and for the international oil system. Firstly, with an economic perspective, subsequent to the break out of war with Iran, Iraq did not decrease its speed of spending. At this point, it would not be wrong to estimate that spending money as much as in the time of heyday of the country was unsustainable on account

---

<sup>258</sup> Halabi, p.70

<sup>259</sup> *ibid*, p.71

<sup>260</sup> Dawisha, p.210

<sup>261</sup> *ibid*, p.210

<sup>262</sup> Alnaswari, p.79

<sup>263</sup> *ibid*, p.79

<sup>264</sup> Halabi, p. 80

of deterioration of the country's oil exportation infrastructure in the course of the war. In addition to that while the country has been experiencing sudden drop in oil price,<sup>265</sup> as a result of this war, Iraq got into a debt which corresponded to about ten times its income. Therefore Iraq's predicament situation led weakening of its reputation among Arab countries.<sup>266</sup>

From the point of Iraq- the U.S relationship, Iran- Iraq War alter the course of the bilateral relations between these two countries. Prior to the war with Iran, Iraq 's diplomatic relations with the U.S had ceased since the 1967 Six Day War and in that time, Saddam had pursued a pro-Soviet Union positioning for its Baath-socialist regime.<sup>267</sup> Then, in the course of the Iran-Iraq war, while Iraq was removed from the "list of terrorists"<sup>268</sup> in 1983, Iran has been added to this list in return.

There were a number of reasons behind the rapprochement of Iraq and the U.S.<sup>269</sup> In that respect, the leading cause for the U.S government of the time, Reagan government, to support the regime in Iraq was linked to the reality of the oil. Regarding this, even the U.S Navy Forces have sent some of their ships to the Persian Gulf in order to protect the tanks carrying oil from Kuwait.<sup>270</sup> In addition, the U.S also feared from the possibility of a situation if Iran defeats Iraq, since the victory of Iran could provoke the Shiites to rebel, in the end that could push all oil producing Gulf States towards instability. More precisely, if this scenario had taken place, Iran would have established a monopoly over the Middle East oil.<sup>271</sup> As a result of these reasons, while during the war, conditions were was against Iraq, the U.S's aid rescued the Iraqi country from its predicament situation to some extent<sup>272</sup>

---

<sup>265</sup> Hazelton, p.73

<sup>266</sup> Hazelton, p. 73

<sup>267</sup> Halabi, p. 80

<sup>268</sup> "In 1984, in time of Foreign minister of Tariq Aziz of Iraq, the U.S and Iraq recommenced their diplomatic relations just after resolution of the U.S to delist the Iraq from the list of terrorist states.

"(Halabi, p.84)

<sup>269</sup> "In this circumstances, US had lied its back on Iran to sustain the balance of the region, however things have changed with Iran- Iraq war and, "loss of Iran created a political vacuum in the Persian Gulf, now Iran had become an enemy that itself needed to be balanced. This changing conditions left US no chance, it had to resettle the political landscape in order to fill this vacuum to prevent the penetration of the sprit of revolution to the out of Iranian boundaries." (Halabi, p.80)

<sup>270</sup> Polk, pp. 147-148

<sup>271</sup> *ibid*, p. 149

<sup>272</sup> *ibid*, p. 147

which contained satellite images of the military units, arms supplies and also loans for preventing the country of Iraq's economic collapse.<sup>273</sup>

In terms of the oil side of the issue, Iran<sup>274</sup> had in common with its neighbour Iraq; the oil. The war between these two countries was significant enough to affect the flow of oil markets. The revolution of 1979 made Iran weaker both in political and economic sense since it faced with the serious decreases in oil production.<sup>275</sup> On the other hand, eventhough, Iraq has managed to increase its exports by creating new ways for petroleum to be drilled through the pipelines passing through Turkey and Saudi Arabia,<sup>276</sup> subsequent to destruction of the petroleum facilities in Fao, crucial Iraqi port, by Iranians, and cutting off the pipelines passing through the Mediterranean by the Syrian Government whose relations with Iraq were in deterioration, the Iraqi revenue from oil has turned upside down.<sup>277</sup> Thus, as a result of the Iranian Revolution and Iran- Iraq war, worldwide crude oil production decreased by 10 percent from 1978 to 1980 and in concert with that, price of barrel tripled within this period.<sup>278</sup>

The second oil shock of 1979 differed from the first one in the sense that, this time the turbulence in oil market originated from a conflict between Muslim countries, not from a conflict with Israel.<sup>279</sup> In light of these developments, the U.S came up with two diverse policy options to secure the interrupted supply of oil at low or at least reasonable prices. The first option is pulling Iraq into the "American Camp" , the second option is winning a seat in the Gulf to pursue a "containment policy" towards both Iran and Iraq. In the end, the U.S decided to implement both of them.<sup>280</sup> Thus

---

<sup>273</sup> *ibid*, pp. 147-148

<sup>274</sup> At this point, it is appropriate to touch briefly on late history of oil in Iran. In 1951 Iranian parliament took a decision to confiscate the oil industry by ejecting Anglo Iranian Company (British Company) from the country since company was blamed for the backward economic and social situation of the Iran. However, such a decision come to sticky end and the oil conglomerates took counter decision as embargoing oil, such reaction cause a serious damage on Iranian economy. Following that, Western units reached to a conviction that Mussadeq should removed from his office and pro- western one should superseded his position. (Halabi, p. 33- 34)

<sup>275</sup> Alnaswari, p. 80

<sup>276</sup> Polk, p. 150

<sup>277</sup> Polk, p. 147

<sup>278</sup> Halabi, p. 80

<sup>279</sup> Halabi, p. 80

<sup>280</sup> *ibid*, p. 82

Iraq made a miscalculation by assuming that the U.S would tolerate its attack against Iran on the presumption that “ the enemy of my enemy is my friend”.<sup>281</sup> Eventhough considering the U.S’s notion, triumph of Iran against Iraq would have caused serious loss for its advantageous position in the region<sup>282</sup>, concurrently, the U.S continued to endeavour to equilibrate the power of Iran and Iraq to make them not to feel encouraged enough for professing their hegemony in the region.<sup>283</sup> In the beginning of 1982, the U.S supplied military and civilian aids to Iraq for forestalling diffusion of the Islamic Revolution to the region <sup>284</sup> Thus, through civilian and military export and import transactions, the U.S exerted itself to make Iraq more strong vis avis Iran. Even, in 1989, National Security Directive 26 was authorized for promoting Iraq with political and economic means in US’s favour in sense of security.<sup>285</sup> Even though, dual containment policy was implemented in 1979 during the Carter Administration period, in the course of 1980s, tools of diplomacy and aid applied by Reagan and Bush administrations only one year later, conditions drastically changed. Following the invasion of Kuwait, Iraq and the U.S’s relations deteriorated irrevocably and “Iraq went on the American blacklist of regimes.”

### **3.8 Iraq invades Kuwait; the role of oil before and after the invasion**

In August 1990, Iraqi forces invaded Kuwait.<sup>286</sup> Historically, Kuwaiti Emirate was established in 1756 and it was part of Ottoman Empire like the country of Iraq. Britain began to exert influence on Kuwaiti Emirate from 19<sup>th</sup> century onwards. In 1899, as a result of an entente realised between Britain and Sheikh of Kuwait who was seeking assurance against the Ottoman Empire, the control of the Kuwaiti Emirate’ foreign affairs passed to Britain. During the period of Britain mandated Iraq, the boundary between Kuwait and Iraqi territories was demarcated, although it took long for the boundary to gain a legitimate character due to assertions of Iraq

---

<sup>281</sup> *ibid*, p. 83

<sup>282</sup> “Throughout the early 1980s, US aimed to countervail Iran with the untated liaison with Iraq, by this way it could also stand against its rival power, namely Soviet Union with expanding its (American) military influence in the Persian Gulf” (Halabi, p. 84)

<sup>283</sup> *ibid*, p. 84

<sup>284</sup> *ibid*

<sup>285</sup> *ibid*

<sup>286</sup> Tripp, p. xv



concerning Kuwait since Iraq claimed that Kuwait is a part of Iraq with its ethnic, social and geographical features. However, contrary to the Iraqi stance, the Emirate of Kuwait gained its independence from the Ottoman Empire in 1921 by the help of Britain.<sup>287</sup> Later on, even though, under the reign of Qasim, Iraq mounted a campaign aiming Kuwait's annexation<sup>288</sup>, Kuwait declared its independence in 1961 and Iraq officially recognized Kuwait's independence with British pressures in October 1963, Iraq never renounced its insistence for being the owner of the Kuwait.<sup>289</sup> On the other hand, in the boundary dispute regarding Shatt- al Arab with Iran, Kuwait supported Iran against Iraq and continued its financial and logistic support in the course of the war between the Iraq and Iran. Thus Kuwait's position on the Iranian side also deteriorated the relations with Iraq to a great extent.<sup>290</sup>

From the perspective of Iraq, four main causes existed behind the invasion of Kuwait in August 1990. The first one was the failure of change in the role distribution between the private and the state sector of the Iraqi economy. In advance of the invasion of Kuwait, during 1980s, Iraqi state implemented wide range of policies to cope with its economic problems. In the first phase of the course alteration of the Ba'ath party, private sector's position transformed within Iraq's state-operated economic structure. In July 1982, Ba'ath party<sup>291</sup> adopted a course of action to underpin the private sector.<sup>292</sup> As a result of this change, while some key industries were left under the jurisdiction of the state, including oil industry, many of them started to be controlled by the private sector. There were a number of motivations for heading towards privatization, firstly Iraq confronted with augmenting dependence on food supplies, secondly policies stemmed from import substitution industrialisation collapsed and close engagement with the U.S has ended.<sup>293</sup> However, privatization attempts were not become successful in the end and there were some reasons behind its failure. Firstly, the section of the society that prospered

---

<sup>287</sup> Oran, p. 44

<sup>288</sup> Shwadran, p. 275

<sup>289</sup> Oran, p. 44

<sup>290</sup> *ibid*, p. 45

<sup>291</sup> "Even Saddam made some statements to the press where he addressed the private sector as the one of the pillar of the national welfare. Moreover Saddam considered private sector equal to the socialist sector in his speeches. " ( Alnaswari, p. 98)

<sup>292</sup> Hazelton, p.75

<sup>293</sup> *ibid*

with the oil price increases did not want to lose their central position since redistribution of wealth is a difficult task in a static economy and this task is more difficult in an autocratic political system, like Iraq.<sup>294</sup> Thus, the initiations of the ruling clique to break this tradition were received with fierce reaction among these communities. Moreover, decline in the revenues of the state led the state to be more aggressive to the members of political and economic units of the society, especially in the times when the economic crisis triggered political crisis.<sup>295</sup> Iraq of late 1980s is a fair precedent to such situation. Secondly, Iraqi government underestimated the significance of legal and economic provisions for the well-functioning of its privatization attempt.<sup>296</sup> Finally, Iraq suffered from the typical dilemma of the Middle East where the large-sized industries with intense capitals were state-owned and monopolized in general and the labour-intensive small-sized enterprises belonged to the private sector.<sup>297</sup> As a result of these reasons, Iraq could not manage to implement privatization successfully, and the failure of privatization together with state's incapability to overcome monetary depreciation led to serious underemployment problem and exacerbated the economic situation.<sup>298</sup> In early 1990s, even though economic crisis of the Iraqi country was obvious; the data of the time was not reliable due to inadequacy of statistical informations and censorship application; but still high inflation and unemployment rates were clear indicators of the predicament. <sup>299</sup> As a consequence, since state of Iraq was unable to carry through the crisis situation, considering economic plight, there was no other choice for the government apart from searching solutions with aggressive means. <sup>300</sup>

Second cause of the invasion of Kuwait was related to the price of oil. Theoretically, OPEC set the oil prices and export quotas of Iraq. However, decisions in this direction could make sense only on the condition that all members complied with these decisions. Otherwise, evading of some countries would have affected exports

---

<sup>294</sup> Oystein Noreng, *Petrol ve İslam*, (İstanbul: Sabah Yayınları,1998), p. 149

<sup>295</sup> Noreng, pp. 256- 257

<sup>296</sup> Hazelton, p.75

<sup>297</sup> Noreng, p. 231

<sup>298</sup> Hazelton, p. 75

<sup>299</sup>Malcolm Yapp *The Near East Since the First World War A History to 1995* (London: Second Edition Pearson Education Limited, 1996), p. 456

<sup>300</sup> Hazelton, p.76

and so the revenues of the other member countries.<sup>301</sup> In that sense, while some OPEC members, including Iraq, preferred to rely on the price tool to bring their revenues into balance ( or if possible to increase their revenues) since they did not have opportunity to ramp up their oil output, other members like the country of Kuwait, preferred to increase their income through increasing their productions. The dispute between “price maximizers such as Iraq” and “output maximizers such as Kuwait” transformed into the collision following the change of oil price in the late of 1980s when Kuwait stepped forward in this change with adopting a new policy to expand its oil production. However, such kind of policy was beyond Iraq’s toleration capacity and it interpreted such policy change as declaration of a challenge against the Iraqi state <sup>302</sup>since it believed that Kuwait had grown due to the oil which is “belonging to Iraq”. In addition, Iraq asserted that Kuwait was not only stealing oil by slant-drilling from the Rumailia field of Iraq which is connected to Kuwait’s border, but also rejecting to dispense with its claim for controlling the strategic Bubiyan and Warbah.<sup>303</sup>

Moreover, Kuwait was accused of preventing a way out for Iraqi oil production on the coast of the Persian Gulf, while, on the contrary, Kuwaitis asserted that Iraq is not a landlocked country as it professed.<sup>304</sup> Actually, in this period, Iraqi oil was able to open up to the world market through four main routes; by pipeline via Turkey to the Mediterranean ports; by pipeline via Saudi Arabia to the Red Sea. Apart from these, oil transferred with deliveries of trucks from ports of Gulf, port of Aqaba in Jordan and also from Turkey and Red Sea. Although Eastern Mediterranean port of Syria is a destination where Iraq’s oil could flow through pipeline, it has shut down

---

<sup>301</sup> *ibid*

<sup>302</sup> Hazelton, p. 77

<sup>303</sup> Fred Lawson, “Rethinking the Invasion of Kuwait”, *Review of International Affairs*, Vol. 1, Issue 1, (2001), p. 1

<sup>304</sup> “ Kuwaiti author Karam mentions that Iraq carried out two main allegations against Kuwait. While first one is about the annexation of Kuwaiti territory to Iraq which is considered as the motherland, the second one, which is relatively more moderate, is about the redesignation of the boundary between these two countries to guarantee the access route of Iraq to the Gulf. Iraqi claims concerning Kuwait dated back to times of King Ghazi who intervened Kuwait for the first time in 1937 and repeated under reigns of Qasim in 1961 and of Saddam in 1990. ” Please see: Jasem Karam, “The Boundary Dispute Between Kuwait And Iraq: An Endless Dilemma”, *DOMES: Digest of Middle East Studies*, Vol. 14, Issue 1, (2005), p. 1- 9)

due to deterioration of relationships with Syria following its position on the side of Iran in the course of Iran –Iraq war.<sup>305</sup>

Third reason behind the invasion of Kuwait was the Iraqi regime's aspiration for professing its status as the regional power<sup>306</sup> with the belief that the rise of " Arab Great Power" could supervene on the cessation of "bipolar hegemony" of the Cold War era.<sup>307</sup> In Iraq's aspiration for being the leader of the region, there were numerous reasons that led to such misinterpretation. Firstly, combination of economic weakness of the country with the military mightiness were decisive<sup>308</sup> for invading Kuwaiti country.<sup>309</sup> Secondly, when the rulers are deprived of reliable and prescient advisers, they might fall into wrong political estimations since military cadres and other relevant interest groups might misguide rulers to gain leverage from the state of war with the increase of investment spendings to their area of activity as in case of Iraq.<sup>310</sup> Thirdly, in times of impasse resulting from internal conflicts, states have an inclination to make use of foreign policy problems to retrieve their prestige,<sup>311</sup> thus the Iraqi ruling clique aspired to be the leader of the region under such difficult conditions.

The fourth reason behind the invasion of Kuwait is related to Iraq's difficulty in repayment of its debts which were borrowed in the course of the war with Iran. Eventhough Iraq made use of the loans from the Arab Fund for Arab Economic Development (1968)<sup>312</sup> which is a regional organization functioning similar to the World Bank, the fund also remained insufficient for the necessities of the Iraqi

---

<sup>305</sup> Bromley, p. 253

<sup>306</sup> Lawson, p. 3

<sup>307</sup> *ibid*, p. 2

<sup>308</sup> "Even though, some miscalculations of Saddam were obvious, there was also number of causes that made the timing of invasion of Kuwait appropriate for Iraq. Firstly, Iraqi regime was aware of the fact that Soviet Union was no longer on the side of Iraq. It is important in the sense that if Saddam had made such invasion in the course of Cold War, it would have provoked a confrontation between the US and SU and that would have rapidly brought the possibility of a nuclear war to the agenda. Secondly, with a regional perspective, in time of the invasion of Kuwait, Israel-PLO negotiations were suspended, suspension makes the situation convenient for invasion since otherwise Israel-PLO talks would have been in a great risk and that would have brought Saddam face to face with the accusation of harming the peace talks from the Arab World." (Wallerstein, 1998, p, 182)

<sup>309</sup> Lawson, p. 4

<sup>310</sup> *ibid*, p. 8

<sup>311</sup> *ibid*, p. 9

<sup>312</sup> "Abdüllatif el- Hamed had created the fund." (Polk, p. 163)

country throughout the Iran-Iraq war.<sup>313</sup> As a result, Iraq emerged out of the war with the heavy burden of foreign debt. While large portion of the debt was borrowed from Kuwait, Saudi Arabia, Soviet Union and Eastern European countries which expected their debts to be paid in terms of oil. The remaining amount was borrowed from French, English and American banks.<sup>314</sup> However, by the end of 1988, since the war ended and so, the danger of Iran was abolished, hence there was no longer a reason for Kuwait to submit loans to Iraq. Thus, Kuwait started refraining from opening new credits, while Iraq's most urgent goal was to find a way to refill its treasury which was empty. Nevertheless, the conditions of the time were not in Iraq's favor, even the price of per barrel of oil dropped to 11 dollars in 1990. When this was the case, Iraq no longer received credits from the Arab countries, further Kuwait began to insist on repayment. As a result of these developments, after Saddam's emphasis on Arab brotherhood became ineffective, Iraq began to consider attacking Kuwait. Although OPEC understood the predicament situation of the Iraqi country with its possible outcomes in time and it took strict measures for the "output maximizer" countries that go over the limit of their allocated share of exports regardless of the reason, Iraq already decided on the invasion of Kuwait.<sup>315</sup> In addition, following the U.S ambassador to Baghdad, Glaspie stated the position of the U.S as it would not take sides in any conflict between Iraq and Kuwait. Taking his statement into the consideration, Iraq reached a conclusion as the U.S has indirectly approved the occupation of Kuwait.<sup>316</sup>

On August 6<sup>th</sup> of 1990, immediately afterwards the invasion of Kuwait, United Nations Security Council (UNSC) accepted Resolution 661 regarding the economic embargo and sanctions for Iraq.<sup>317</sup> Subsequent to the resolution, both Saudi Arabia and Turkey took decisions for suspending fuel shipment by stopping the fuel supply over Kirkuk-Yumurtalik pipeline which have capacity of exporting the amount of 1,5 million barrels.<sup>318</sup> In September 1990, resolutions of UNSC 667 and 670

---

<sup>313</sup> Polk, p. 163

<sup>314</sup> Hazelton, p. 84

<sup>315</sup> *ibid*, p. 77

<sup>316</sup> Polk, p. 159

<sup>317</sup> Oran, p. 45

<sup>318</sup> *ibid*, p. 45

concerning air blockade were accepted.<sup>319</sup> The positioning of the Soviet Union along with the U.S and the other prominent countries of Europe in the scope of these resolutions were integral to the importance of the resolutions.<sup>320</sup>

The first recent result of the invasion of Kuwait is related to the decline in the revenues of Iraq generated from oil. In the wake of, Saudis and Turks' closure of the pipelines passing through their territories ceased the flow of oil from Iraq thus, oil revenues flowing into the country decreased concurrently. In the course of the invasion of Kuwait, Iraq's oil revenue drastically declined due to the fluctuant conditions of the market and demolished oil- exporting capacity. A significant damage occurred following the incident of burning of almost 700 oil wells in Kuwait,<sup>321</sup> the damage caused from oil –well fires was amounted approxiametly 9 billion barrels.<sup>322</sup> On the other hand, Kuwaiti oil transactions were also affected adversely from the invasion.<sup>323</sup>

From the beginning of the invasion, it became obvious that oil constituted the most important reason behind the occupation of Kuwait. It was also regarded as the most sensitive spot to be targeted among powers fighting each other. The table below illustrates how the oil exports are vulnerable to the sanctions and the embargo of the UNSC;

**Iraq's revenues from exports for selected years (Billion dollars)**

<b>1974</b>	<b>1977</b>	<b>1980</b>	<b>1983</b>	<b>1985</b>	<b>1988</b>	<b>1991</b>	<b>1994</b>
6	9.5	26.5	8.4	12	12.2	0.38	0.61

On November 19<sup>th</sup> of 1990, UNSC adopted the Resolution 678 which granted extention to Iraq to withdraw from Kuwait until 15<sup>th</sup> January, 1991. Even though within the given period of two months, representatives from the United Nations,

---

<sup>319</sup> *ibid*, p. 45

<sup>320</sup> *ibid*, p. 47

<sup>321</sup> Polk, p. 170

<sup>322</sup> Ibrahim M. Oweiss, "The Economic Impact of the Gulf War" in *The Gulf Crisis: Background and Consequences*, ed. by Ibrahim Ibrahim, (Washington: Georgetown University, Center for Contemorary Arab Studies, 1992), p. 292

<sup>323</sup> "Kuwait also endowed \$16 billion to the U.S for the Operation Desert Shield /Storm and total economic loss of Kuwait became equal to \$240 billion in the final analysis." (Oweiss, p. 292)

European Union, Soviet Union and France attempted to intercede between the Iraqi and Kuwaiti parties, Iraqi regime was not receptive to these initiatives.<sup>324</sup> Upon the expiration of the time given to the Iraq, in January 1991<sup>325</sup>, the U.S together with its twenty- eight allies initiated bombardment; the operation of “Desert Storm”<sup>326</sup> began.<sup>327</sup> Even though the U.S managed to rally supporters among the U.S’s NATO partners and the U.N members; in practice the U.S became the leading actor in operation performed against Iraq.<sup>328</sup> On 27<sup>th</sup> of February, the ceasefire was announced, while Iraqi country accepted ceasefire and approved the UNSC Resolution 686. Subsequent to resolution, in March, Iraq slid into chaos; Shiite communities in the south and Kurdish communities in the north of Iraq began to uprising against the Iraqi regime and Kurdish communities began to return to their territories in the North of the country where they relegated from to the South. However, this climate in favor of the Shiite and Kurdish units of the Iraqi society was not long lasting and Saddam suppressed both Kurds and Shiites harshly.<sup>329</sup> On third of April,1991, the UNSC adopted the Resolution 687<sup>330</sup> in which demanded; “Iraqi recognition of Kuwait and destruction of all Iraq’s non- conventional weapons and affirms that economic sanctions would continue until full compliance; “ safe heaven” established in northern Iraq, effectively placing most of Kurdistan under allied protection.”<sup>331</sup> Subsequent to this, on April 5<sup>th</sup>, the Resolution 688<sup>332</sup> was adopted<sup>333</sup>, in this resolution, for the first time, Kurds’name has been pronounced since Mosul resolution of League of Nations (1926) and the Resoulution 688 called for ending the oppression against the people of Iraq by Iraqi regime.<sup>334</sup> In March 1991, UN initiated the creation of “safe haven “, by this way prohibited the

---

<sup>324</sup> Dawisha, p.225

<sup>325</sup> Tripp, p. xv

<sup>326</sup> “‘Desert Shield’ transformed into ‘Desert Storm’” (Oran, p.)

<sup>327</sup> Oran, pp. 47- 48

<sup>328</sup> Bromley, p. 255

<sup>329</sup> Oran, pp. 48- 52

<sup>330</sup> For UNSC Resolution 687, please see: <http://www.un.org/Docs/scres/1991/scres91.htm> ; <http://daccess-dds>

[ny.un.org/doc/RESOLUTION/GEN/NR0/596/23/IMG/NR059623.pdf?OpenElement](http://ny.un.org/doc/RESOLUTION/GEN/NR0/596/23/IMG/NR059623.pdf?OpenElement)

<sup>331</sup> Tripp, p. xv

<sup>332</sup> For UNSC Resolution 688, please see: <http://www.un.org/Docs/scres/1991/scres91.htm>; <http://daccess-dds.ny.un.org/doc/RESOLUTION/GEN/NR0/596/24/IMG/NR059624.pdf?OpenElement>

<sup>333</sup> Oran, pp. 57- 58

<sup>334</sup> *ibid*, p. 48

government of Iraq's intervention to the north of latitude 36 degrees North.<sup>335</sup> The Resolution 687 and 688 of the UNSC were both landmark concerning the status of the northern Iraq and the state of Kurdish components of the society.

On that account, the second conclusion of Kuwait's invasion is related to the northern territories and the Kurdish community of Iraq. Subsequent to the promulgation of Resolutions 687 and 688, negotiations began between the Iraqi government and the Kurdish units concerning the status of the northern part of the country in mid-April of 1991. In the course of negotiations, the issue of inclusion of Kirkuk into the boundaries of autonomous region was also negotiated as an important issue<sup>336</sup>, moreover, Kurdish units demanded share from revenues generated from oil resources of Kirkuk and Mosul.<sup>337</sup> Although negotiations commenced concerning the issue of autonomy as follow up of "Autonomy Plan of the 1970", negotiations interrupted due to disaccord regarding oil revenue sharing.<sup>338</sup>

After all, far from reconciliation, in October 1991, forces of the Iraqi regime blocked the northern territories<sup>339</sup>. Subsequent to embargoing of the Kurdish Area, in May 1991, Kurdish units formed their own government with equal seats of the parties KDP (Mas'ud Barzani) and PUK (Jalal al- Talabani). However the government formed was not long-lasting and oil revenue disputes had an impact on its dissolution.<sup>340</sup>

The third result of the invasion of Kuwait is the predicament situation of the Iraqi country due to sanctions on the regime and embargo. Even though, in April 1995, the UNSC resolution 986<sup>341</sup> provided that Iraq was allowed to sell the US \$2,0 billion of

---

<sup>335</sup> Yapp, p. 458

<sup>336</sup> Oran, p. 68

<sup>337</sup> *ibid*, p. 69

<sup>338</sup> Yapp, p. 459

<sup>339</sup> Oran, p.70

<sup>340</sup> Yapp, p. 459

<sup>341</sup> For UNSC Resolution 986, please see:

<http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N95/109/88/PDF/N9510988.pdf?OpenElement>



oil for the period of each six month to afford its vital needs; foods and medicine.<sup>342</sup> , still purchase contracts were bound to pass through control of UN Sanctions Committee and needed the Committees' approval.<sup>343</sup> Apart from the adverse influences of the embargo on both parties of the conflict, for international oil transactions, Iraqi embargo meant withdrawal of 4 mbd of oil from the international markets (Kuwaiti production included) that led oil importing countries to the trouble due to occurrence of supply shortages.<sup>344</sup> Therefore in order to compensate the diminishing supplies, countries as Saudi Arabia, Venezuela and United Arab Emirates had to produce in escalating amounts.<sup>345</sup> Thus as a fourth result of the invasion, intra- OPEC dynamics and balances changed under those circumstances and three motivations became determinative in the decision making processes of OPEC; from those days on, Saudi Arabia and its companions became more influential over the decisions of the organization and while economic considerations began to take precedence of political ones while the collaboration of producers and consumers gained importance.<sup>346</sup>

After a while in February 1998, since Iraq interpreted such interferences as threat to its national sovereignty, with the promulgation of the UNSC 1153<sup>347</sup> exports not more than \$5.26 billion was permitted. Accordingly, in December 1999 with issuing of the UNSC Resolution 1284<sup>348</sup> , all the restrictions as ceiling limits for oil exports were removed and from then onwards, exported amount began to be decided in accordance with the production capacity of Iraq, though UN's "Oil for Food Program" since 1996 undermined Iraq's production capacity to a great extent.<sup>349</sup>

---

<sup>342</sup> Fadhil Chalabi, "The Oil Capacity of Post- war Iraq: Present Situation and Future Prospects" in *Iraq's Economic Predicament*, ed. by Kamil Mahdi( United Kingdom: Garnet Publishing Limited, 2002) , p. 145

<sup>343</sup> *ibid*, p.145

<sup>344</sup> Oweiss, p. 308

<sup>345</sup> *ibid*

<sup>346</sup> *ibid*, p. 310

<sup>347</sup> For UNSC Resolution 1153, please see:

<http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N98/039/34/PDF/N9803934.pdf?OpenElement>

<sup>348</sup> For UNSC Resolution 1284, please see:

<http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N99/396/09/PDF/N9939609.pdf?OpenElement>

<sup>349</sup> Chalabi, p.146

Conclusively, the fifth result of the invasion of Kuwait was related to the repercussions of the invasion on the neighbor countries since the effects of sanctions on Iraq spread to the neighboring countries too, but from time to time violations of the sanctions regime by the neighboring countries were tolerated. In this regard, it widely affected Jordan<sup>350</sup>, moreover, it is estimated that the loss of Turkey, which has been forced to close the pipelines passing through its territories, was around 30 billion dollars.<sup>351</sup>

### **3.9 The Economic and Political Situation of Iraq in early 21st century and the role of Iraqi oil in the international scene.**

This Chapter covers the half century long story of the Iraqi politics of oil while the event of this period provide convenient tools to perceive the evolution of the role of oil for Iraq. Herein, the path towards the invasion evaluated in relation to the developments is from the 1958 to the 2001.

In the aforementioned period, the role of oil has transformed for oil importing countries. In the aftermath of the Second World War, the reconstruction of Western Europe and Japan allowed them to reach a point at which they could compete against the US.<sup>352</sup> Considering the Europe's situation of the time, developments revealed the reality that members of the European Community suffered from the absence of contingency plan for the emergency situations, as the oil crises of 1973-74 and 1979. On the contrary, responses of the European countries differed from each other to a great extent since they have not reached a common policy for energy issues yet.<sup>353</sup>

On the other hand, even though the European Community's response to the crisis situation deprived of conformity<sup>354</sup> and despite the overdependence on the flow of oil

---

<sup>350</sup> *ibid*, pp. 75, 212

<sup>351</sup> *ibid*, p. 153

<sup>352</sup> Wallerstein, 1998, p. 176

<sup>353</sup> Bromley, p. 170

<sup>354</sup> "Notwithstanding this lack of an agreed policy within EC, a number of summits resulted in target plans for the future shares of different fuels. Between 1973 and 1990 coal's share was projected to increase slightly (23-24.7 percent) oil decline rapidly (59-42.4 percent) natural gas increase sharply

from the Middle East with its tendency to rise, European Community has begun to pay more attention to energy conservation and making use of renewables to decrease its dependence on oil<sup>355</sup> Besides, in 1970s, over-priced oil also formed a suitable environment for promoting economic ties with the non- OPEC countries.<sup>356</sup> Even though capitalist system succeeded following the collapse of the Soviet Union <sup>357</sup> since the financial globalisation proceed on its way, national governments can not able to make use of implement regulatory instruments any more for the problems of worldwide economic system.<sup>358</sup> On the other hand, the danger of instability still prevailed, since operators in international markets implemented fast and risky stock-exchange transactions and causing harms on the real economies. <sup>359</sup> However, even though capitalist economies recovered from two oil shocks, as Jessua asserts, from then on, not the matters of economy, but religious, nationalist and ethnic factors would lead actors of international system into the conflict. <sup>360</sup>

In this period, the evolution of the position of the U.S in relation to Iraq and oil is also demonstrative. While the post- Second World War period was the years of the U.S's multilateralism considering its positioning within the frameworks of UN and NATO, towards the end of 20th century, the U.S power began to fade due to its "imperial overstretch"<sup>361</sup> and the point of contention started to revolve around the dolar and euro since they both contended for obtaining the status of the currency of oil transactions.<sup>362</sup> In this context, as the US was becoming aware of the meaning of the unified Europe in political and economic terms, <sup>363</sup> the U.S's unilateralism began to increase for counteracting.<sup>364</sup>

---

(12-18.1 percent)nuclear power expand vigorously (1-12.5 percent) and others decline marginally (3-2.3 percent) (Bromley, p. 171)"

<sup>355</sup> *ibid.*, p. 161, 170

<sup>356</sup> *ibid.*, p. 160

<sup>357</sup> Claude Jessua, *Kapitalizm*, (Ankara: Dost Yayınları, 2005), p. 97

<sup>358</sup> *ibid.*, p. 102

<sup>359</sup> *ibid.*, p. 103

<sup>360</sup> *ibid.*, p. 113

<sup>361</sup> Clark, p. 26

<sup>362</sup> *ibid.*, p. 27

<sup>363</sup> *ibid.*, p. 23

<sup>364</sup> Bromley, p.160

At this point, it is pertinent to focus on the conflict between dollar with euro in relation to oil in the light of the past developments, the U.S's military might together with being the status of dollar as currency of international oil transactions have been the source of the US's power.<sup>365</sup> Thus, in that sense Saddam Hussein's statement in September 2000 when he proclaimed that "Iraq would soon transit its oil export transactions to the euro currency" is worthy of consideration since the U.S would have suffered from such shift not only for the oil import and export activities but also it would also become unable to afford its military purchases. Moreover the U.S would become unable to defray its account deficits and compensate its loss from the tax cuts.<sup>366</sup> On the other hand, a nation, whose national currency holds the reserve currency status, could minimize its vulnerability to the "currency risk" for the oil prices to a great extent. Therefore, the absence of currency risk has facilitated the low tax rates on oil that was enjoyed by the members of the US community and industry for so long.<sup>367</sup> While the U.S became anxious with Saddam's speech, Saddam initiated further actions in line with his speech and he opened a bank account which was euro based in France, BNP Paribas Bank. Subsequent to this, the U.N account for the "Oil for Food Program" in which the Iraqi oil transactions flow also began to deposit in the same bank, BNP Paribas.<sup>368</sup>

Herein, recalling the unique characteristics and hallmarks of Iraq can be explanatory to the better understanding of Iraq's position and attractiveness in the eyes of the actors of the international system in the beginning of the 21st century.<sup>369</sup> Based on the findings of Centre for Global Energy Studies (CGES) and Petrolog & Associates "current known recoverable reserves in Iraq may only be the lesser part of Iraq's real reserves and that is discoverable reserves could amount to about two hundred billion barrels. This put Iraq and its oil at the same level with Saudi Arabia".<sup>370</sup> Though from the year of 1990 to 1997, Iraq's oil revenue losses were more than US \$130

---

<sup>365</sup> Clark, p. 27

<sup>366</sup> *ibid*, p. 28

<sup>367</sup> *ibid*, p. 34

<sup>368</sup> *ibid*, p. 31

<sup>369</sup> Noreng, pp. 254- 258

<sup>370</sup> Chalabi, p. 148

billion due to the imposition of embargo and “Oil for Food Programme”,<sup>371</sup> the International Energy Agency forecasted in its outlook of 1998 that the world demand would reach 94,8 (mbpd) in 2010. Thus as Chalabi points out “it is difficult see how adding new capabilities on such would be feasible without Iraq”.<sup>372</sup>

In the beginning of the 21st century, Iraq comprised some strengths and some weaknesses. With the purpose of eliminating the effects of sanctions regime, Saddam began to soften his nationalist stance and initiated the implementation of “Production Sharing Agreements” (PSA) in collaboration with the private sector for operations of the oil sector.<sup>373</sup> Moreover, he also put “buy - back” agreements on the agenda which were designed for a limited time period, unlike the PSA, for compensation of their investment expenditures.<sup>374</sup> Although the Iraqi state embarked on projects and policies to overcome the difficulties of the predicament situation; it still preserved its numerous weak spots, as Dawisha indicates, “neither the institutional structure nor the ideational milieu of the Ba’thist/Saddamist political order was in any way conducive to democracy, when they spoke of freedom they generally referred not to individual liberty but to people’s independence from outside control”.<sup>375</sup> In this regard, in Iraq, the elections for the first time were held in June 1980. The results were truly reflective of the existing balances of the elected members; three out of four were affiliated with the Baath party.<sup>376</sup> The next elections of 1995 were similar to the previous and were marked by Saddam’s requalification to the presidency with receiving 99,6 percent of the votes, such result symbolized the inability of the opposition groups to unite.<sup>377</sup> Thus, even though elections are milestones of the democracy, the Iraqi elections did not epitomize this notion. However, in addition to the weaknesses of the country, Iraq is one of few countries among petroleum exporting countries which attached at most priority to the education and so by means of that aimed to stand out among other Arab leaders.<sup>378</sup> Furthermore, while second

---

<sup>371</sup> *ibid*, p. 149

<sup>372</sup> Chalabi, p. 159

<sup>373</sup> *ibid*, p. 151

<sup>374</sup> *ibid*, p. 152

<sup>375</sup> Dawisha, p. 228

<sup>376</sup> *ibid*, p. 230

<sup>377</sup> Yapp, p. 458

<sup>378</sup> Dawisha, p. 220

class status of women in the Muslim societies politically ignores their need for education, Iraq has a good record in this issue,<sup>379</sup> since the Iraqi Ba'ath was “the most secularized” movement within the Arab World.<sup>380</sup> For instance in time of economic collapse Saddam expected help from all the segments and units of the society for recovery, in this regard he assigned duties to women as well.”<sup>381</sup>

In this context, on the eve of the 21st century, in a nutshell, while considering the vulnerabilities of the U.S and the prominent position of the European countries together with Iraq's central geographical location, population, its economic potential for agriculture and industry and the level of education together with its vast oil reserves , Iraq is defined as the closest candidate for regional leadership in the Middle East.<sup>382</sup> The following chapter will try to analyze; what is meaning of this reality?

---

<sup>379</sup> Noreng, p.

<sup>380</sup> Halabi, p.

<sup>381</sup> Lawson, p.17

<sup>382</sup> Noreng, p.254

## **CHAPTER IV**

### **IRAQ: POST-2003 ERA TILL THE YEAR OF 2011**

#### **4.1 Introduction**

The main purpose of this thesis is to analyze the evolution of the Iraqi oil policies in its political context. Within this respect, the thesis intends to correlate the notion of oil and its implications with the vocabulary of politics of the time and space that is concerned. The present chapter is composed of two main parts. In the first part; a historical and theoretical framework will be provided to explain whether oil is the main determinative or not in the invasion of Iraq. To this end, basic tenets behind the invasion of Iraq from capitalism and globalism relationship to the relations of wealth and democracy will be examined in relation to the U.S's democracy argument. This part will also focus on the fear of Radical Islam and the September 11 in relation to the role of oil. Moreover, with the end of the Cold War, as national, regional and international politics and economics were in a transformation era, world's "hegemonic power", the U.S was also in a state of flux. Although it preserved its interest in the Middle East in general and Iraq in particular even with an increasing degree, ruptures from past implementations also occur. Hence the present chapter will also discuss the hegemonic stability theory to examine the role of the U.S in the international system in the context of Iraq War.

The second main part of this chapter will scrutinize the post-2003 period economic developments to analyze the implementations and legal arrangements in the oil sector. As Butler strongly emphasizes "the historical period, which we believe has passed, shapes the field of today with a resistance which declares the concept of

history as false”.<sup>383</sup> Thus even though, the new era has many peculiarities, it also bears numerous resemblances to the experiences of Britain in Iraq in the period after the collapse of the Ottoman Empire. In the first instance, implementations of the Coalitional Provisional Authority (CPA) and hereafter, policies of the interim Iraqi authorities in the field of economy will be examined. Accordingly, the permanent constitution (2005) of Iraq with regard to oil policy will be discussed. In the last part, this chapter will proceed with the analysis of the Draft Oil and Gas Law (2007) as the milestone in the Iraqi politics of oil. The Draft Oil and Gas Law’s repercussions in the political and economic structure of Iraq will be thoroughly examined. Besides, since this chapter will focus on the period of redefined strategic alliances and priorities, it is not solely focus on the policies of the US, but the European countries and Asia are also put under consideration.

## **4.2 Historical and Theoretical Framework**

In March 2003, the U.S, Britain and the other coalition forces launched ‘Operation Iraqi Freedom’ to topple the regime of Saddam. This part will be organized under thirteen subheadings to provide a theoretical framework and sense of flow of time on the path to the invasion of Iraq. Prior to analyzing the generally accepted causes of the Iraqi invasion, this part will firstly problematize the trilogy of liberalism, capitalism, globalization to discuss the relationship between capitalism and war in relation to the war on Iraq. Following that, the next subheading will examine the “Hegemonic Stability Theory” questioning whether Iraq invasion is the outcome of the changing role of the U.S in the international system. After this, subsequent subheading will analyze the relationship of the wealth and democracy to probe into the democracy argument of the U.S towards Iraq. This chapter will proceed with analyzing the mainstream causes of war to comprehend whether these causes or the oil is the leading motivation factor behind the invasion of Iraq. With this purpose, arguments related to the weapons of mass destruction, the “Clash of Civilizations”, Arab-Israeli Dispute’s reflections on the relations with Iraq, radical Islam (El- Kaide) together with September 11, US’s Domestic Problems will be individually examined.

---

<sup>383</sup> Judith Butler, *Kırılğan Hayat, Yasın ve Şiddetin Gücü*, (İstanbul; Metis Yayınları, 2005), p. 68



Lastly, the role of oil with focus on the energy problems of the U.S and European Union (EU) will be discussed.

The functionality of history within the discussions of economic issues as a relevant departure point is pertinent, since the present time cannot be understood by neglecting the developments of the past similar to the assumption that it is not possible to differentiate economy from politics and economic issues will sooner or later unite with political ones.<sup>384</sup> Moreover, while stating that in the economic system, states pass on their economic teachings to their successors, it is appropriate to recall that the U.S has learned from British experiences, with Britain's teachings of the classic market and free trade. Furthermore, in that respect, there is a clear existence of cooperation between the industrial and ruling units in American and British political and economic tradition.<sup>385</sup>

In that respect, a historical evaluation is a must to comprehend the relationship among capitalism, liberalism and the globalization. Imperialism had firstly spread by occupying the territories of the neighboring countries and then by means of the development of transoceanic navigation with the purpose of obtaining preeminent position in the trade routes and the desire for reaching rich natural resources. However the waves which continued until the 20th century gave way to anti-imperialist actions as the communities has become conscious and as the notion of nationalism increased.<sup>386</sup>

After World War II, while there had been a gradual aspiration for globalization of economy, the state of reconciliation found by Europe under the root of social democracy; in the war between the ideologies of socialism and the neo-liberal ideology, the capitalism, lesser state intervention and free trade of goods have come out as the victorious ones.<sup>387</sup> Later on, when the time came to 1980's, Prime Minister

---

<sup>384</sup> John Kenneth Galbraith, *Economics in Perspective; A Critical History*, ( Boston : Houghton Mifflin,1987), p. 272

<sup>385</sup> *ibid*, pp. 266- 267

<sup>386</sup> Zbigniew Brezensiki, *İkinci Şans Üç Başkan ve Amerikan Süper Gücünün Krizi*, ( İstanbul: İnkılap Kitabevi, 2008), pp. 212- 213

<sup>387</sup> Georges Corm, *Doğu Batı Hayali Kırılma*, ( İstanbul: İthaki Yayınları, 2003), p. 145

of Britain Margaret Thatcher together with the U.S's President Ronald Reagan declared the Keynesian approach<sup>388</sup> as superannuated and they introduced the neo-liberal approach in return. Thus, from then on, liberalization policies began to soar during the globalization era.<sup>389</sup>

Following the fall of the Berlin Wall (November 1989), Fukuyama<sup>390</sup> argued that the end of history have come and liberal democracy have succeeded.<sup>391</sup> At this point, it is pertinent to figure out the connection between the capitalism<sup>392</sup> and globalization in the post- Cold War period. Inherently, capital and sovereignty are contradictory to eachother, while the latter preserves its existence with "maintanence of the fixed boundaries", the former, quite the contrary,"destroy the traditional social boundaries and expanding across territories", especially after reaching a certain saturity. In other words, "the transandence of modern sovereignty conflicts with the immanence of capital".<sup>393</sup> In line with the argument of the capitalism without borders, while promoting the idea of "Bush doctrine", it was supported that the link between economy and politics has been broken in the post- Cold War era.<sup>394</sup> (the post-ideological era), rather the political policies began to be directed by special economists.<sup>395</sup> Thus, at this point, the uniformity of the politicians and economists in

---

<sup>388</sup> "Which became popular in the aftermath of the Second World War and defends the government interventionism". Please see: Manfred B. Steger, *Küreselleşme*, (Ankara: Dost Yayınları, 2006), p .66

<sup>389</sup> Steger, p.66

<sup>390</sup> Francis Fukuyama, *The end of History and the Last Man* (New York: Free Press, 2006)

<sup>391</sup> " Even though the September 11 attacks have become symbolic for the opposition towards the spread of global ideology and many activities had already been organized all over the world against globalization and the World Trade Organization (WTO). The dates of the main ones could be listed as follows: Washington (April 2000), Prague ( September 2000), Davos ( January 2001), Quebec ( April 2001), London ( May 2001), Gothenburg ( June 2001), Genoa ( July 2001)" Please see: Steger, pp.171-172 ; "The loss of legitimacy of neo-liberal policies has become evident in the activities conducted against the World Bank (WB), International Monetary Fund( IMF) and the World Trade Organization (WTO)" Please see: Pablo Gonzales Casanova, "Mevcut Sistemdeki Eğilimler ve Sistem –Karşıtı Hareketler" in *Modern Küresel Sistem* ed. by Immanuel Wallerstein, ( İstanbul; Pınar Yayınları, 2005) , pp. 140- 141

<sup>392</sup> "In recent years, instead of the term of capitalism, "market economy" and "free enterprise economy" have begun to be used. The reason for this redefinition is the reality that term of capitalism has perceived with its negative connotations." Please see : Adnan Güriz, *Kapitalist ideoloji*, (Ankara: Phoenix Yayınları, 2010), p. 167)

<sup>393</sup> Michael Hardt and Antonio Negri, *Empire*, (Cambridge, Mass. : Harvard University Press, 2001, c2000), pp. 325-327

<sup>394</sup> "Journalist Fareed Zakaria was the supporter of this argument." Please see: Slavoj Zizek,

*Ödünç Alınan Irak Çaydanlığı*, ( İstanbul: Encore, 2004), p. 59

<sup>395</sup> Zizek, p. 59

decision making processes could be implemented as there is no longer resistance against the forces of capitalism. However, when considering the Iraq war, questioning whether such a separation (between economics and politics) is possible or not, is inappropriate, furthermore in parallel to that in a period where globalization is the determining factor, it is also not meaningful to work on a discussion regarding the limits of capitalism.<sup>396</sup> Moreover, the terminologies as “Third World”, “South” or “Periphery”, are not descriptive enough to explain the current global interactions in the international system any longer, since it has become impossible to mark out the geographical territories with certain boundary lines.<sup>397</sup>

While one of the most important transformations of the globalization era is experienced in the areas of economic production and the exchange of goods, this transformation has also created changes in the structures of organizations. In that sense, it would be correct to list the transformations of the 21st century in the following way; gigantic global companies, international economic organizations and regional unifications for commercial purposes have emerged as the main actors of both economic and political spheres.<sup>398</sup> Subsequent to the the collapse of the Cold War order, these mentioned policies have become the dominant ones in the international arena, besides in proportion to their constantly increasing powers, transnational companies have become potent actors with capacity of transforming the international economy. At this point, it is important to note that transnational companies have capacity to influence social prosperity, politics and economy not only for the countries they emerged from, but also for all other countries in which they are active.<sup>399</sup> Thus major enterprises’ primary positions in modern economies and their high level contributions to the total production of their countries made them gain a very solid position even in the political scene.<sup>400</sup> In that sense, pointing these changes in the role of the multinational companies are also meaningful for Iraq in terms of prospective developments.

---

<sup>396</sup> *ibid*, p. 69

<sup>397</sup> Hardt and Negri, pp. 334- 335

<sup>398</sup> Steger, p. 61

<sup>399</sup> *ibid*, p. 77

<sup>400</sup> Galbraith, p. 261

On the other hand, capital transactions, equally or even overwhelmingly, gained a significant place in the international market. While in early capitalism period, free trade had a dominant position and the exportation of goods was the most distinctive feature of the system; in the period of modern capitalism, the export of capital has replaced the export of goods to a large extent.<sup>401</sup> For the countries which have a capital exporting capacity, this capacity does not only create high ratio of profits, but also provides numerous advantages like obtaining a position of priority for inspection of raw materials and ordering of capital goods. Eaton illustrates another advantage of being a capital exporting country as follows<sup>402</sup>:

When British capital invested in foreign countries, the invested amount of capital spent and transformed into merchandises, in such situation an arrangement could be undertaken which establishes that the ordering of capital goods must be preferentially made from Britain.

Besides this illustrative example, the U.S's foreign aid programs could also be considered as an example of the advantages of the capital transactions to the capital's country of origin.<sup>403</sup> On the contrary, even though capital transactions would offer benefits both to the givers and takers of the capital, since liberalism within the foreign exchange market and international capital movements has paved the way of speculative investments, the approaches of the investors that want to benefit from the opportunities of profitable speculations would have harmed the real economy too.<sup>404</sup> In a nutshell, while capital owners benefited from the capital investments and transactions, their benefits would pose problems to the rest of the economy.

After these explanations regarding the significance of the capital and its exportation, as the capital movements gain prominence, the power of currencies of the countries becomes important as well. Historically, foundations of the modern nation-state are based on the tenets of Westphalia Peace Treaty (1648) of the 17th century, but since

---

<sup>401</sup> John Eaton, *Ekonomi Politik*, (Ankara: Bilim ve Sosyalizm Yayınları, 1996) , p. 221

<sup>402</sup> John Eaton, *Ekonomi Politik*, (Ankara: Bilim ve Sosyalizm Yayınları, 1996) , p. 221

<sup>403</sup> *ibid*, p. 221

<sup>404</sup> Harry Shutt, *The Trouble with Capitalism: An Enquiry into Causes of Global Economic Failure*, ( London, New York: Zed Books, 1998) , pp. 85- 88

1970's, the sovereignty of nation-states have been confronted by globalization and it would not be wrong to say that the Westphalia model came to an end with the "new world order" declared by George H. W. Bush in 1990. Despite being considered as the leader of globalization, the US has also been significantly influenced from this situation. This "new world order" has brought a strain on the nation-states for their operation in capital markets on a global level, on the stabilization of currency rates and for the maintenance of the value of national currencies. These factors are exposed to the effects of economic dynamics that occur outside the control of nation-states.<sup>405</sup>

To this end, in 1990's, Europe has concluded single currency and so has strengthened the idea of a single market, while the U.S also made agreements with its neighboring countries of Mexico and Canada with the similar motivations<sup>406</sup> The significance of the monetary power and the capital transactions are both explanatory to comprehend while Saddam was an ally in the 1980's (even the U.S acted sometimes as Iraq's diplomatic supporter, sometimes the provider of military intelligence and sometimes, paradoxically, the supplier of weapons of mass destruction to Iraqi country)<sup>407</sup>, how is it possible that he has turned into a "devil" in the 1990's? To explain the importance of the capital transactions and the power of possession of a strong currency, Zizek asserts that the Iraq War of 2003 is actually "the first war between the US and Europe". On this point, he indicates that if the situation of war had not arisen from oil, it would have possibly arisen from the struggle between dollar<sup>408</sup> (which owes its power to the oil) and euro.<sup>409</sup>

After analyzing the increasing role of multinational oil companies and the significance of capital, capital transactions, capital exportation and the national currencies, it is pertinent to construct the discussion concerning the the relationship

---

<sup>405</sup> Steger, pp. 88- 89

<sup>406</sup> Corm, pp.143- 145

<sup>407</sup> Phyllis Bennis, Denis J. Halliday , "Irak Yatırımlarının Etkisi ve ABD Politikası" in *Kuşatma Altında Irak: yatırımların ve savaşın ölümcül etkileri*, ed. by Anthony Armove , (İstanbul: Everest yayımları, 2001), p. 42

<sup>408</sup> "The IMF policies contribute to the power of the dollar being maintained and prolong the life of the dollar system." Please see: Engdahl, pp. 379- 380

<sup>409</sup> Zizek, p. 39

between capitalism and war in the context of the invasion of Iraq. Since, for the scope of this study, comprehending the relationship between war and capitalism bears importance Harvey's following statement is integral ;not only Iraq but the whole Middle East have the prime importance for the global capitalism. While explaining the relationship between the U.S's state policy and economy, William Howard Taft's speech, who served as the US President in 1909-1913, can be illustrative;

Not only, it is necessary for our foreign policy not to deviate from the path of justice, but also the feature of acting as an active instrument of intervention for the selling of our goods and providing opportunities of profitable investment to our capitalists should also be included in its tenets. <sup>410</sup>

Regarding the relationship between capitalism and war, this analysis can be traced under three distinct arguments. Firstly while Lenin opposes to the view that competition will come to an end through international agreements, thus the parties would reach reconciliation in order to share world markets, he supports that there is a close relationship between capitalism and war. Accordingly, Huberman states that even though the reconciliation for distribution, which is possible for a certain period of time and a certain situation of the system (since it is dynamic), eventually each state would re-enter a competition to protect its interests under the terms and conditions of the new time and space, thus consequence would be entering into the war inevitably. <sup>411</sup> Secondly some claim that capitalism does not reject the "limited wars", and while the war would provide certain benefits to capitalist entrepreneurs in numerous aspects, it is wrong to conclude that capitalist entrepreneurs have the leading role in waging war.<sup>412</sup> Finally, according to the third approach, the relationship between war and capitalist endeavors does not make sense since the war would be the outcome of multiple reasons and cannot be explained only by the desires of the market and capitalism. <sup>413</sup>

---

<sup>410</sup> Güriz, p. 107

<sup>411</sup> Robert L Heilbroner, *The Nature and Logic of Capitalism*, ( New York : Norton, c1985), p. 103

<sup>412</sup> Güriz, p. 107

<sup>413</sup> Güriz, p. 108

#### **4.2.1 The assumptions of “Hegemonic Stability Theory” in comprehending the U.S prior to the Invasion of Iraq**

In 1988, under the “Report of the Commission on Integrated Long-Term Strategy”, Henry Kissinger, Zbigniew and Samuel Huntington stated that the new period would be different from the years of bipolar rivalry with the Soviet Union. <sup>414</sup> While taking into consideration the increasing interdependence of the states in the international system that was established upon the tenet of “balance of power” in the period starting from Westphalia to the 1990’s, with the collapse of the Cold War order, the concept of power has changed and even if the balance of power was not entirely abolished, it has experienced a momentous transformation.

In the period of transformation, some significant changes came to forth; in the first instance, being militarily strong no longer meant that the country is strong in the full sense and secondly while the power of hegemonic states compared to the past were in demise, the role of regional states have been equally increasing. According to Joseph Nye, in the wake of the Cold War, the world is now “bipolar from the military aspect” (this has changed with nuclear armament), is “tri-polar economically – US, Western Europe and Japan” (what will be the position of China and India) and is “multi-polar from the political aspect.” <sup>415</sup> These definitions have been modified again in 2000’s and that changes increase the vulnerability of the hegemonic power, namely, the. U.S.

At this point, it is pertinent to probe into the concept of the “hegemon” and its desire for maintaining its position under the changing conditions of the historical process. To this end, the “Hegemonic Stability Theory” puts forward to elucidate the U.S ‘s claim for sustaining its “ world leadership”. Liberals, world systems theorists and realists load diverse charges to the “hegemon”. While liberals emphasize on the hegemon’s role to promote open economy, world system theorists cast the hegemon

---

<sup>414</sup> Casanova, p.149

<sup>415</sup> Oral Sander, *Siyasi Tarih 1918-1994* ,( İstanbul: İmge Kitabevi Yayınları, 2009), pp. 587-

as the guarantor of the “globalization of capitalism against the fragmentation of the state system” and realists put emphasis on the military might of the hegemon which is prerequisite to maintain the security in the anarchic world order. Therefore hegemonic power is regarded to be responsive to all of these needs and “hegemon”’s hegemonic position is beneficial not only to itself but also to the other actors of the system, the other way around the failure of the hegemon would also come to mean a “ global disorder”.<sup>416</sup>

The arguments vary concerning the US’s hegemonic position and the share of the hegemonic nature of the country of the U.S during the decision making process enroute to the invasion of Iraq. For some, including Bennis and Halliday, the hegemonic stand of the US dated back to the early 1980s. According to this argument, in the course of the Iran-Iraq War, for the hegemon, the real issue was not oil, because the U.S was aware that neither Iraq nor Iran was able to exist without the oil flow. Thus for the U.S, the war situation was not much about the supply of oil as generally accepted, but rather about who would be responsible for monitoring of access to oil. In other words, the U.S wanted to maintain its leading position and its role as guarantor for its allies to have access to petroleum as for Germany, Japan and other European allied powers.<sup>417</sup>

On the other hand, there are also arguments which put the oil issue at the core of the discussion. When the close relationship between the oil and the hegemonic position is considered, until the end of 1970’s, the U.S was among the leading oil producers with its fields in North America, but from then on with the gradual depletion of its reserves, its policies prioritized to import oil together with dominating the oil of the Middle East. In other words, as Chomsky states, “the U.S wanted to manage petroleum since it was an instrument of world domination”,<sup>418</sup> since oil is not only a financial interest, but at the same time, it has a strategic significance in political sense.

---

<sup>416</sup> Raymond Hinnebusch, “Hegemonic Stability Theory Reconsidered: implications of the Iraqi War” in *The Iraq War: Causes and Consequences*, ed. by Rick Fawn and Raymond Hinnebusch, (Boulder, Colo. : Lynne Rienner Publishers, 2006) , pp. 283- 284

<sup>417</sup> Bennis and Halliday, pp. 45- 46

<sup>418</sup> Noam Chomsky, 2007, p. 101



For the period of post- Cold War, in a similar vein, Marc Grossman<sup>419</sup> asserts that energy security must be the greatest transatlantic priority and that the level and intensity of energy security within the US's diplomatic dialogue both with EU and NATO must be increased. Furthermore, referring to Thomas Friedman's question in 2006<sup>420</sup>: "what will replace the threat of Communism which acts as the cement keeping the Atlantic Alliance together?" Grossman states that the issue of energy security comes at the forefront of responses for the question. <sup>421</sup> At this point, not only for the Atlantic Alliance, but the partnership of Japan with the world hegemon the U.S is also actually based on Japan's connection and dependence to the U.S due to the oil transactions that controlled by the US . Moreover, this oil- originated relationship is also valid for its relations with China.

On that account, the U.S is highly disturbed with any initiative that might damage its superior position in the control of oil. In that sense, the possibility of formation of the network of "Asian Energy Security" by China, South Korea, Japan, India, Iran and Russia have jeopardized the hegemonic position of the U.S.<sup>422</sup> In line with that, with a prospective approach, taking the control of the energy resources could create a great competition between the U.S, Russia, and China. The relations that the U.S established with the Persian Gulf countries, Russia initiated with the Central Asian Republics, and China established with Iran and Kyrgyzstan are the result of this competition.<sup>423</sup> In that sense, another reason that made the Iraqi petroleum indispensable for the U.S is the reality that, with the obtaining the Iraqi oil, it would be possible to impose its economic and strategic superiority to the Asian countries and to Russia. Therefore, the claims against Iraq which seems costly at the first sight would bring a great advantage with it. <sup>424</sup>

---

<sup>419</sup> The former US Ambassador and the retired Undersecretary for Political Affairs of the US Ministry of Foreign Affairs

<sup>420</sup> Thomas Friedman, "Allies Dressed in Green", *The New York Times*, (27 October 2007) [select.nytimes.com/2006.10.27/opinion/27friedman.html](http://select.nytimes.com/2006.10.27/opinion/27friedman.html)

<sup>421</sup> Marc Grossman, "Bati'yı Bir Arada Tutan Komünizm Tehditi'nin Yerini Ne Alacak?", *Turquie Diplomatique*, (March 2011), pp. 18- 19

<sup>422</sup> Chomsky, 2007, pp. 104- 105

<sup>423</sup> Michael Klare, *Kan ve Petrol*, (İstanbul: Marka Yayınları, 2006), p. 168

<sup>424</sup> Engdahl, p. 379

The fears of the the U.S as the world hegemon is not baseless, since when the hegemonic powers rised for some time period, later on, they have encountered disintegration, thus a similar future would await the U.S. <sup>425</sup> In the post- Second World War period, the U.S became aware of the situation that European countries were constantly strengthening and even surpassing the U.S in some areas. Given this reality, the way<sup>426</sup> to maintain Europe’s dependence on the U.S can be possible with being in charge of the management of Europe’s oil, since the European states are highly dependent on oil. <sup>427</sup> Thus the dependence on oil is a determinative factor for European countries partnership with the U.S, even the reason behind the European powers’ support for the U.S in the case of Iraqi invasion resulted from its dependence. <sup>428</sup>

In line with the fear of losing the hegemonic nature, it is essential to assert that the U.S is not the first hegemonic power of the world system. While the hegemon is very powerful, it is alsovery susceptible to receiving damages, because the power and success creates a “blinding effect”.<sup>429</sup> In this sense, while the allies of the hegemonic power could be able to gain advantages from the bipolar world system since this order has given them maneuverability, in the post-Cold War era’s unipolar order, the hegemon, the U.S, did not feel the need of compromising with allied countries any longer since any compromise or contention would curtail its freedom of action.<sup>430</sup> On the other hand, by the end of the Cold War, the U.S’s perception of threat has also changed and Bush administration defined the trilogy of Iran, North Korea and Iraq as the “Axis of Evil”. Thus, these three countries replaced the place of Soviet Union which was described as Empire of Satan by the Reagan administration.<sup>431</sup> However, while in the 1950’s and 1960’s the U.S succeeded in getting the hostile

---

<sup>425</sup> Giovanni Arrighi ,”Hegemonya ve Sistem Karşıtı Hareketler” in *Modern Küresel Sistem* ed. by Immanuel Wallerstein, ( İstanbul; Pınar Yayınları, 2005) pp. 129- 130

<sup>426</sup> In this context, including the Marshall Plan, the U.S has strived to move Europe from coal to petroleum and therefore, to increase Europe’s dependence on the U.S which controls Europe ( Noam Chomsky, 2007, p. 101)

<sup>427</sup> Chomsky, 2007, p. 101

<sup>428</sup> Hinnebusch, p. 303

<sup>429</sup> Immanuel Wallerstein, *Amerikan Gücünün Gerileyişi*, (İstanbul: Metis Yayınları, 2004), p. 181

<sup>430</sup> Hinnebusch, p. 285

<sup>431</sup> Engdhal, p. 313

administrations<sup>432</sup> under control with minimum use of force, this has begun to change in the 1970's.<sup>433</sup>

Furthermore, in addition to the role of the hegemon in the international scene, within the scope of the hegemonic stability discussions, Zizek makes an assertion which is distinct to the mainstream. According to his argument, rather than being a global hegemon, the U.S acts more as “a nation-state pursuing its own interests”.<sup>434</sup> In this regard, John A. Hobson takes it a step further and asserts that the hegemon (in his words, the empire) of the world acts not with the motivation of the national interests but in line with the interests of the classes as the military class, the capitalist class or the bureaucratic class etc.<sup>435</sup>

At this point, although the main motivation factor for the hegemon for preserving its position could be different, it would not be wrong to assert that its desire for keeping its hegemonic position is out of discussion. Moreover, eventhough the end of Cold War is evaluated as the sole event that damaged the hegemonic character of the U.S; the Vietnam War, the 1968 Revolutions, the fall of the Berlin Wall in 1989 and lastly the attacks of September 11, 2001 have also weakened its hegemony.<sup>436</sup> For the scope of this study, “hegemonic stability theory” is important since there are solid arguments that construct links between the hegemonic nature of the U.S and the Iraq war. More precisely, as Hinnebusch indicates, while the invasion of Iraq is related to U.S's desire to play the role of the “world hegemon”,<sup>437</sup> oil rests at the heart of the discussion of hegemony concerning the role of hegemon in international system.

---

<sup>432</sup> “These administrations are Iran 1953, Guatemala 1954, Lebanon 1956, the Dominican Republic 1965, Chili 1973.” Please see: Wallerstein, 2004, p. 181

<sup>433</sup> *ibid*, p. 181

<sup>434</sup> Zizek, p. 27

<sup>435</sup> Taner Timur, “ “Küreselleşme” den “İmparatorluk” a 11 Eylül: Dönüm Noktası mı?” , *Praksis*, Vol.7, (2002), pp. 213-224, <http://www.praksis.org/files/007-10.pdf>, pp. 213- 224

<sup>436</sup> Wallerstein, 2004, pp. 19- 31

<sup>437</sup> Hinnebusch, p. 283

#### 4.2.2 Notes on the Democracy Argument of the U.S in the invasion of Iraq

The coupling of wealth and democracy is a longstanding matter of debate for intelligentsia, intellectuals and academics since the time of Aristotle.<sup>438</sup> For the case of oil producing countries, the “social contract” is different from the other countries and these states promised to ensure economic security to their people in return for enjoying political autonomy.<sup>439</sup> Thus, since the economy revolves around the oil sector, the relationship between wealth and democracy differs from the general tendency as well. Moreover, for the dichotomy of the oil wealth and democracy emerged in the context of the Middle East, because as communities do not give consent to controlling of their natural resources by the foreign countries, for years, there has been a need for authoritarian rulers who could keep the society under control.<sup>440</sup> This has been apparent in the case of Iraq too.

On the other hand, the correlation among wealth, democracy and culture is also a matter of discussion.<sup>441</sup> Concerning this matter, as Huntington asserts, culture, beliefs and values and their relationships with the democracy are also deterministic elements, so the dependence on oil as single source of wealth is not sufficient to explain the existence of the authoritarian regimes by neglecting the significance of cultural and historical nature of the countries.<sup>442</sup> In line with this argument, Huntington emphasizes that Islam does not accept a differentiate between “religious community and political community”, even though, regarding this issue, Gellner explains numerous aspects of Islamic culture which are adaptable to modernization and so from this point of view, Islam is in an accord with democracy. Placing the culture thesis at the one side, Huntington also underlines that economic development is also important for consolidation and maintenance of democracy .Thus, it would be

---

<sup>438</sup> Rex Brynen, Bahgat Korany and Paul Noble, “Theoretical Perspectives on Arab Liberalization and Democratization” in *Political Liberalization & Democratization in the Arab World, Volume 1, Theoretical Perspectives*, ed. by Rex Brynen, Bahgat Korany and Paul Noble (Boulder: Lynne Rienner Publishers, 1998) , p. 14

<sup>439</sup> Brynen, Korany and Noble, p. 15.

<sup>440</sup> Phyllis Bennis and Denis J. Halliday, “Irak Yatırımlarının Etkisi ve ABD Politikası” in *Kuşatma Altında Irak: yatırımların ve savaşın ölümcül etkileri* ed. by Anthony Arnone, (İstanbul: Everest yayınları, 2001) , p. 62

<sup>441</sup> Brynen, Korany and Noble, pp. 14- 16

<sup>442</sup> *ibid*, pp. 14- 16

appropriate to mention that a correlation exists between democracy and economy.<sup>443</sup> In this sense, World Bank World Development Report of 1990, scheme of “Observing the High and Medium-income Non-democratic Countries”<sup>444</sup> indicated that level of GNP per person (1988) in Iraq placed the Iraq in the class of high-medium income group which has range of scores is \$500 to \$2200, still the consolidation and functioning of the democracy and the democratic institutions are weak for many aspects in the state. By this result, Huntington expresses that economy and culture confronted with each other and with reference to this data, it would be pertinent to put the culture thesis forward.<sup>445</sup>

In the era of globalization, the transformation discussions also come up concerning wealth and democracy. In this regard, while intellectuals like Culhaoğlu regards liberal democracy as contradictory with the democracy in real terms since the inequalities of the economic system could not serve for the democracy.<sup>446</sup> In the same vein, concerning the relationship between the democracy and economy, from the citizenship point of view, as Corm expresses, in the era of globalization, the “consumer citizen” takes the place of the understanding of “political citizen” that was formed by Greek tradition or modern revolutionist examples. As a result of this change of understanding, the freedom of citizenship on an political level today and the free circulation of consumption goods are confused with each other.<sup>447</sup> Therefore the consciousness of the people is equally important to differentiate the real democracy and rights, in other words, possession of the sufficient revenue from the wealth distribution is not enough for the democracy, but it is a prerequisite. On the other hand, there are also arguments that draws positive image, in this sense, as Fukuyama indicates that economic development arising from globalization would constitute a middle class and this middle class would bear a potential for contributing to the creation of democracy.<sup>448</sup> Similarly, the emphasis is generally on the well-

---

<sup>443</sup> Larry Diamond and Marc F. Plattner, *The Global Resurgence of Democracy*, ( Baltimore :Johns Hopkins University Press, 1993) , pp. 41- 49

<sup>444</sup> *ibid*, p. 50

<sup>445</sup> *ibid*, p. 50

<sup>446</sup> Metin Çulhaoğlu, “Kapitalizm ve Demokrasi: İlişki ve İlişkisizlikler Üzerine Bir Deneme” , *Praksis*, Vol. 10, pp. 93-103, <http://www.praksis.org/files/010-04.pdf>

<sup>447</sup> Corm, pp. 163- 164

<sup>448</sup> Steger, p. 149

being of the people in discussions on the democracy for the case of Iraq with a belief that if a middle class could be able to emerge following the rise in living standards of Iraqi people, that would break the power of already consolidated communities which are dominant in decision making process of the politics and economy of Iraq<sup>449</sup> and so would pave the way for formation of the core units of the democracy. In the light of these discussions, it would not be wrong to say that both the troubles and remedies of democracy are in a close relation with wealth.

Considering the invasion of Iraq in 2003, the U.S's argument of democracy is worth to consideration to comprehend whether the U.S is hesitant concerning the spread of democracy or on the contrary, it aspired for the spreading the democratic system. Eventhough throughout the history, the U.S repeated its commitment on democratic regimes and while with the collapse of the Cold War order this time, the U.S raised its commitment on liberal order; " a Pax Americana, based on the ideology of democracy bolstered by free markets"<sup>450</sup>

There are some arguments that indicate the reasons behind the hesitation of the U.S. According to these, the U.S is pleased with the absence of the democracy in the countries which are deprived of the means and institutions of democracy since the existence of democratic elections have always bear the risk of escalation of anti-American administration to the power. <sup>451</sup> Harvey illustrates this argument with the example of the Mossdaegh regime; which was overthrown in 1953 in Iran by disregarding the democratically elected nature of the Mossadegh government and placing the Shah of Iran to the governing position. In that respect, the democarcy argument of the U.S is regarded as contradictory since " only democratically elected governments of a certain sort that will be tolerated" . <sup>452</sup>

---

<sup>449</sup> Scott Ritter and William R. Pitt, *Irak'a Savaş Bush Yönetiminin Bilmenizi İstemediği Gerçekler*, (İstanbul: Metis Yayınları, 2002) , p. 17

<sup>450</sup> Atif Kubursi, 'Oil and Global Economy' in *Iraq War: Causes and Consequences*, ed. by Rick Fawn and Raymond Hinnebusch, (Boulder, Colo. : Lynne Rienner Publishers, 2006), p. 253

<sup>451</sup> Zizek, p.27

<sup>452</sup> David Harvey, *The New Imperialism*, ( Oxford; New York : Oxford University Press, 2003), p. 9

Furthermore, regarding the discussions towards spreading democracy, there are also claims that majoritarian administration is not desired model of democracy in Iraq in the prospective regime in the aftermath of the 2003 invasion. Because considering the commitment of the Shiites as a majority, if they raise to power under majoritarian democracy that would increase the power of Iran that is regarded against the interests of the US, since Iran already occupies an significant position in management of petroleum under current circumstances.<sup>453</sup> In that respect, since US was cautious to the majoritarian model of democracy with caution, there are also arguments that the goal of the U.S is to establish a democracy similar to the democracy model of Lebanon in Iraq, with imposition of this kind of model; it foresees official jobs being distributed in line with ethnic groups and sects, which would cause development of a system with various problems.<sup>454</sup> In line with the arguments which imply that US embraces only certain democratic structures, when the issue comes to the discussion of whether globalization will contribute or not to the spread of democracy throughout the world, as Steger claims, although the contribution of globalization could be correct in some aspects, this type of democracy ,which does not emerge from internal dynamics, would be democracy of “low density, structural and elitist”. Furthermore, installing certain elements of democracy to the system will not mean that democracy in full sense has been consolidated.<sup>455</sup>

On the other hand, there are also numerous events that indicate the desire of the U.S for spreading democracy. In this sense, Huntington questions whether it would be possible or not to mention a “global democratic revolution” which would “one day reach all countries of the world” in the 20th century.<sup>456</sup> In response to this question, prior to the outbreak of September 11 events, the call for democracy had begun to raise from diverse groups all around the world; from students, organized workers and the middle class all around the world. However, with the incident of 9/11, the efforts for establishing an alternative and democratic system were hampered. Instead

---

<sup>453</sup> Ritter and Pitt, p. 16

<sup>454</sup> Chomsky, 2007, p. 95

<sup>455</sup> Steger, p. 150

<sup>456</sup> Diamond and Plattner, p. 31

of the claims for democracy, the military-industrial block's priorities gained higher voice in the policies concerning the Middle East. <sup>457</sup>

Although there are criticism for the US's democracy perception and the means that it choose to spread the democracy, still the necessity of the democracy is out of question and it is widely accepted that consolidation of democracy is the sole solution to the existing problems which is in the simplest sense means "acknowledging the interests, ideologies and statements of the majority". <sup>458</sup> Although this is the definition of the democracy as it should be, when examining how authoritarian regimes developed and gained power in the historical context, the consolidation of democracy bears difficulties in itself. In general, the existence of a single party which has positioned itself subsequent to the independence after the years under foreign sovereignty, it is widely seen that these regimes eliminated the rival voices in the system <sup>459</sup> Within such historical and political atmosphere, under the regimes where the diverse ethnic and religious groups exist as in the case of Iraq, as Linz points out, there is a paradox considering the right to determine their own destiny, since it was given to all cultural communities and this is a democratic right, but in practice, it could create results which is not in accordance with democracy . Because these groups , whose sense of loyalty to the state are weak, do not desire to raise their voices within a democratic system, instead they would seek independence. In this sense, such paradox also exists for the Kurdish communities of Iraq. While the existence of communities of this kind forms the basis of the conflicts, as a consequence , these conflicts lead the authoritarian structure of the state to strengthen and undemocratic practices and methods to spread within the regime. At this point, it is clearly obvious that, the existence of the right to vote does not mean that political participation and a well functioning democracy, thus, it also does not correspond to existence of social integration. <sup>460</sup> These discussions should bear in mind in the election and the constitution making process of the country of Iraq in the post-invasion period.

---

<sup>457</sup> Casanova, pp. 144- 148

<sup>458</sup> Zizek, p. 96

<sup>459</sup> Juan J. Linz, *Totaliter ve Otoriter Rejimler*, (Ankara: Liberte Yayınları, 2008), p. 154

<sup>460</sup> *ibid*, pp. 219- 220



In light with these arguments, while the difficulty of the consolidation of democracy in countries like Iraq is widely accepted due to mentioned reasons, at this point, the “constructive instability” argument of the neo-conservatives comes forth which foresees that democracy could be established after the instability that of the 2003 invasion, they backed their argument by pointing out that the other means of the reaching democracy is difficult in such traditionally authoritarian countries.<sup>461</sup> Thus the constructive instability would contribute to the establishment of a democratic system.

### **4.3 The Causes of Invasion of Iraq in 2003**

Three general beliefs prevail regarding the U.S invasion of Iraq: Firstly, as it has been mentioned earlier, the intervention taking place with the purpose of spreading democracy, secondly the aim of strengthening the US hegemony and lastly the desire of holding of the control of Iraqi oil reserves. At this point, it should be noted that these three perspectives are intertwined with each other <sup>462</sup>

In line with the last perspective which is the point of interest of this study, based on the public research that is held in University of Maryland; Chomsky indicates that 95% of the population of the region believes that there exist two motives behind the invasion of Iraq. While the first of these is controlling Arab oil, the other is supporting Israel on the Philistine Issue as it has been the case since 1948 and actually the close relationship between these two is incontestable. <sup>463</sup> Thus, at this point, it is pertinent to probe into this issue further.

The first cause put forward is about the existence of the weapons of mass destruction. Eventhough paradoxically the U.S<sup>464</sup> and Britain, which are two leading figures of intervention of Iraq, are also coming at the forefront in terms of armament,

---

<sup>461</sup> Chomsky, 2007, p. 96

<sup>462</sup> Zizek, pp. 9- 11

<sup>463</sup> Noam Chomsky, *Müdahaleler*, (İstanbul: Bgst Yayınları, 2008), pp. 56- 57

<sup>464</sup> “US nuked to Japan with the atomic bomb in 1945.” Please see: Wallerstein, 2004, p. 184

while one of the forefront reasons behind the invasion of Iraq was the existence of weapons of mass destruction in territories of Iraq. Chronologically, following the U.S' becoming a nuclear power, Soviet Union, China, Korea, Pakistan and India also leaned towards nuclear armament, then the wave of nuclear armament spread to Middle East and Iran, Iraq and Israel were also became actors with high nuclear capacity .<sup>465</sup>

Regarding the argument of the existence of weapons of mass destruction, criticisms gave raised concerning the timing of the intervention of Iraq. According to these arguments, if Saddam had intervened in the course of the Halabja and Anfal incidents or immediately after them, it would have been more persuasive to claim that this intervention took place due to weapons of mass destruction, but on the contrary, the Reagan and Bush administrations have chosen to support Iraq against Iran while Saddam was exercising chemical weapons on his people. <sup>466</sup>Even, in the time when chemical weapons were used against the Kurdish community in Halabja, northern Iraq and against communities on the Iranian border, the sales of chemical weapons continued with the approval of the U.S Ministry of Commerce. <sup>467</sup>

Apart from the criticisms concerning the timing of intervention, another point is Resolution 687 of the U.N which foresaw the continuation of enforcements (Oil for Food Programme) until the time when destruction of all weapons of mass destruction has done. However even though as a result of implementation of the enforcements, it is indicated that functionality of chemical, biological and nuclear weapons armament program no longer exists.<sup>468</sup>. Since things have changed over time from the starting point and upon the suggestions of the U.S, the enforcements have been foreseen to continue until occurrence of regime change, in other words, until the regime of Saddam is overthrown.

---

<sup>465</sup> Wallerstein, 2004, p. 184

<sup>466</sup> Chomsky, 2008, pp. 38- 48

<sup>467</sup> Bennis and Halliday, p. 40

<sup>468</sup> Ritter and Pitt, pp. 9- 15

On the other hand, the Resolution 687 anticipates the elimination of weapons of mass destruction not just for Iraq, but for the entire region. In other words, even if it foresees the removal of nuclear weapons of the Middle East, the nuclear capacity of Israel has been ignored.<sup>469</sup> Under these circumstances, when the U.S and his allies put the weapons of mass destruction to the table, Blix Team reported to the Security Council on January 29<sup>th</sup> which indicates the absence of nuclear weapon, although just after, another team formed by Bush administration. The team of Bush put forward counter argument by asserting that weapons were hidden in mobile vehicles.

470

The second cause that put on the table is about the argument of the “clash of civilizations”. The thesis of civilization also traced the invasion of Iraq apart from oil; at this point, as the “father” of this argument Huntington puts forth; the source of struggle in the new world would not be based on ideology and economy, but on culture.<sup>471</sup> In order to make this claim understandable, he depicts the chronological changes the point of contentions; chronologically “while monarchs have sought the ways for extending their territories since the Peace of Westphalia, nation-states came up after the French Revolution and emanation of communism after the First World War had led to the emergence of ideologies of liberal democracy and fascism.” In the flow of time, following the end of the Cold War, Huntington claims that the separation between western and non-western civilizations<sup>472</sup> emerged and this dichotomy has been the matter of debate from then on.<sup>473</sup>

According the thesis of the “Clash of the Civilizations”, Huntington states that civilization is differentiated in history, language, culture, tradition and most

---

<sup>469</sup> Bennis and Halliday, p. 40

<sup>470</sup> Anirudha Gupta ” Iraq, US and Europe : Emerging Themes”, *Economic and Political Weekly*, Vol. 38, No. 10, ( 2003), p. 947

<sup>471</sup> Samuel Huntington , “Medeniyetler Çatışması”, *Doğu Batı Düşünce Dergisi*, Yıl:10, Sayı:41, (2007) , pp. 83-109

<sup>472</sup> “Huntington primarily mentions about eight civilizations: the West, Confucius, Japan, Islam, and civilizations of India, Slav-Orthodox, Latin America and Africa” (*ibid*, p. 86)

<sup>473</sup> *ibid*, p. 84

importantly in religion. More importantly, these differentiations are regarded as much deeper than the differences of politics and ideology or political regime.

The argument of “Clash of the Civilizations” is in close relation with the globalization discussions, since while the nation state has weakened with globalization process, the interaction between different cultures has increased hence ,as Huntington indicates, this has caused a divergence from local identities. Thus, in order to fill this gap, the emphasis on religious elements has increased and fundamentalist actions have spread and strengthened, while religion assumed a unifying role once again. Furthermore, as Huntington states, these differences in terms civilizations on a “macro level will turn into military and economic rivalry” between the states that belong to different civilizations.<sup>474</sup> However, in response to Huntington’s thesis in 1993, Said emphasizes that the West has been influenced by the “humanism, science, philosophy, sociology and historiography of Islam“, which can not be overlooked.<sup>475</sup> Accordingly, the impossibility of drawing a border between the civilizations is underlined.<sup>476</sup>

Radical Islam and the Al- Qaida connections of the Iraqi state were set forth as the third cause behind the invasion of Iraq. The U.S has encountered with confrontations from the Arab nationalism subsequent to the Suez Crisis while the Islamic resistance came to the fore in pursuit of the Iranian Revolution.<sup>477</sup> In terms of the issue of the Arab and Iraqi nationalism, historically the secular Arab nationalism has been in contention with the colonialism and Israeli state respectively. Hence these contentions have weakened the determination of Arab nationalism.<sup>478</sup> Moreover, in its historical evolution, the lack of adaptability of modern nationalism with the territories designated according to priorities of the foreign powers in the wake of the First World War also discouraged the intellectuals of Arab nationalism. Thus, the implementation of these policies and political practices damaged the determination

---

<sup>474</sup> *ibid*, p. 89

<sup>475</sup> Edward W. Said, “Huntington’a Cevap, Cehaletin Çatışması”, *Doğu Batı Düşünce Dergisi*, Yıl: 10, Sayı: 41, (2007) , p. 114

<sup>476</sup> Noam Chomsky, *11 Eylül*, (İstanbul: Om Yayınevi, 2002) , pp. 65- 66

<sup>477</sup> Kubursi, pp. 253- 254

<sup>478</sup> Corm, p. 138

and the motivation of the secular Arab nationalism so their contributions to the discussions of political Islam discussions have been eliminated by this way.<sup>479</sup>

It is pertinent to begin with the story of the emergence of the Al- Qaida; in the early 1980's, the U.S, with the assistance of Saudi Arabia, Britain and the support of the Pakistani intelligence service, had gathered and trained the Islamist groups against the Russians who had invaded Afghanistan. However, Bin Laden with his radical fundamentalist discourse has benefitted from this situation to a large extent,<sup>480</sup> since he has been in prominent position in operations of the Al- Qaida in Afganistan which were partially financed and backed by US against the Soviet Union.<sup>481</sup>

In order to understand the reasons of confrontation between the Al- Qaida and the U.S, it is appropriate to touch on number of points. Following the Operation Desert Shield,the presence of troops of the U.S in Saudi Arabia<sup>482</sup> and permission of the Saudi regime to the existence of U.S on its territories were some of the reasons grinding Al-Qaida against the U.S.<sup>483</sup> While on the other hand, there are also assertions that the US's positioning on the side of Israel in question of Philistine has also been influential in the hostility of Al-Qaida.<sup>484</sup> I should be noted here that the September 11 events were not the first attack of Al-Qaida; The bombing of the SANG headquarters in 1995 in Riyadh; the attacks made against the American embassies in Nairobi ,Kenya and Tanzania in 1998; the attacks against USS COLE in Yemen in 2000 and eventually, the attacks against the World Trade Center (New York) and the Pentagon (Washington) formed the list Al- Qaida's attacks.<sup>485</sup>

In light of these arguments, even though the invasion of Iraq was presented as struggle against religious fundamentalists, there are also arguments that with its

---

<sup>479</sup> Corm, p. 139

<sup>480</sup> Chomsky, 2002, p. 65- 66

<sup>481</sup> Hinnebusch, p. 290

<sup>482</sup> "While Saudi Arabia is the main petroleum supplier of the US, at the same time it has a very important position with its capability to increase the production of oil during periods of crisis. Due to this characteristic, Saudi Arabia has received aid from the U.S in its internal and foreign security within the framework of the cooperation agreements concluded with the U.S." (Chomsky, 2002, p. 11)

<sup>483</sup> Klare, p. 70

<sup>484</sup> *ibid*, pp. 70- 71

<sup>485</sup> *ibid*, p. 71

secular structure, Iraq is far from having the religious fundamentalist nature. In line with this argument, it is argued that the prominent leader of Iraq, Saddam did not wage any war for the sake of religion, on the contrary, only made interventions from time to time to neighboring countries, Iran, and Kuwait with the motivations of financial gains.<sup>486</sup>

In the light with these arguments, since it represents the climax point of the contention of the Radical Islam with the U.S, 9/11 events count as the fourth cause behind the invasion of Iraq. September 11 is the date of the attacks that made against the World Trade Center in New York which was followed by the attack on the Ministry of Defense in Washington DC Pentagon in 2001.<sup>487</sup> The definition of terrorism that exists in the documents of the U.S is “the calculated use of violence or threat of violence to attain goals that are political, religious, or ideological in nature”; in line with this description, September 11 attacks are recognized as the terrorist attack in the full sense. In the aftermath of the events, Laden has accepted that attacks were counter to the symbols of globalization.<sup>488</sup>

There are some arguments that the U.S has been aspiring for keeping the control of petroleum in its hands, it has turned a blind eye on the cruelties inflicted by rulers of the Middle East upon their people and so, it lost its prestige in the eyes of people of the region. In this sense, September 11 events became the symbol of the ascendance of anti- Americanism.<sup>489</sup> However, there are also criticisms against the arguments that explain the causes of September 11 events by referring the U.S, since, in the words of Butler, “fingering the U.S as the one that having role in all of the activities is just the other way for expressing the US’s almightiness”.<sup>490</sup>, eventhough the relationship between Laden and the CIA was known in the 1990’s<sup>491</sup>

---

<sup>486</sup> Zizek, p. 22

<sup>487</sup> Steger, p. 172

<sup>488</sup> *ibid*, pp. 172- 182

<sup>489</sup> Chomsky, 2008, p. 35

<sup>490</sup> Judith Butler, *Kırılğan Hayat, Yasın ve Şiddetin Gücü*, (İstanbul: Metis Yayınları, 2005), pp. 25- 26

<sup>491</sup> *ibid*, pp. 25- 26

Subsequent to the September 11 events, the U.S has lost its privileged position. For years, while the U.S has been intruding into the other states, it has maintained its particular position as a state whose borders have not surpassed by other countries of the world. However, this privileged condition has come to an end with September 11 events since those mattered a lot for the U.S.<sup>492</sup>

Therefore, after the outbreak of September 11 events, the sentiment of patriotism has been revitalized in the U.S<sup>493</sup> and the state has begun to strengthen in every respect in the U.S<sup>494</sup> Therefore the Bush administration have found adequate causes to land on<sup>495</sup> Iraq with a belief that such kind of interference would be an element of deterrence for displaying what the consequences would be of standing against the U.S. <sup>496</sup> Together with strengthening of the patriotic sentiments and the power of the state, on the other hand questioning whether the “imperialism”, which fell into disgrace subsequent to the Soviet Revolution in early 20th century, have been rebuilding its reputation, or not in the epoch of post-September 11 <sup>497</sup> is worth to consideration.

In detail, throughout the history when the governments were not able to overcome the problems of domestic politics, they became more inclined to embark on adventures in their foreign policies and these embarkings generally occur with the creation of the threat perception among its people about a particular country, figure or an ideology. Thus, since the U.S has been passing through severe recession in early 2000s which coincides with 9/ 11, the combination of these two led US to pursue harsh policy against Iraq. <sup>498</sup> Since the U.S attached such high priority to

---

<sup>492</sup> *ibid*

<sup>493</sup> Steger, p. 177

<sup>494</sup> Butler, pp. 53- 54

<sup>495</sup> “ However, even though state gained strength, the U.S cannot achieve victory in its war against terror without eliminating two important facts. The first of these elements is the existence of paramilitary groups who have close relations with *military-industrial* circles and their “low density state of war”. The second is the problem of poverty created by neo-liberal policies.” Please see: Casanova, p. 137

<sup>496</sup> Chomsky, 2008, p. 47

<sup>497</sup> Timur, pp. 213- 224

<sup>498</sup> Harvey, pp.12- 13

region and the flow of the oil from there, the U.S has seen no wrong in implementing unilateral interference to Iraq.<sup>499</sup>

At this point, it is appropriate to question which factor dissociate the US from “soft power” policy.<sup>500</sup>In the U.S’s official discourse, the weapons of mass destruction were alleged to be possessed by Saddam and his contacts with Al-Qaida<sup>501</sup> formed the answer to this question. When the auditors of the UN declared that weapons of mass destruction do not exist and considering the emphasis on Iraqi contacts with Al-Qaida is a blurry.<sup>502</sup>, the oil argument once again comes forth as the leading motive behind the invasion of Iraq.

#### **4.4. Oil as the silent cause of the Invasion of Iraq**

The commodity of oil has still maintained its central role in the energy sector, while considering the profitability and the accessibility of the energy resources; discussions continue on the shortage and scarcity of natural gas and hydroelectricity; the costs of renewable energies like wind and solar; the damages of coal to the environment and the risks of the nuclear energy.<sup>503</sup> Oil as a commodity occupies such core position since while the access to cheap oil is regarded as the locomotive element of economic development and growth, at the same time, it meant for individuals the preservation of the existing lifestyle.<sup>504</sup>Based on the Annual Energy Report of the 2004, while average consumption in the U.S equaled daily 19.7 million barrels, the report declared that this amount is in tendency to increase approximately 50% in 2025 and would almost reach 30 million barrels. (28.3 million) However, contrary to this projection, since the maximum level (the peak level) in internal production has

---

<sup>499</sup> *ibid*, pp. 19- 24

<sup>500</sup> Abe Greenwald, “The Soft-Power Fallacy”, *Commentary*, Vol. 130, Issue 1,(2010), pp.75-80

<sup>501</sup> Nafeez Mosaddeq Ahmed , *Behind the War on Terror: Western Secret Strategy and the Struggle for Iraq* , (Gabriola Island : New Society Publishers, 2003), pp. 1- 7

<sup>502</sup> Enghdal, pp. 361- 362

<sup>503</sup> Klare, p. 21

<sup>504</sup> *ibid*, p. 10



been reached in the US in 1972, the need for imported petroleum has also gradually increased due to consumption patterns.<sup>505</sup>

In detail, among the reports who concluded that oil reached its peak point or got close to it, the report of the important geologist Colin J. Campbell from the English Oil Depletion Analysis Center comes forth. In the Campbell' Report, while it is indicated that the turning point for oil could be the year of 2010, it draws attention to the fact that 40% of world energy requirement is provided by oil. On the other hand, the report underlines a striking point that subsequent to the year of 2005, more energy consumption being needed to drill a barrel of oil which will be more than the energy obtained from a barrel of oil. Therefore, in the light of these information, Campbell emphasizes that the Middle East cannot be ignored, since the cost of discovering and drilling petroleum is relatively very low.<sup>506</sup> Moreover Iraq's importance also raised with this calculation since the cost of drilling is discovering is one of the lowest of the region.

Keeping the central role of the oil and the depletion of the world reserves under consideration, The United States Central Command (CENTCOM) was established in 1983, it was assigned as the head office for the military operations conducted in Basra, Iraq and Afghanistan, while at the same time, it possessed the authority to command the land, air and sea powers within the U.S's area of responsibility.<sup>507</sup> Later on, the CENTCOM's main area of duty became clear with the Carter Doctrine in 1980 while the doctrine defined the main interest of the U.S as guaranteeing the shipping of oil from the Persian Gulf.<sup>508</sup>

In addition to acquiring the control of the lands where oil is located, another desire of the U.S is concerned with oil prices that were aimed not to decrease to the low level. In parallel with this purpose, in the pre-invasion period, keeping the Iraqi oil outside the market has emerged as a "rational" option, because if prices increase too much,

---

<sup>505</sup> Klare, p. 30- 31

<sup>506</sup> Enghdal, pp. 367- 370

<sup>507</sup> Klare, pp. 14, 15

<sup>508</sup> *ibid*, pp. 14- 16

producers of the U.S would have economic difficulties, while on the other hand, petroleum producers will be damaged if the prices fall substantially. Thus these double-edged predictions are significant in displaying how important it is to maintain prices at certain equilibrium.<sup>509</sup> Since not only uninterrupted access to petroleum in demanded amounts, but also access to petroleum at a reasonable price is crucial, the significance of the Gulf producers comes to the agenda once again, since these countries have the capacity to maintain petroleum prices at equilibrium.<sup>510</sup> Moreover, in the advance of the invasion, the U.S was also disturbed with the existence of French and Russian oil companies which were active in Iraq. Thus, if oil from Iraq was to cease to flow for some time, that would also deprive these French and Russian companies of their roles in the production of Iraq which was regarded as in conformity with US interests.<sup>511</sup> In that sense, while numerous countries as Russia, China, France and Germany openly stood against the invasion of Iraq, even without the approval of the UN Security Council, the US was encouraged for the invasion of Iraq with the support of Britain (Blair administration), Portugal, Spain, and Poland. At this point, it is important to note that behind Russia's reservation for the invasion decision, the long-term (for the period of 23 years) contract of Russian originated Lukoil for management of petroleum that made in time of Saddam for the field of Western Kurna could be effective. Similar to Russia, the companies of China and France also reached several agreements with the Saddam regime<sup>512</sup> and so were cautious to the invasion of Iraq.

In this sense, although the U.S has been the leading figure of the international political and economic scene, European Union also occupies a significant position with its similar desire to guarantee the uninterrupted flow oil with a reasonable price. Even though countries of European Union have failed to go beyond only being an ally of the U.S in its policies pursued in the international arena,<sup>513</sup> the difficulty of creating alternatives to the policies of the U.S occurred due to the concern of whether a greater disorder ,greater than today, post-9/ 11 period, would arise in situation

---

<sup>509</sup> Chomsky, 2008, pp. 56- 57

<sup>510</sup> Klare, p. 95

<sup>511</sup> Bennis and Halliday, p. 62

<sup>512</sup> Engdhal, pp. 360- 361

<sup>513</sup> Corm, p. 146

different than today. This anxiety leads to dependence of both the European and the Middle East actors on the ongoing international order that is dominated by the U.S <sup>514</sup> On the other hand, for the same issue, the prudence of Europe in approaching the issue of war with Iraq, also resulted from societal components of the European countries, thus the existence of Muslim population led them to behave cautiously as well.<sup>515</sup>

However, on the contrary, there are also arguments that express the stance of Europe with the economic concerns, rather than cultural ones <sup>516</sup> Thus the root cause behind the European stand against the US pre-emptive attack on Iraq can be the existence of vast oil reserves of Iraq and the reality of the depletion of the operating oil reserves all around the world. <sup>517</sup> At this point it is pertinent to touch upon the importance of the oil to the European countries. Following the fall of the Berlin Wall in 1989, European Community led by France, Italy and Holland declared its energy security strategy and this was regarded as an important step for the European Union. In addition to this initiation, formation of a European Energy Union in June 1990 during the EC Summit which aimed to connect the former Soviet Union territories to Europe also represented a significant step for the European Economic Community. As the next step, with the Energy Charter Treaty, a legal basis was established on the territories of the Soviet Union in 1992 for the prospective investments of the European Community (EC) and in 1995, the Interstate Oil and Gas Transportation to Europe (INOGATE) Programme was initiated as a new measure for the security of energy flow. The INOGATE programme defined reaching the reserves of the Caspian Sea as the primary purpose. By means of this project, EC countries would be able to access the energy resources existing outside the control of the U.S and Russia. Moreover, since it was an important step for diversification, it provided independence to EC countries from Middle East oil to some extent <sup>518</sup> In addition to INNOGATE programme, the implementation of the

---

<sup>514</sup> *ibid*, p. 156

<sup>515</sup> Edward Said, "Europe versus America", *Al-Ahram Weekly*, (12- 20 November 2002), Issue No: 612, <http://weekly.ahram.org.eg/2002/612/op2.htm>

<sup>516</sup> Zizek, p. 38

<sup>517</sup> Gupta, p. 948

<sup>518</sup> Engdhal, pp. 340- 345

Baku Tblisi Ceyhan petroleum pipeline project, with support of the U.S was also a significant initiative both for preventing the spread of Russian dominance in the region and also for taking the opportunity to access oil in the Caspian region and the Central Asia. Thus Baku- Tblisi- Ceyhan project is as equally important for the U.S and Europe due to its contribution for diversity of energy resources.<sup>519</sup> However, even though the implementations aiming to diversify the energy sources ‘ country of origin was crucial for both parties, the partnership between the European powers and the U.S is not confidence inspiring any more.<sup>520</sup> Since both the U.S’s hegemonic stance and the competition between these two parties, the U.S and the E.U, for access to oil formed lead to lack of confidence.

In line with the oil argument as the mainspring of the invasion of Iraq, the member of the U.S Cabinet Paul O’Neill has asserted in 2002 that the plan of changing the regime in Iraq goes all the way back to before September 11. His claim predicated on the “Project for the New American Century” (PNAC) prepared by influential Republican group in September 2000. Among the members of the group, predominant figures like Cheney (Vice-president), Rumsfeld (Defense Minister), and Paul Wolfowitz (the successor of Rumsfeld) took place and the names of the countries that forming the trilogy of the, North Korea, Iran, Iraq, alias “Axis of Evil” were declared for the first time.<sup>521</sup>

On the other hand, in 2000, the U.S has experienced difficulty concerning electricity, oil and natural gas and so while due to these difficulties, long term power cuts negatively affected the daily lives of the people of the country and the U.S administration was held responsible of not taking the necessary measures. Under these circumstances, Bush administration faced the necessity to prepare an energy plan. The task of preparing the plan was given to the National Energy Policy Development Group (NEPDG) that was formed under the White House. During the

---

<sup>519</sup> Zbigniew Brezensiki, İkinci Şans Üç Başkan ve Amerikan Süper Gücünün Krizi, (İstanbul: İnkılap Kitabevi, 2008), p. 129

<sup>520</sup> Rick Fawn, “ Central and Eastern Europe: Independent Actors or Supplicant States?” in *Iraq War: Causes and Consequences*, ed. by Rick Fawn and Raymond Hinnebusch, (Boulder, Colo. : Lynne Rienner Publishers, 2006), pp. 86- 98

<sup>521</sup> Engdhal, pp. 352- 355

preparation process of the plan, the Minister of Energy of the time, Spencer Abraham consulted the officials of Chevron, Texaco, Exxon, Mobil and Enron.<sup>522</sup> Although slogans of “protectionism, efficiency and alternative energy“were adopted upon the criticisms received, the only solid suggestion concerning the decrease in dependence on foreign resources was to increase the use of the reserves in Alaska and the other fields.<sup>523</sup>

According to the tenets of this report<sup>524</sup>, while one fifth (1/5) decrease in internal production within the twenty years period following the year of 2000 is foreseen, an increase is estimated by approximately three out of ten (3/10) in consumption; thus total consumption would increase from 19.5 million barrels to 25.5 million. In response to these estimations, in order to meet the increasing energy demands of the industrialized countries Global Energy Data , that published by the Ministry of Energy in 2003, is projected that the producers of the Persian Gulf will be faced with the necessity of doubling their capacities of daily production.<sup>525</sup>

In 2002, a year later than the incident of September 11, the U.S Minister of Energy announced that “energy security is national security”. Identification of the energy security equal to the national security is meaningful, considering the fact that approximately 65 % of the world’s proven reserves are located on the territories of five countries, namely Iran, Iraq, Kuwait, Saudi Arabia and UAE; not only their high reserve capacities but also low internal energy demands of these countries made them indispensable since that these countries can canalize their petroleum production to international markets in a large measure.<sup>526</sup> Within this framework, from the side of Gulf producers, in order to double their productions, it was necessary to overcome several restrictions with taking necessary political, economic, technological and

---

<sup>522</sup> Klare, pp. 73- 76

<sup>523</sup> *ibid*, pp. 76- 77

<sup>524</sup> “Report of National Energy Policy Development Group”,(2001), accessed in September 2011, <http://www.ne.doe.gov/pdfFiles/nationalEnergyPolicy.pdf>

<sup>525</sup> *ibid*, pp. 79- 81

<sup>526</sup> Klare, pp. 83- 94

military measures and while under the current conditions, in 2001, Iraq was able to produce only the amount of 2.5 million barrels of petroleum daily <sup>527</sup>

In that respect, since the U.S would become independent from the consent of the Arab states by acquiring the control of Iraqi oil, controlling Iraqi oil would also provide capacity to devitalize the political and economic clout of OPEC. Thus, that would lead to depotentiate the powers of anti- Israeli regimes of the region.<sup>528</sup> Moreover with its initiation in Iraq, the U.S would gain a position<sup>529</sup> in the middle of the region, by this way; it would be able to keep a tight rein on the politics of the region and on the transit routes of oil.<sup>530</sup>

As it can be seen from these explanations, oil argument is tough; even though there are other factors of motivation behind the invasion which are directly related to the oil issue and also highly worthy of consideration. Hereinabove, these reasons in relation to oil are examined one by one and for the purpose of this study, these parts try to provide why the oil is relatively in a strong position compare to other reasons, by reserving the validity of other arguments as well. While placing the oil issue at the forefront of the causes of invasion on the other hand, it should be noted here that not only handling the control of oil transactions and possessing the capacity to keep a tight grip on the price of oil, but also transforming the country's very nature was counted among the motivations of the invasion, in this regard, probably, one important purpose of the U.S intervention is to draw a parallelism between Iraq and Saudi Arabia.<sup>531</sup> Although there are also arguments that oil is not the cause of the invasion, rather it is a factor which can "alleviate the financial burden on the American Treasury" from the expenses of Iraqi invasion and from reconstruction

---

<sup>527</sup> " However, 1979 has been the year in which production reached a climax level of 3,7 million barrels. Please see: Klare, p. 98

<sup>528</sup> Hinnebusch, p. 296

<sup>529</sup> " Furthermore, in relation to this discussion, there are also arguments that the U.S has formed a "patrolman" state or states in the Middle East, in the past, the role of "patrolman" state was assumed by the Shah administration in Iran and by Israeli state, even Turkey and Pakistan have assumed similar role too. " Please see: Bennis and Halliday, p. 63

<sup>530</sup> Bennis and Halliday, p. 63

<sup>531</sup> Zizek, p. 27

expenditures in the aftermath of the invasion in the case when the U.S choose to wage war against Iraq with other motivation factors.<sup>532</sup>

#### **4.5 The general assesment of the political and economic situation of Iraq in the aftermath of the invasion; the role of oil in reconstrunction**

The perception of the U.S in the aftermath of the 2003 bears similarities with the perception of Britain among the Iraqi society in the course of British Mandate period and afterwards in time of independence in many aspects.<sup>533</sup> In other words, as Le Billion indicates, the foundation of the Iraqi modern state shared the similarities with the post -2003 Iraq in the way of “mix of military dominance, commercial interests and contempt for corrupt Oriental despostism”<sup>534</sup> These three core issues are the ones that shaped the motivations behind the post-2003 period’s governing cliques.

In the aftermath of the invasion, the leading sector of the economy, oil sector was in a bad state and numerous reasons counted for predicament of the oil infrastructure in Iraq: in the first instance, Saddam was blamed for preventing inclusion of the foreign investments in the oil sector and therefore, the discovery of new oil fields was not possible. Following the enforcements, although every six months according the initial provisions that defined by the UN, two billion dollars of petroleum and then with change of the provisions, according to the given permission, unlimited petroleum was sold, but still the revenue received from petroleum were not spent on the recovery of facilities, the discovery of new oil fields and achieving the necessary technological infrastructure by the Saddam regime.<sup>535</sup> As the implementations of Saddam damaged the oil infrastructure, on the other hand , as Bennis and Halliday mention, the petroleum refinery that is located in the Persian Gulf, (due its activities since it believed to be conducting smuggling) was attacked in the course of the Gulf War. They assert that intentional shooting down an economic target is contradictory

---

<sup>532</sup> Hakan Tunç, “ What was it about after all? The Causes of the Iraq War”, *Contemporary Security Policy*, Vol. 26, No.2, ( 2005), pp. 337

<sup>533</sup> Brezensiki, p.157

<sup>534</sup> Phlippe Le Billon, “Corruption, Reconstruction and Oil Governance in Iraq”, *Third World Quarterly*, Vol. 26 Issue 4/5, (2005), p. 690

<sup>535</sup> Klare, p.112

with international law, more importantly the recovery of Iraq was prevented or at least delayed through these kinds of interventions <sup>536</sup>

Under these harsh conditions, at such a time, the invasion of Iraq is broke out on 20 march 2003 (Operation Iraqi Freedom).<sup>537</sup> Subsequent to the invasion of Iraq, wide-spectrum of issues from the inclusion of the foreign investment with possible positive contributions of it, the fate of State Owned Enterprises to the situation of agriculture sector were all taken into the consideration. In line with the prescription of the Geneva Convention (1949), Article 64, as occupying power, in the first instance, CPA bear the authority and responsibility to make necessary changes “ to maintain orderly governing of the territory”. On 13 July 2003, Iraqi Governing Council was formed and all major policy issues were stipulated to the consent of the Iraqi Governing Council, even though the senior advisers of the CPA were closely involved with the final decisions. <sup>538</sup>

Economic reform was the core issue of the Coalition Provisional Authority’s programme. As Paul Bremer indicated “first job of any government is to maintain law and order, third and most immediate priority is the rebuilding of economy”.<sup>539</sup> In the first days of the post- invasion period, CPA benefited from the experiences of Eastern Europe and Central Asia to overcome the difficulties of the transitional stage of the economy.<sup>540</sup> Besides taking the necessary measures for reconstruction, with the purpose of restoration and development of the underdeveloped facilities of the country, the Restore Iraqi Oil<sup>541</sup> ( RIO) was formed <sup>542</sup> Even though some necessary measures were taken, following the 2003 intervention, oil production fell to zero level, and the exports remained at a standstill till June 2003 , while before the

---

<sup>536</sup> Bennis and Halliday, p. 36- 40

<sup>537</sup> “2003 Invasion of Iraq”, *The Jerusalem Post*, (accessed in July 2011)

[http://www.jpost.com/topic/2003\\_invasion\\_of\\_Iraq](http://www.jpost.com/topic/2003_invasion_of_Iraq)

<sup>538</sup> Christopher Foote, William Block, Keith Grane and Simon Gray, “Economic Policy and Prospects in Iraq”, *Journal of Economic Perspectives*, Volume 18, Number 3, (2004), p. 59

<sup>539</sup> Paul Bremer: 'US Must Not Walk Away From Iraq', *BBC News, Middle East*, ( 27 August 2010) , <http://www.bbc.co.uk/news/education-11102558>

<sup>540</sup> Foote, Block, Grane and Gray, p.59

<sup>541</sup> “Team was created by Philip J. Carroll who was entrusted with task of administering oil industry in general, he has been in position of the manager Royal Dutch Shell. ” Please see: Klare, p.120

<sup>542</sup> Klare, p. 120



invasion, oil production caught up the level of 2,5 barrels per day. (syf 55).<sup>543</sup>With the purpose of rebuilding the economy, the oil sector preserves its central position both with being at the heart of the policies designated and as being the source of domestic funding of the reconstruction activities thus, the conditions of the time put heavy burden on oil sector.

With respect to the evaluations of the World Bank and CPA, the authorities draw a conclusion of the necessity of the amount of 55\$ billion for large scale improvement works of the Iraqi infrastructure. Besides, these calculations projected that this amount would be generated from oil in the country.<sup>544</sup> When this exorbitant sum put into the consideration, as Le Billion indicates, if the portion of international funding could be kept high relative to the preexisting level thus future earnings from the oil could be canalized to the restoring and strengthening national oil companies and sector.<sup>545</sup>

Iraq's proven oil reserves equal to the 115 billion barrels<sup>546</sup> which correspond to 11 % of the world oil reserves. However, even though Iraq has such huge potential, just 17 oil fields out of 80 have been developed and still Kirkuk field in the North and Rumelia field in the South take precedence among the other fields.<sup>547</sup> Although such high number of fields has remained backward, there are number of reasons that made the Iraqi oil attractive; in addition to high reserve capacity of the country, having world's lowest cost of bringing up oil also make Iraq more attractive, the amount of cost is between \$3-\$5 billion per mbd of output according to data from the Iraq Country Analysis Brief, August 2003.<sup>548</sup>The low exhaustion level of the Iraqi oil is also important, it is pertinent to make an illuminative comparison to better explain Iraq's oil wells very low level of exhaustion and to interpret why US' s oil wells are so "mature" compare to Iraq. " In the US, 521,000 wells produce about 5,8 mbd,

---

<sup>543</sup> Foote, Block, Grane and Gray, p. 55

<sup>544</sup> *ibid*, p. 60

<sup>545</sup> Le Billion Philippe, p. 696

<sup>546</sup> "Although Saudi Arabia is 260 billion barrels of proven reserves, Iraq territory is suffered from lack of exploration." Please see: Lawrence Kumins, "Iraq Oil: Reserves, Production and Potential Revenues" in *Iraq Government, U.S Forces and Oil* ed. by Jean. P. Manning, (New York : Nova Science Publishers, Inc. c2005, pp. 144- 145

<sup>547</sup> *ibid*, pp.145- 146

<sup>548</sup> *ibid*

Iraqi output comes from only 1,600 wells potentially able to produce almost 3 mbd.” . In the light of informations regarding Iraqi oil’ s attractiveness, Ministry of Oil announced their aim to raise the production to 2,5 mbd by the year of 2005. Thus export revenues from oil sales will also increase directly proportional to the production level, but still %15 of the revenues is unpled to fund war reparations of Kuwait. <sup>549</sup>The projected policies yielded results slowly, over the year of 2004, level of output varied between 1,9 and 2,4 mbd, and export level raised up to 1,6 mbd. Even though the interruptions occurred from time to time due to mainly security concerns in the terminals of Turkey and Persian Gulf where the export operations are being held. <sup>550</sup>

While the authorities laid a burden on the oil sector for the reconstruction of the country, in order to make the system operate well, the creation of the authorized international auditing unit for Iraq ( even though, it formed with the delay) namely International Advisory and Monitoring Board for Iraq(IAMB) is meaningful. The Board, that was established upon the request of the UNSC, became responsible for the auditing of the Development Fund on Iraq that. <sup>551</sup>

On the other hand, the security of terminals have also become vulnerable and critical in the aftermath of the invasion since the logistical constraint ,in other words the safety of oil transactions and infrastructures, was also a precondition for both economic and political stability . <sup>552</sup> Although the infrastructure of the Iraqi petroleum was protected by strict security measures of the CPA forces in the course of invasion, one of the most common ways react against the invasion has been to attack the infrastructure of petroleum. <sup>553</sup> For this reason , in order to avoid the sabotage of pipelines and pump stations, Coalition Forces and US was obliged to spend more effort for the protection of facilities and since the pipelines and the pump stations in Iraq being spread across the country that also lead to increase in the costs of the

---

<sup>549</sup> Kumins, pp. 146- 147

<sup>550</sup> *ibid*, pp. 145- 146

<sup>551</sup> Le Billon, p. 698

<sup>552</sup> Foote, Block, Grane and Gray, p. 59

<sup>553</sup> Klare, p. 35

protective actions. <sup>554</sup> While the forces of the CPA and the US served for the security measures, private security firms were also assigned to ensure the security; despite hiring private security firms has been a very controversial issue. <sup>555</sup>

On the other hand, apart from the security of pipelines and pump stations, US and Polish Special Forces placed a particular importance to the security of the terminals from the outset of the Operation Iraqi Freedom . Therefore although operations interrupted for some time, Al- Basra Terminal resumed its operations in July 2003 and Khor Al- Amaya in February 2004 in the aftermath of March 2003. A multi-level defence system constituted for the terminals; coalition forces of the United States, UK and Australia formed Task Force 158 for the protection of the energy infrastructure in the northern Gulf part of Iraqi territory. At this point technological capability's significance was revealed since the advanced technological measures are key to protection of the terminals. <sup>556</sup>

In context of the security of terminals, its is necessary to emphasize that the price of oil and the secure transaction of the oil from terminals are closely related to each other. Even, the portion of the “ security premium “ is sometimes equal to the quarter of the price of the oil exported since the possible attacks caused the fear of interruption for the transactions and so that has substantial manipulative effect on price of oil. <sup>557</sup>

Inclusion of the foreign companies to the Iraqi economy is also another issue of contention in the post- invasion period. Eventhough, the CPA 's preference for the import driven economy was regarded as a failure of the economic mindset since by this way the significance of the local production's rehabilitation was ignored to a large extent<sup>558</sup>. In addition to that, the issue of the privatization<sup>559</sup> of oil reservoirs was

---

<sup>554</sup> *ibid*, p. 205

<sup>555</sup> *ibid*, p. 120

<sup>556</sup> Wayne Keble, “Keeping Iraq's Life Blood Flowing, Protecting the Offshore Terminals” , *The RUSI Journal*, V.152, Issue 6, ( 2007) , pp. 37- 39

<sup>557</sup> *ibid*, p. 37

<sup>558</sup> Le Billon, p. 698

<sup>559</sup> “ In Middle East Petroleum and Gas Conference (MPGC) that held in Dubai in September, 2003, INOC president Thamer Abbas Ghadban committed that “upstream oil sector would not be privatized.” Please see:

cautiously taken by the policy makers. While the reason for caution hampered arousal of an imperialist impression in the society at the same, in a situation in which the oil sector being under state control that would allow oil technocrats to have a more active role in the infrastructures' restoration.<sup>560</sup> On the other hand, even though the authorities of the post- invasion period acted deliberate in terms of the privatization, still their de- Ba'athification<sup>561</sup> policy was regarded problematic since the experienced people of the earlier regime lose their jobs, thus the new Iraqi regime could not make use of these people's experiences and their familiarities to the politics and economy of the state.<sup>562</sup>

While these were the matters in question in the post-invasion period, "Tariff holiday" was announced on 8<sup>th</sup> of June, 2003 that aimed the abolishment of trade barriers till the end of the year. . Eventually, in September 2003, the temporary Iraqi Minister of Petroleum Ibrahim Bahr al-uloum declared the need for foreign investment. While the tariff holiday contributed to (re) awakening of interests towards Iraq, the necessity of the foreign investment was supported with mainly three arguments; to meet Iraq's urgent need for the capital, to eradicate dissolute networks among the domestic investors which come to these days from the Baath regime's executions and to improve technological capacity of the country. As a result of discussions, although some of the objections continued to rise, with promulgation of a new law ( in time of September 2003) foreign investors are enabled to carry on business with having the possession of the % 100 percent of the businesses with the exception of the national resources, more clearly oil sector. The Coalition Provisional Authority (CPA), as the responsible authority of the transition period in Iraq, made some

---

Herman Franssen, " The Future Of Iraq's Oil In The Global Energy Market: Strategic Options in the aftermath of War " in *Gulf Oil in the Aftermath of the Iraq War Strategies and Policies*, (Abu Dhabi: Emirates Center for Strategic Studies and Research, 2005) , p. 95

<sup>560</sup> Klare, p.120

<sup>561</sup> "De- baathification policy for the public services and disbanding of the army (in May) caused high level of unemployment. They advocated their implementation with reference to the belief of " the army has been a destabilizing political force throughout Iraq's history." Please see: Foote, Block, Grane and Gray, p. 55; "Though, Boztemur asserted the opposite and emphasizes the unifying role of the military." Please see: Recep Boztemur, "Irak Milliyetçiliği Toplumsal Bütünleşmede Ordunun Rolü ve Devletin Meşruluk Temelleri, *Doğu Batı Düşünce Dergisi*, Yıl:10, Sayı:39, (2006-2007), p. 59- 83

<sup>562</sup> Le Billon, p. 696

failures and achieved some successes that is also applicable to the issue of foreign investment since there have been many criticisms concerning that American companies<sup>563</sup> emerged with high amount of profits from this period.

In advance of the intervention to Iraq, the US State Department convened meetings on oil in particular and energy resources in general under the title of “Future of Iraq Project Working” units where the exiled Iraqis also made contributions, but subsequent to the invasion of the country, US faced with harsh criticism since it disregarded the propositions and studies of the policy makers and rather it pursued policies that were unfamiliar to the needs of the Iraqi state.<sup>564</sup> In this regard, among the mis- estimations of the U.S, as Kubursi asserts, US policy makers hoped to be welcomed warmly by the Shia and Kurdish communities.<sup>565</sup> In line with this, Hinnebusch also points out the common belief of the US policy makers as they would be welcomed warmly by the Iraqi people, while they ignored the fact of Iraq’s lack of trust to the U.S is the remnant of the colonial times under British rule.<sup>566</sup> Considering the fallacy of the U.S’s predictions, the CPA forces and the U.S policy makers were caught unprepared to the resistance.<sup>567</sup>

On the other hand, it is also crucial in the sense that even though there was a publicly call for foreign investment in September 2003, it is necessary to decrease the risks of the circles for investment capital to flow in.<sup>568</sup> In addition to the unpreparedness of the CPA, it is also criticized since US announced that the priority will be given to those who took side with in their initiatives in Iraq in the way of giving precedence to the American and Coalition forces’ companies for the future contracts that would make projects of oil sector and reconstruction<sup>569</sup> while the former contracts and the treaties signed by the overthrown Saddam regime will be examined and those found to be inappropriate would be declared null and void.<sup>570</sup> In the first phase, the

---

<sup>563</sup> “The primary U.S companies were are Halliburton and Bechtel.” Please see: Le Billion, 685-703

<sup>564</sup> Le Billion, p. 695

<sup>565</sup> Kubursi, p. 255

<sup>566</sup> Hinnebusch, pp. 299- 300

<sup>567</sup> Le Billion, p. 686

<sup>568</sup> Klare, pp. 121- 123

<sup>569</sup> Le Billion, p. 686

<sup>570</sup> Klare, p.122

companies of Chevron, Texas, Halliburton and the British companies of BP and Shell reached agreements for new projects in Iraq.<sup>571</sup> Thus the CPA is charged with bartering away market opportunities and therewith the wealth to the foreign companies.<sup>572</sup> Since having priority in terms of oil contracts means more than getting economic benefits, in that sense, as Said asserts the US and the UK will not only grasp the oil of the country, but also its “modern destiny”.<sup>573</sup> On the other hand, these regulations are discredited in the eyes of Iraqi public; the possibility of “reimposing protectionism” by the prospective regime is being discussed as a reaction to these implementations.<sup>574</sup> There are also criticisms that rose because of rushed Iraqi economic reform which almost turned the country into a “free-zone”. From the point of investors, co-opting the Iraqi economy to the global economic system without taking necessary measures also received criticisms, while questions concerning the permanency and reliability of the “Commercial Code” and regulations for the foreign investment also deterring effect for investors.<sup>575</sup>

While the U.S’s and Coalition Partners’ active involvement were integral to ensure internal and external security of Iraq in accordance with international law, the necessity for passing on internal security to Iraqi forces over time is the other critical side of issue. In line with this argument, following the democratic elections, as widely accepted that it is necessary for the US to continue its role within the body of UN power.<sup>576</sup> However, Kubursi makes an assertive claim concerning the US post-war plan, from his explanations it would not wrong to assert that there was not misestimation or miscalculation at all since, according to him, US did not aim to leave Iraq soon after the invasion, rather its policies designed to overstay in the Iraqi territory to “subordinate and make dependent any Iraqi government thereby ensuring control of Iraq’s oil”.<sup>577</sup>

---

<sup>571</sup> Engdahl, p. 372

<sup>572</sup> Le Billon, p. 695

<sup>573</sup> Edward Said “What is happening to United States?”, *Al- Ahrām Weekly*, Issue No: 635, ( 23- 30 April 2003), <http://weekly.ahram.org.eg/2003/635/op2.htm>

<sup>574</sup> “Iraq’s Economic Liberalisation, Let’s all go to the yard sale”, *The Economist*, (25 September 2003) [http://www.economist.com/node/2092719?story\\_id=2092719](http://www.economist.com/node/2092719?story_id=2092719)

<sup>575</sup> *ibid*

<sup>576</sup> Klare, p. 212

<sup>577</sup> Kubursi, p. 255

While the CPA under the transition period should turn the tide for ensuring that the oil would promote the freedom and welfare of the Iraqi people, the maintenance of passing all the authorities to the Iraqi units in gradual sense is equally important, even though balancing these two tasks needs a long haul and endeavour.<sup>578</sup> As the UN Security Council<sup>579</sup> members (except for Syria ) already reached a compromise that the control of their own natural resources should be granted to the people of Iraq for their own benefit<sup>580</sup> , while still splitting benefits and auditing fell under the jurisdiction of the CPA in the transition period.

Till June 2004, the CPA kept the control over oil revenues and delegated its authorities to the Iraqi units on 28th of June on a large scale. However, subsequently when the Iraqi authorities (Iraqi Governing Council) took over the duties, some criticisms also rose to the Iraqi Governing Council (IGC) and questions were addressed about “shared sovereignty” with the CPA and its inability to maintain the balance in terms of the boundaries of the sovereignty. More precisely while for the case of the oil sector, Iraqis were not able to hold a sovereign claim on oil matters under the administration of the CPA, it continued in time of the IGC to a certain extent.<sup>581</sup>

In addition to the developments in relation to oil sector, authorities of the post-invasion period introduced numerous brand- new policies in Iraq. While vast amount of them oriented directly towards the oil sector, there are also some other new applications and rearrangements within the sphere of the economy. Here, it is appropriate to explain them briefly since they are also closely related to oil.

In this sense, the Introduction of Tax system and rearrangements in the Banking Sector have been two prominent developments in relation to the Iraqi economy. While one of the disputed issues is the applicability of setting up a tax system in Iraq, introduction of the tax reform can be symbol of the clean break from the past

---

<sup>578</sup> Le Billon, p. 694

<sup>579</sup> For UNSC Resolution 1483, please see: [http://www.un.org/Docs/sc/unsc\\_resolutions03.html](http://www.un.org/Docs/sc/unsc_resolutions03.html);  
<http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N03/368/53/PDF/N0336853.pdf?OpenElement>

<sup>580</sup> Le Billon, p. 694

<sup>581</sup> *ibid.*, p. 695

executions . In pursuit of debates around the issue of tax, the CPA announced progressive tax system for individual taxes and fixed the rate of 15 percent for the business income.<sup>582</sup> Besides the introduction of a reliable tax system, the banking system also transformed. In the previous period, state's hand had been dominant in the banking sector, Rafidain and Rasheed were two leading state owned banks with “%90 of the total banking sector assets”, although low number of small- scaled private banks existed in the system as well. In the post-invasion period, promulgation of the new banking law aimed to recruit the sector and paved the way for the inclusion of the foreign banks to the banking industry. <sup>583</sup>

Besides, the situation of the currency of Iraq is worth to consideration. During the reign of Saddam Hussein, sanctions regime ruined the Iraqi economy and in order to maintain the survival of the state, the Iraqi government chose to print money, as a consequence of this policy, the value of money depreciated and Iraq suffered from high rate of inflation. <sup>584</sup> Subsequent to the invasion of the country, since two thirds of revenue of the Iraqi state is generated from the oil sales and prices denominated in dollars, dollar maintain its central position thus the monetary policy come to mean the relationship between the dinar, dolar and conversion rate between them. From mid 2004, “ dual-currency economy ” prevailed with dollars substituting role in purchases and sales.<sup>585</sup>

On the other hand, the price of oil is also fundamental. Since the year of 2000, fluctuations of the oil price have revolved around the 30 \$ for each barrel.<sup>586</sup> In the aftermath of the invasion, due to the state subsidies, energy prices ere kept at low leves. When the state's hand on the price of oil is criticized, energy prices' liberalization is also regarded as problematic and, as Kummins asserts, it could only turn into reality with the liberalization of the market in the full sense.<sup>587</sup> While the price of oil went up to the level of \$60 per barrel, the addition of the even modest

---

<sup>582</sup> Foote, Block, Grane and Gray, p. 64

<sup>583</sup> *ibid*, p. 63

<sup>584</sup> *ibid*, p. 47

<sup>585</sup> *ibid*, p. 65

<sup>586</sup> *ibid*, p. 49

<sup>587</sup> Foote, Block, Grane and Gray, p. 67



level of crude oil to the market would have a “substantial price impact”, this fact clearly illustrates why the price of oil is of a primary significance not only for the country, but also for the international markets.<sup>588</sup> Thus the inclusion of the Iraqi oil in international oil markets is essential to international transactions.

#### **4.6 The Elections of 2005 and the Constitution in Iraq**

The results of the January 2005 national elections signalled a clean break from the long-standing political positions within the society of Iraq and its state departments. However even after the elections, it would not be wrong to state that deep –rooted oil dependence would prevail in the lean times ahead as well<sup>589</sup> The elections held under the supervision of the United Nations in 2005, although it was foreseen that Iraqi administrators would undertake the administration of the country in the aftermath of the national elections, still the hand of the the U.S was projected to prevail in some ministries, including the Ministry of Petroleum.<sup>590</sup>

According to the arguments of the countries which initiated the Operation of Iraqi Freedom, in the Iraqi experience, democratization was paired with the economic liberalisation and consolidation of the market economy in the course of transition period. In line with their arguments, Le Billon claims that “corruption is strongly contextualised with by two key variables: the character of political institutions and the source of wealth”. In that sense, the Iraqi state should pass this test in the aftermath of national elections.<sup>591</sup>

On the other hand, the sectarian themes behind the rate and positioning of the interim Iraqi authorities also faced harsh criticism, since existence of such themes would possibly result in a dispute for sharing revenues generated from oil.<sup>592</sup> While the characteristics and the nature of the interim Iraqi authorities were put under consideration, it is pertinent to mark that like the rest of the Arab countries, political

---

<sup>588</sup> Kumins, p.151

<sup>589</sup> Le Billon, p. 687

<sup>590</sup> Klare, p.122

<sup>591</sup> Le Billon, p. 687

<sup>592</sup> *ibid*, p. 698

forces in Iraq are not in struggle for exhibiting their differences with their economic policies rather they choose to put a premium on the religious matters, ethnic origin and anti or pro-western sentiments to position themselves in the political arena. Therefore, actually debates around the allocation of the oil revenues, whether open to compromise or not, are all beneficial for the country's improvement in economic sense; <sup>593</sup>considering , in 2005 and 2006, “ more than %95 of government revenues were coming from oil sector”, still oil sector shoulders the burden of the course of the economy. <sup>594</sup> In that sense, even though drafting oil and gas law is a formidable political process, it contributes a lot to the country of Iraq.

#### **4.6.1 Constitution**

In the post- invasion era, all segments of the society and the ruling units agreed that ” legal, political and logistical constraints“ should be overcome to realize the economic reform policies effectively. In the first instance, the Coalition Provisional Authority and later on the interim Iraqi government (IGC) attributed momentous importance to these three areas in their projects and policy implementations.<sup>595</sup> In this part, legal and in relation to it political constraints are presented in a nut shell.

The Iraqi Governing Council granted approval to the law of the transitional period (TAL) in March 2004, TAL was designed for filling the deficiency of the absence of a constitution in the Iraq. While the interim Iraqi government took over the authority from the CPA after its dissolution in June 2004, this interim government of Iraq (IGC) was assigned with the preparation of draft constitution by the time of 2005 autumn.<sup>596</sup> Even though Sunni Arab constituents of the Iraqi society tried to mobilize the people against the constitution, despite the overwhelming odds against attendance to referendum due to insurgencies, the turnout rate reached the % 63 of the eligible

---

<sup>593</sup> Giacomo Luciani, “Revenues and Authoritarianism in the Arab World: Beyond the Rentier State” in *Political Liberalization & Democratization in the Arab World, Volume 1, Theoretical Perspectives*, ed. by Rex Brynen, Bahgat Korany and Paul Noble (Boulder: Lynne Rienner Publishers, 1998), p. 226

<sup>594</sup> Foote, Block, Grane and Gray, p. 68

<sup>595</sup> *ibid.*, p. 58

<sup>596</sup> Tripp, p. 286

voters, not surprisingly while the Shi'i and Kurdish regions voted in favor of the constitution, the Sunni Arab provinces voted against the constitution by landslide.<sup>597</sup>

Upon the completion of the October 2005 plebiscite in Iraq, the constitution received the approval from the great majority of the people of Iraq.<sup>598</sup> Thus, on 15 October 2005, the permanent constitution of the country of Iraq was ratified within the custody of the United Nations Election Assistance Unit.<sup>599</sup> Shalaby indicates that in societies where existing diverse communities are geographically condensed in a certain area, the fundamental law of the state, alias constitution, should bestow right to these units rather than concentrate the whole power in the central government without any power sharing.<sup>600</sup> Even in the previous period the articles of TAL acknowledged the probable consolidation of a federal state in the Iraqi territory with emphasis on the drawing it with the nature that based not on the ethnic or sectarian features but on the geographical or historical characteristics.<sup>601</sup> Later, with the permanent constitution, according to article 140, while conduction of a population census and a referendum before the end of the year of 2007 is projected, this article is also evaluated as promising to the people of Kurdish territories concerning their desires both for the federal structure and the status of the Kirkuk.<sup>602</sup>

Provisions of the Constitution came under heavy criticism since it left unanswered the questions about the distribution of power between local and central governments, allocation of the oil revenues and the discussions concerning federal state.<sup>603</sup> According to Article 111 of the constitution, oil and gas are owned by all the people of Iraq, while the articles 115 and 121 comprises the areas where the regional units are endowed with supreme action competence while the federal government

---

<sup>597</sup> *ibid.*, pp. 300- 301

<sup>598</sup> "Oil For Soil: Toward A Grand Bargain On Iraq And The Kurds", *International Crisis Group*, Middle East Report No: 80, (28 October 2008), p. 2

<sup>599</sup> Brendan O'Leary, *Respecting Iraq's Constitutional Integrity, How to Get Out of Iraq with Integrity*, (Philadelphia: University of Pennsylvania Press, 2009) , p. 110

<sup>600</sup> Abdallah Shalaby, "The constitutional frameworks in arab countries, dismantling the authoritarian structures" in *Towards A Better Life: How To Improve The State of Democracy in The Middle East And North Africa*, ( Istanbul: Global Political Trends Center, Istanbul Kultur University Publications No: 116, 2010), pp. 11- 33

<sup>601</sup> Tripp, p. 286

<sup>602</sup> "Oil For Soil: Toward A Grand Bargain on Iraq and the Kurds", p. 2

<sup>603</sup> Tripp, pp. 300- 301

preserves its certain exclusive rights in defined areas.<sup>604</sup> Here, it is pertinent to touch upon some questions. Even though federalism finds place both in the TAL and within the new constitution, in a situation where the Kurdish communities formed their region and the Shi'is formed theirs in the South, what kind of future waits the Sunni Arab territory of the which is deprived of the oil? Possibly, there would be no alternative other than striking in a difficult situation.<sup>605</sup> However the contrary situation is also regarded problematic since if the Central Government in Baghdad gather all the authority in itself, the bad experiences of the past would resurge and corruption would soar.<sup>606</sup>

Besides, for the membership status of Iraq in OPEC, the discussion of federalism also bears significance, more explicitly, although federalism offers number of opportunities to the regional authorities, the federal government has to form a cooperation among the regions to a certain extent, otherwise if regions failed to agree on the production quotas, this would put the country in trouble since the membership status in an any international organization necessitates to act as the representatives of a monolith body for the Iraqi authorities, but O'Leary asserts that accomplishment unity in behaviours to a some extent does not mean to the consolidation of a vertically integrated system.<sup>607</sup> Thus, Iraq needs a state of equilibrium. On the other hand, for the status of Kirkuk, reaching a compromise in terms of the tenets of the constitution is crucial.<sup>608</sup> In brief, while the tenets of constitution refers the "federal, pluralist and democratic" characteristics of the new Iraqi state, O'Leary claims that constitution also brings the matter of "de facto recognition of Kurdistan as a nationally distinctive federacy" to the table.<sup>609</sup>

---

<sup>604</sup> O'Leary, p. 126

<sup>605</sup> *ibid*, p. 123

<sup>606</sup> *ibid*, p. 124

<sup>607</sup> *ibid*, p. 129

<sup>608</sup> *ibid*, p. 132

<sup>609</sup> *ibid*, p. 140

#### **4.6.2.Federalism Discussions in Relation to Sharing and Administration of Oil Revenues**

Establishing a multi-ethnic, multi-cultural and a multi-lingual democratic state is a challenge. In a situation like this, although it is assumed that a federative structure would please all segments of the community, apart from the solution of federalism, disengagement of the state from cultural and ideological aspects and bringing an approach which comprises all ethnic groups stands as an another option of solution

<sup>610</sup>

Tensions resulting from ethnic and religious identities are widespread across Iraq, while 1988 Anfal Campaign and Hallabca deepened the ethnic tensions, Iran -Iraq war heated the tensions between different sects of the Islam, namely Shi'as and Sunnis. <sup>611</sup> In that respect, in order to accomplish the elimination of the conflicts among the different ethnic and religious components of the Iraqi society and to clear away the ambitions for independence among these constituents, the consolidation of the federal system has been one of the hot issues of the Iraqi agenda. It is estimated that by taking necessary measures to preclude the foundation of political parties with ethnic- religious bases and enabling political and financial freedom of action to a large extent might pave way for the formation of the democracy. <sup>612</sup>

Bracanti indicates that the experiences of Belgium, Canada, India, Spain and Switzerland with their populations from diverse ethnic origins are illuminative to comprehend the possibility of the democracy within federalist system.<sup>613</sup> Within Iraq, members of Kurdish community are the chief requestors of the federalism; Kurdish Democratic Party and Patriotic Union of Kurdistan both bring up federalist model for Iraq to the agenda of the country 's politics.

---

<sup>610</sup> Linz, p. 218

<sup>611</sup> Dawn Brancati, "Can Federalism stabilize Iraq?" , *Washington Quarterly*, Vol. 27 Issue 2, ( 2004 ) , p. 10

<sup>612</sup> Brancati, p. 7

<sup>613</sup> *ibid*, p.11

On the other hand, as Brancati asserts, Iraq in its entirety should benefit from the opportunities of the abundant wealth of the country, otherwise dwellers of the regions which are not oil-rich would suffer from the unfair distribution of wealth. However, in addition to this argument, Brancati also asserts that oil rich region's share from the revenues generated from oil sales should be higher than the others. He fortifies his argument on number of bases; in the first instance, he mentions about the "externalities" of the oil operations as causing harm on the environment. What is more important to the point is, if Kurdish communities demand the higher share from the oil leave unanswered, they would raise their voice for drifting away from the Iraqi territory.<sup>614</sup> In a brief, considering their eagerness for federal structure, Brancati asserts that the Kirkuk city should be annexed to the Kurdish region to eliminate the Kurdish communities demands for secession,<sup>615</sup> even though these arguments are controversial both among the other constituents of the Kurdistan Region, especially for the Turkomans<sup>616</sup>.

The Kurdish Regional Government (KRG) was formed subsequent to Persian Gulf war, the limits of the no-fly zone conducted the consolidation of the KRG by drawing its borders unwittingly. Mainly Kurds, Turkomans and Assyrians are the dwellers of the region.<sup>617</sup> Keeping diverse constituents of the Kurdish region in mind, Iraq's territorial integrity is also continuously underlined by its neighbour countries with the fear of any unrest occurred in territory of Iraq or in the Kurdish region might leap to their lands and so that would ignite the chaos among components of their own societies. In addition to the anxiety that rise from the diverse ethnic components of the country, while keeping the vast oil resources of the northern part of the country in to the consideration, especially Turkey<sup>618</sup> (northern neighbour of the country) is fairly cautious about Kurdish claims for federalist structure for Iraq."<sup>619</sup>

---

<sup>614</sup> Brancati, p.15

<sup>615</sup> *ibid*, p. 8

<sup>616</sup> For further information see: Ali Kerküklü, *İstihbarat Oyunları Petrol ve Kerkük*, (İstanbul: IQ Kültür Sanat Yayıncılık, 2008)

<sup>617</sup> Brancati, p.12

<sup>618</sup> For further please information see: Meliha Benli Altunişik "Turkey's Iraq Policy: The War and Beyond", *Journal of Contemporary European Studies*, Vol. 14, Issue 2,( 2006)

<sup>619</sup> Brancati, p. 12

In order to clear away the problems and fears regarding the issue of federalism, numerous suggestions are put forward number of suggestions, with putting emphasis on the danger of demarcation of the regions in line with the religious and ethnic lineaments since such implementation render the situation more vulnerable.<sup>620</sup> At this point number of solutions are offered; firstly, installation of a political system which encourages the political parties to compete for increasing their voter bases not only in the designated area, but in the whole nation with receiving votes from whom are entitled to vote and secondly the formation of the regional units by means of taking the eighteen administrative districts of the country into the consideration.<sup>621</sup>

#### **4.7 2007 Draft Oil and Gas Law; a Milestone in Iraq Politics and Economy**<sup>622</sup>

“Oil production, distribution, pricing and exploration involve complex issues of economics, but they are by no means exclusively determined by the market.”. Rather, politics of the producer and consumer states are both determinative in all these stages.<sup>623</sup> With such political motivations, the US and Britain refrained from mentioning oil, even during the discussions for the plans of withdrawal following the invasion of the country, silence has been maintained on the issue of oil.<sup>624</sup> For the first time, oil is an overt matter of question within the scope of International Monetary Fund Standby Agreement with Iraq in December 2005 and a time schedule has been designated for the Oil and Gas Law in December 2005. In this respect, the government of Iraq made a commitment to propose a blueprint of a law for oil and gas in accordance with the constitution by the end of the following year<sup>625</sup>

However in December 2005, subsequent to Ayad Allawi’s overtaking of the Prime Ministry office of the transitional period in June 2004 and accession of Barham Saleh to the executive position of the Supreme Council for Oil Policy, the government of Iraq announced its scheme with projected list of departures from the

---

<sup>620</sup> *ibid*, p. 16

<sup>621</sup> *ibid*, pp. 16- 17

<sup>622</sup> Draft Oil and Gas Law is also called as Draft Hydrocarbon Law

<sup>623</sup> Kubursi, p. 247

<sup>624</sup> Chomsky, 2007, p. 105

<sup>625</sup> Kamil Mahdi, “ Iraq’s Oil Law: Parsing the Fine Print”, *World Policy Journal (MIT Press)*, Vol. 24, Issue 2, (2007) , p. 16

past implementations and that would be regarded as a preparation stage to the draft oil and gas law. It further put an emphasis on the necessity of relinquishing involvement of the government to the functioning of the oil industry, encouraging the partnerships with the foreign companies and designation of policies to fasten the escalation of the production rate. In the final analysis, it put emphasis on phased privatization in both operational and developmental activities of the sector.<sup>626</sup>

Following the scheme of the Allawi government, in 2007, upon the request of the Minister of Oil, Shahrestani, within the body of the Iraqi Council of Ministers, Oil and Energy Committee's three figures were assigned to prepare the draft law. These three unaffiliated "Iraq oil technocrats", prepared the Draft Oil and Gas Law as "part of legislative package that also includes "three companion pieces of legislation addressing revenue sharing, creation of the Iraqi National Oil Company (INOC) and reorganization of the Iraqi Ministry of Oil".<sup>627</sup>

While the draft Oil and Gas Law is composed of forty three articles, eight chapters with a preamble,<sup>628</sup> it finds its legal foundation from the infant Iraqi Constitution's Article 111 and 112; in direction of "the articles 2, 49, 109 and 110, which broadly define the authorities and responsibilities of the Federal and Provincial authorities within the petroleum sector". and the Ministry of Oil ((MoO) charged an "independent legal firm "for "interpretation of Iraq's constitutional articles governing oil and gas"<sup>629</sup>

Although the Ministry of Oil approved the terms of the proposed law of petroleum without any amendments, the draft law has to pass through multiple phase process; with inclusion of the suggestions of the Ministerial Committee (and the KRG), draft law will be submitted to review of the Council of Ministers (Cabinet) and in the next phase, with obtaining decision of approval from the Council, Council of

---

<sup>626</sup> *ibid*, p. 14

<sup>627</sup> Susan L. Sakmar, "The Status of the Draft Iraq Oil and Gas Law", *Houston Journal of International Law*, Vol. 30 Issue 2, (2008), p. 296

<sup>628</sup> *ibid*, pp. 296- 297

<sup>629</sup> Tariq Shafiq, *Iraq Draft Petroleum Law: An Independent Perspective*, (17 February 2007) [http://www.revenuewatch.org/files/shafiq\\_20070306.pdf](http://www.revenuewatch.org/files/shafiq_20070306.pdf), p.4



Representatives takes draft law into consideration for ratification. <sup>630</sup> Even though in February 2007, the Iraqi Cabinet made a decision on approval of the draft and transmitted the draft Oil and Gas Law to Parliament in May 2007 due to harsh discussions on its content, Parliament of Iraq refrained from passing the bill. <sup>631</sup>

The Draft Oil and Gas Law is evaluated as a landmark in which Iraq renounced its claims on the national structure that dominates the oil sector and industry .The draft law envisages transposition between “public sector, national companies , central government “ with “private sector, foreign companies and regional governments.” <sup>632</sup> The Draft Oil and Gas Law has a controversial nature due to the dissidence among different parties on the issues of the responsibility and authority sharing between federal and regional units, administering reserves, inclusion of foreign companies into the sector and the issue of sharing the revenues generated from oil. <sup>633</sup>

These aforementioned discussions are relevant considering the vast amount of oil production capacity of Iraq.The estimated value of proven oil reserves equals to 115 billion barrels, with the inclusion of the “additional reserve base of 45 billion barrels”, cumulative reserve base is projected to be equal to 160 billion barrels.<sup>634</sup>It is pointed out that with its current production capacity, Iraq is able to sustain producing 10 million barrels per day (mbpd) for a decade long time period. <sup>635</sup>

On the other hand, what is more important to the oil exporting countries is the reality that cost of production is low compared to the other oil producing countries. The cost of production amounts to the summand of costs all along the line of production chain;

Finding cost per barrel of oil is estimated at: <US Cent 0.5.  
Development cost per barrel of oil is estimated at: US \$0.5-1.0.  
This puts capital investment cost per 1 million barrels production capacity at US \$3 billion for expansion of existing production

---

<sup>630</sup> *ibid*, p. 5

<sup>631</sup> Sakmar, p. 291

<sup>632</sup> Mahdi, p. 11

<sup>633</sup> Sakmar, p. 303

<sup>634</sup> *ibid*, p. 294

<sup>635</sup> Shafiq, p. 3

facilities and US \$6 billion, at the oil field boundary. These figures may go to up to US \$4.5 and US \$9 billion to account for security requirements and recent high oil equipment inflation cost. Operating cost per barrel is US \$1-2.<sup>636</sup>

The draft law turned out to be highly controversial . In the first instance, clash of opinions arose out of a concrete difference; the geographical features. While the southern part of the state (Governorate of Al- Basrah) is in possession of %65 of the proven oil reserves, the rest of the reserves are situated in the northern side of the state, The Governorate of Al Tamim and the “Western Desert” is remained devoid of exploration for the time being despite the fact that the existence of any probable reserve in this territory made it worth to prospect<sup>637</sup>Secondly, the absence of the public advisement in stage of drafting also makes the draft law controversial. On the other hand, inclusion of the United States to the drafting process and the zealous attitude of the members of the Kurdish community in favour of the draft law also incommode the figures from other parties of the society in the course of the process.<sup>638</sup>

On the other hand, the KRG’s hydrocarbon law passed in August 2007 and this law was regarded not as the complementary but competing to the central government’s draft oil and gas law.<sup>639</sup> More precisely, the KRG’s hydrocarbon law is regarded to be inconsistent with the constitution of the Iraqi state since its articles are contradictory to the tenets of constitution which stands for the unity of the people and the territory of the Iraqi state.<sup>640</sup> In addition to that in terms of the contract models are also regarded as controversial.<sup>641</sup>

It is asserted that the constitution and draft oil and gas law contradict with each other in numerous aspects. The ambiguity of the constitution is a source of criticism since it is open to confronting interpretations from the different parties.<sup>642</sup>The contestable

---

<sup>636</sup> *ibid*, p. 3

<sup>637</sup> Sakmar, p. 294

<sup>638</sup> Mahdi, p.14

<sup>639</sup> “Oil For Soil: Toward A Grand Bargain On Iraq And The Kurds” , p. 14

<sup>640</sup> “Oil For Soil: Toward A Grand Bargain On Iraq And The Kurds”, p. 25

<sup>641</sup> *ibid*, p. 24

<sup>642</sup> Mahdi, p.16

articles are marked as the ones between the 110<sup>th</sup> and the 115<sup>th</sup>. Even though, Article 111 of the constitution stands for recognizing “oil and gas are owned by all the Iraqi people in all regions and governorates”, still whether ownership will be “jointly and equally” or not is a matter of debate since it leaves room for interpretation to the Kurdish Regional Government in line with its interests. Secondly, the article 112 endows the federal government for managing of the ‘present fields’, and the nebulous meaning of the “present fields<sup>643</sup>” which cause different interpretations from different parties. <sup>644</sup>

#### **4.7.1 The Revenue Sharing**

While the Temporary Law for Administration (TAL), as the interim constitutional document, recognizes the necessity of conferring and collaboration just for issues of “fair distribution of the revenue” generated from oil, the permanent constitution of the country also consider such collaboration and interworking necessary for the “management of resources.” as well between the Federal Government and Regional governments and governorates. <sup>645</sup>

In line with the constitutional article, peculiar to the issue of the revenues partition generated from the oil, -a draft revenue sharing law -is proposed as conjoint to the “draft hydrocarbon legislative package” which indicates that even if the federal government as the competent authority has the final word on allocation of the revenues. The draft law guarantees ensuring the state of balance between the regions and governorates. According to the assumptions of the draft law, while the federal

---

<sup>643</sup> “Although term of “present fields” bear an ambiguity in itself, the Draft Oil and Gas Law’s annexations make the term clear to some extent. These four annexes encapsulate the classifications and the features of fields that differentiate with each other within present case. First annex specifies the ones ( 27 fields) already available for production, second annex denotes the ones ( 25 fields) with the proven reserves that have the advantage owing to their geographical position and their proximity to the already operational drilling and transporting infrastructure, third annex states the existence of the ones (26 fields) dispersed across the country that require high amount of funds for their amelioration more than the ones implied under the second annex, since existing infrastructure is out of reach to these fields because of their geographical positions and the fourth annex enumerates the dormant fields (65 fields ) that is mostly situated in the Western Desert, these unexplored ones are high in number and so they remark magnitude of the undiscovered potentialities of the Iraqi country.” Please see: Sakmar, pp. 301- 303

<sup>644</sup> Mahdi, p.16

<sup>645</sup> Shafiq, p. 6

government take its share for the issues defence and foreign affairs, the rest of the revenue would be split “on agreed population –density based percentages” and the Kurdistan Regional Government would get its share of %17 from revenues of oil <sup>646</sup> Although the Iraqi parliament work on draft oil law targeting to fulfil the allocation of revenues generated from oil among the eighteen provinces of Iraq in accordance with the population density of the provinces, the contention would likely arise from this implementation since the ethnic groups do not welcome such kind of allocation. <sup>647</sup> However, in the other option, which would possibly satisfy the ethnic groups, the danger of turmoil would escalate in the cases where the oil fields bestride the frontiers of regions. <sup>648</sup>

#### **4.7.2 Inclusion of Foreign Companies to Iraqi Oil Sector**

Another core issue concerning the Draft Oil and Gas Law is inclusion of foreign companies to the Iraqi oil operations, even though prior to the United States’ intervention of the country, with the power vested by United Nations Security Council, Saddam Hussein came to terms for development of the fields of Al- Ahdab, West Gurna, Majnoon and Ibn Omar to the companies of China, Russia (Lukoil) and France (Elf and Total) respectively.<sup>649</sup> In October 2007, the Iraqi Parliament announced its decision to wait until the law received wide acceptance from all segments. In this context, the federal government asked the KRG to comply with this decision and announced its position against the drawing up contracts with the companies that agreed with the KRG and blacklisted these companies. While the debate is continuing, for the time being 70 conglomerates<sup>650</sup> appealed for the entering into the biddings.<sup>651</sup>

---

<sup>646</sup> Sakmar, pp. 307- 308

<sup>647</sup> Keble, p. 36

<sup>648</sup> Mahdi, p. 20

<sup>649</sup> *ibid*, p. 13

<sup>650</sup> Justin Dargin, “Securing the Peace: The Battle over Ethnicity and Energy in Modern Iraq”, *Oil, Gas & Energy Law Intelligence*, p. 2,

<http://www.innovations.harvard.edu/cache/documents/6428/642842.pdf>

<sup>651</sup> “Over 70 firms bid for Iraq oil contracts”, *Reuters*, (18 February, 2008)

<http://uk.reuters.com/article/2008/02/18/uk-iraq-oil-idUKL1851415320080218>

Subsequent to the invasion, the country 's rate of output was equal to an approximate quantity of 1 mbpd, while the average production rate is 2 mbpd and share of exports from this amount equaled to 1.5 mbpd. <sup>652</sup> The Iraqi society and the ruling cliques bank on the increase in the rate of production so much, thus on the inclusion of foreign companies as well. The draft law is regarded to be “investment friendly” providing convenient basis for flourishing of partnership and cooperation between international oil companies ( IOC) and Iraqi National Oil Company. (INOC) <sup>653</sup>

#### **4.7.3 The Models of Contracts**

In relation to the issue of the inclusion of foreign companies, the types of the contracts are also discussed in detail since the absence of explicit contract models for drawing up operation agreements leads to difficulty in handing down a decision especially for applicability of the “technical service contracts” and “production-sharing contracts” and the production sharing agreements (PSA).<sup>654</sup> faced with harsh oppositions from different segments of the industrial, administrative and societal units. It is widely indicated that without elimination any possible risky or disadvantageous outcomes for Iraq, Iraq should keep aloof from entering into agreements with foreign companies. Rather it has to give priority to investing on “risk- free” resources in commercial sense and choose to rely on service contracts with foreign companies. <sup>655</sup>

When the issue comes to the Kurdistan Regional Governments' contracts, it is the most disputable part of the placing contracts with foreign companies, Chapter I of the Draft Oil and Gas Law defines the purpose of the law and gives the ownership of the resources to the entire nation of Iraq,<sup>656</sup> whereas Kurdistan Oil and Gas Law (KRG Oil Law) states that “Kurdistan oil belongs to the people of Iraq”<sup>657</sup>, still their

---

<sup>652</sup> Shafiq, p. 3

<sup>653</sup> *ibid*, p. 4

<sup>654</sup> Mahdi, p. 19

<sup>655</sup> *ibid*, p. 21

<sup>656</sup> Saknar, p. 299

<sup>657</sup> “Petroleum Law of Kurdistan Region, Iraq”, (29 June 2007)

[http://kurdistantheotheriraq.com/English\\_Version\\_Kurdistan\\_Petroleum\\_Law.pdf](http://kurdistantheotheriraq.com/English_Version_Kurdistan_Petroleum_Law.pdf)

implementations is contradictory with the constitution<sup>658</sup> even though draft oil and gas law recognize the capacity of entering into negotiations for oil and gas contracts for Kurdistan Regional Government.<sup>659</sup> While, oil conglomerates look forward the completion and synchronization of the oil and gas law with the constitution and approach reaching the “long-term contractual agreements” in Iraq with caution, Kurdistan Regional Government has already made agreements with relatively small-scale companies.<sup>660</sup> since the KRG authorities believe that PSC would contribute in a positive way to the productivity of the oil operations.<sup>661</sup>

Although the KRG’s initiations are issues of hot debate, the KRG has embarked on negotiation with oil companies for discussing Production Sharing Agreement contracts and other models of contracts with disregarding the necessity of receiving of approval from the Federal Petroleum Commission and MoO repeatedly denounced the validity of these agreements.<sup>662</sup> Even after the KRG positioned itself as revising the already reached agreements in compliance with the conditions of the central units<sup>663</sup> and to bring them to status as accommodating all the provisions of the Federal Oil Law, still the Federal Oil and GaS Commission have the final say in terms approval of their validation.<sup>664</sup>

As in the case of partnerships with foreign companies, the devolution of the responsibility to the local and regional authorities was evaluated as problematic due to a number of reasons: firstly it would pave the way for prospective social conflicts resulting from the confrontations between oil- poor and oil rich provinces with their different ethnic dwellers, secondly their lack of capacity and competency would

---

<sup>658</sup> Saknar, p. 307

<sup>659</sup> Kurdistan to Resume Oil Exports”, *The Kurdish Globe*, (15 May 2010), <http://208.78.42.109/display-article.html?id=DDF1EB7B7AC16F11193AB4DA17E5608E>

<sup>660</sup> Mahdi, p. 15

<sup>661</sup> “Oil For Soil: Toward A Grand Bargain On Iraq And The Kurds”, p. 24

<sup>662</sup> “Measuring Stability and Security in Iraq”, *Report To Congress In Accordance With The Department Of Defence Supplemental Appropriations Act 2008*, (March, 2010) [http://www.defense.gov/pubs/pdfs/March%209204%20SecDef%20signed%2029%20Apr%202010\\_1D80.pdf](http://www.defense.gov/pubs/pdfs/March%209204%20SecDef%20signed%2029%20Apr%202010_1D80.pdf)

<sup>663</sup> “Kurdistan launches the 2011 as Oil and Gas Year”, *The Kurdish Globe*, No. 295, (06 March 2011)

<http://www.kurdishglobe.net/get-pdf-file/KurdishGlobe-2011-03-06.pdf?ID=293>

<sup>664</sup> Shafiq, p. 6

cause impediments in running of operations and in closing deals with foreign companies. Lastly by gaining control over the fields, local governments would abuse this competency with involving in smuggling activities. In addition to these factors, absence of the all-inclusive national plan would endanger the “long term and large scale” investment projects and comprehensive regulations; thus impair the integration of the oil sector with other sectors of the economy.<sup>665</sup>

#### **4.7.4. Role of Institutions**

The Draft Oil and Gas Law Article 5 of the Chapter II defines tasks and responsibilities of numerous public authorities that have a say in oil sector and draws the areas of activity and authority of these entities. Namely, these are Council of Representatives, Council of Ministers, Federal Oil and Gas Council, Ministry of Oil (FOGC) and Iraqi National Oil Company (INOC). While under Article 6 of the same chapter, the INOC’s structure is rearranged and it is designed as an independent entity in financial and administrative sense.<sup>666</sup> INOC with its operating units in regional level is the competent authority for discovered fields all around the country.<sup>667</sup> On the other hand, the another significant entity, the FOGC bears the role of being the final authority to decide on the convenience of models of contracts and could make a decision of whether a model is appropriate to ratify or not for the field and the type of work concerned; service contract, field development and production contract and risk exploration contract are the ones that are listed as the prospective types of contracts.<sup>668</sup> Different groups deliberate over the cruciality of the type of

---

<sup>665</sup> Mahdi, p. 18

<sup>666</sup> “Before commencement of the Operation Iraqi Freedom, The Iraqi National Oil Company (INOC) conducted its operations on the basis of “ northern and southern operating entities”. The crude oil from Basra terminal and Kirkuk- Ceyhan pipeline are two parallel pipes, one pipe’s width has “40 –inch diameter with nominal capacity of 1.1 mbd” while the other parallel pipe is “46 –inch pipe with nominal capacity of 50,000 barrels per day”. Since in the Kurdish territory, the oil pipeline mainly pass through the territory of the Kurdistan Democratic Party (KDP), Barzani and Talabani, Patriotic Union of Kurdistan (PUK), Jalal Talabani both come to terms for taking all necessary measures for the protection of the pipeline.” Please see: Kumins, pp. 149- 150

<sup>667</sup> Shafiq, p. 5

<sup>668</sup> “Chapter III, Article 13; Exclusive right to conduct Petroleum Exploration and Production in the Contract Area for a period varying from fifteen to twenty years with possible extension of five years.” Please see: “Understanding the Emerging Petroleum Legal Regime in Iraq by. J. Jay Park”, *Iraq Petroleum Conference*, Dubai, (2007)

contract for the sake of interests of the Iraqi country and nation, hence it is far from being a sole technical issue.<sup>669</sup> Another significant institution is the Ministry of Oil, the Ministry of Oil (MoO) as the central authority that works in collaboration with the regional units and assumes supervisory and regulatory role.<sup>670</sup> However, the draft law is accused of diminishing “supervisory and regulatory roles of Ministry of Oil” since it is designated to share the authority and responsibility in a multi-layered nature among the administrative and operating bodies.<sup>671</sup>

Even though the Draft Oil and Gas Law symbolizes the departure from the past implementations in number of aspects, it still leaves numerous questions unanswered. At this point, it is pertinent to mention such vague areas. In the final analysis, the prominent Iraqi oil technocrat Tariq Shafiq evaluated the draft law as “extremely disappointing” with his colleague and another member of the drafting committee Farouk AL- Kasim. Shafiq attached priority not to the “form or model but the content “of the contract. <sup>672</sup> Furthermore, Shafiq reflected upon the rivalry between the INOC and other central bodies with regional governments, governorates and other regional units. Furthermore, he gives precedence to increasing “production capacity of partially developed fields, improving damaged reservoir performance, and to develop the many discovered but not yet delineated oil fields in partnerships with INOC”, places new discoveries of oil and exploration activities as the second in the rank. In addition to these, he invites the KRG<sup>673</sup> to act in accordance with common good of Iraq’s national unity and solidarity.<sup>674</sup> Furthermore, Shafiq finally emphasizes the essentialness of the consolidation of the required mechanisms for realization of the principles of “transparency, accountability and checks and balances”. <sup>675</sup>

---

[http://iraqcomattache.org/i/files/docs/Understanding\\_the\\_Emerging\\_Petroleum\\_Legal\\_Regime\\_in\\_Iraq\\_Jay\\_Park.pdf](http://iraqcomattache.org/i/files/docs/Understanding_the_Emerging_Petroleum_Legal_Regime_in_Iraq_Jay_Park.pdf))

<sup>669</sup> Saknar, pp. 299- 300

<sup>670</sup> Shafiq, p. 5

<sup>671</sup> Mahdi, p. 20

<sup>672</sup> Shafiq, p. 8

<sup>673</sup> “This invitation is from the commitment of KRG’s senior representative on 8<sup>th</sup> of December.” Please see: Shafiq, p. 10

<sup>674</sup> *ibid*, pp. 9- 10

<sup>675</sup> *ibid*, p. 5



#### 4.8 The situation of Iraq from post- 2007 onwards:

Even though, this thesis concludes with the Draft Oil and Gas Law in the year of 2007, the arguments put forward by the thesis are also relevant departure point to comprehend the developments in post-2007 period. As a result of the Iraqi constitution's problem of legitimacy due to the ethnic and sectarian composition of the Iraqi Provisional Government which formed the preparation committee of the constitution; current problems about the status of Kirkuk, the administration of oil resources and the allocation revenues generated from oil continue to exist. Although, the date of Kirkuk referendum for determination of Kirkuk's status was announced as the end of 2007, which finds its legal foundation from the Article 140 of the constitution, in the first phase, the referendum was postponed to mid -2008 due to insurgencies and political tensions and later, it was postponed for an unknown future, but it remained on the agenda. Moreover, decisions regarding the revenue-sharing are still perceived equal to the sharing of political seats and so reaching a settlement in revenue sharing and the division of roles and responsibilities between the regions and central government are formidable. While Kurdistan Regional Government has already begun to come to terms with foreign companies to overcome its lack of capital for embarking on the capital- intensive oil infrastructure projects by the model of production sharing agreements, that also tightens the relationship with the Baghdad, the indefinite status of the Draft Oil and Gas Law also made the situation more complex. The status of Kirkuk and the situation of the Draft Oil and Gas Law, which is still waiting for parliamentary approval, soared severe conditions on the eve of the 2010 parliamentary elections since both political and economic discussions could not proceed to the next step in the course of the time.<sup>676</sup> As oil sector takes the priority by taking into account the reality that Iraq's 83 % - 93% of revenues come from oil sales after the year of 2005,<sup>677</sup> delaying of passage of the economic laws have caused serious amount of loss to country.<sup>678</sup> While Iraqi political authorities have been assumed the increase in oil production as the first priority, the significance

---

<sup>676</sup> Pınar İpek, "Irak'ta 2010 Seçimleri Öncesi Petrol Kaynaklarının Önemi", *Orsam, Ortadoğu Analiz*, Cilt 1, Sayı 11, (2009), p. 58- 66

<sup>677</sup> "Failure To Pass Economic Laws Is Jeopardizing Iraq's Economy", *Niqash*, (22 January 2010)

<sup>678</sup> *ibid*

of improvement in industrial and agricultural sectors cannot be neglected to change over the economic situation of Iraq.<sup>679</sup> Thus albeit Iraq contains the region's second and world's fourth largest oil reserves, after Saudi Arabia, Canada and Iran<sup>680</sup>, it could not manage to turn its wealth into prosperity and welfare yet.

While in September of 2011, Prime Minister of Iraq, Nouri al- Maliki has endorsed the re-formulated Draft Oil and Gas Law and passed it to the parliament for ratification,<sup>681</sup> in the aftermath of the federal elections at the end of the year of 2010 "Kurdish bloc continues to play kingmaker inside", thus their endeavours to have influence on al- Maliki regarding the Draft Oil and Gas oil is of prime importance.<sup>682</sup> On the other hand, in accordance with "Status of Forces Agreement" (SOFA) between Iraqi government and the U.S, the forces of the U.S have announced the date of withdrawal from Iraq as 31<sup>st</sup> of December of 2011. This announcement together with formation of government on 21<sup>st</sup> December of 2011 is milestone in Iraq's history and Iraq has been passing through important days.<sup>683</sup> Iraq has potential to draw away leading oil producing countries with its production capacity. By the year of 2010, Oil Ministry of Iraq has granted contracts to certain firms by targeting the increase in its production level to 11 million barrels a day.<sup>684</sup> Although such increase seemed as difficult to reach, the unexplored Western Desert could have substantial contribution to the production levels in the future.<sup>685</sup> While China's CNPC and British BP have already won the tender for the Rumayla field in the South of Iraq, the Exxon, Shell, Russian Lukoil and Petronas of Malaysia also involved into the production activities in Iraq too.<sup>686</sup> As Anthony Giddens asserted, the sovereignty of a state is only not grown out of domestic process, so international affairs of the

---

<sup>679</sup> "Minister of finance calls for higher oil production", *Niqash*, ( 21 November 2008)

<sup>680</sup> "Iraqi Country Analysis Brief", *US Energy Information Administration*, ( accessed in July 2011), <http://www.eia.gov/countries/cab.cfm?fips=IZ>

<sup>681</sup> "Round Two: Iraq's Oil And Gas Law Threatens Stability Of Government Again", *Niqash*, (28 September 2011)

<sup>682</sup> *ibid*

<sup>683</sup> Pınar İpek, "İşgal Sonrası Irak'ta Devletleşme Sorunlarının Kuramsal İncelemesi ve Petrol Zenginliğinin Etkileri", *Ortadoğu Etütleri*, Cilt 3, Sayı 1, ( 2011), p. 63

<sup>684</sup> "Iraqi oil may rival Saudi Arabian", *CNN Money*, ( 12 January 2010) [http://money.cnn.com/2010/01/12/news/international/iraq\\_oil/index.htm](http://money.cnn.com/2010/01/12/news/international/iraq_oil/index.htm)

<sup>685</sup> *ibid*

<sup>686</sup> *ibid*

state is equally important within this period.<sup>687</sup> In January 2011, the coming of “Arab Spring” from Tunisia has led people of Middle East and North Africa to mobilize against the prevailing authoritarian regimes and their undemocratic implementations, this wave of change has certain but limited repercussions on Iraq too.<sup>688</sup> The period that started from then on has opened a road for transformation of ideological, economic and political nature of these countries and certainly of the Iraq.<sup>689</sup>

#### 4.9 Concluding Remarks

9/11 is regarded as a “turning point”<sup>690</sup> and afterwards the invasion of Iraq<sup>691</sup> also signifies a “turning point” for the country itself, for its region<sup>692</sup> and also for the people and politics of the whole world. From this point of view, it is pertinent to touch upon the present and future conclusions of interpenetrating topics of the invasion of Iraq in 2003 for the Iraqi country, its region and the world from various angles and different perspectives.

The U.S justified its claims on Iraq with reference to the Saddam’s record on the people of Iraq, his maladministration in terms of internal and international policies in political and economic spheres. More importantly, it is widely acclaimed that Saddam’s misconduct in political and economic policies was regarded as “*oil-funded*” . As it is obvious from the country’s past experiences, Iraq, similar to the rest of oil rich countries, always suffered from the “resource curse”<sup>693</sup> moreover, was harmed by the “leader curse”<sup>694</sup> At this point, ensuring the functioning of democracy and the thriving of economy with the economic diversification would be the key to release Iraq from its past experiences. Within this context, “ short term stabilisation

---

<sup>687</sup> İpek, 2011, p. 76

<sup>688</sup> Iraq and the Misnamed 'Arab Spring', By Aymenn Jawad Al-Tamimi, June 29, 2011

<sup>689</sup> İpek, 2011, p. 86

<sup>690</sup> “Historic Turnining Point or Bump in the Road?”, *Los Angeles Times*, ( 10 September 2006), <http://articles.latimes.com/2006/sep/10/opinion/op-simms10/>

<sup>691</sup> “A Turning Point for Iraq”, *The Sunday Times*, (18 March 2007)

[http://www.timesonline.co.uk/tol/comment/leading\\_article/article1530585.ece](http://www.timesonline.co.uk/tol/comment/leading_article/article1530585.ece),

<sup>692</sup> “The Arab World at a turning Point”, *Media Monitors Network* ( 25 March 2003)

<http://www.mediamonitors.net/elmasry44.html>

<sup>693</sup> Le Billon, p. 689

<sup>694</sup> “Explanation of the Angolan Journalist”

measures in consistent with the long term growth” is needed.<sup>695</sup> While on the other hand, as Corm emphasizes, the necessity to work on the experience of “modernity” with all its successes and failures while working hard for forming a synthesis of it according to the country’s own cultural, political and economic experiences as a solution. <sup>696</sup>

For the oil issue, since the management of oil in Iraq means having management capability all over the industrial countries, such an assertive claim is meaningful to comprehend the significance of Iraq’s oil potential. <sup>697</sup> In the pre- invasion period, the U.S considered energy security in line with the national security. Recently China also makes a similar commitment and the China’s initiatives in Kazakhstan, Iran and Sudan are among the main steps so far that China has taken to guarantee the flow of oil. Thus, in the future, China would utilize methods similar to the methods of Russia and the U.S to achieve superiority in regions of production and as Brezeniski indicates, perhaps China could derive lessons from the U.S’s and Britain’s imperialist histories. <sup>698</sup> Time will show how the relations between these three countries the U.S, China and Russia will develop in the upcoming years, whether bilateral alliances will be established or whether reconciliation will take place between these three actors or not. More precisely, any possible China- Russia rapprochement is an alliance which the U.S does never want. While these calculations are put into consideration, emergence of a regional conflict that would lead these three powers to confront each other is also considered among possibilities of the coming years. <sup>699</sup>

On the other hand, for the U.S, the prominent figure of the post- Second World War epoch, its increasing debts, which stand for the loan of 4/5 of world savings, bear high risks for the country. In addition to its high amount of debts, the euro-dollar conflict still continues. Besides the currency depletion problem of the U.S, if an Asian currency would develop in the future, which would be a rival to both of these

---

<sup>695</sup> Foote, Block, Grane and Gray, p. 60

<sup>696</sup> Corm, pp. 163- 164

<sup>697</sup> Chomsky, 2007, p. 101

<sup>698</sup> Brezensiki, pp. 213- 218

<sup>699</sup> Klare, pp. 189- 200

currencies, that would not only mean an occurrence of devaluation for dollar, but also in a situation like this, both Europe and Asia would be unwilling to finance the debts of the U.S. <sup>700</sup>

According to the U.S's energy policy that was declared in 2001, through the relations established with the eight countries mentioned below, it is believed that dependence on Middle East oil would decrease to a large extent. These countries were Mexico, Venezuela, Columbia, Russia, Azerbaijan, Nigeria, and Angola. It is known that the proven reserves of these eight countries are equal to 19% of world reserves. While calculating the potential for export, how much of the production will go to internal consumption should also be considered in addition to production capacity of the country's reserves. Together with the projected partnerships with these countries, the US-Russia Commercial Energy Summit and the Baku-Tbilisi-Ceyhan project are the projects which already come forth within the scope of the policy of diversification. <sup>701</sup> Besides, "Post- petroleum economy" is proposed for the U.S. The implementation of the protective policies, usage of renewable and nuclear energy are counted as determining in decreasing the dependence on imported petroleum.<sup>702</sup> Moreover, it is believed that balancing consumption would also create positive results not only in terms of economy, but also in terms of politics. <sup>703</sup>As the dependence on the imported oil decrease, both the U.S and the other industrialised countries would not be disposed to embark on new "adventures". Since the invasion of Iraq tarnished the images of the U.S and the European countries that acted with the U.S, they should work on giving new image to themselves and they would gain their reputations back with developing cooperation to diversify their sources of energy.

For the situation of OPEC, the outcomes of the post- 2003 period were transformative. While, in 1998 oil market went through rough times due to the price shock, that time shock originated not from the fluctuations of supply, but of demand. Excess demand of the time proceeded from the escalation of the need for oil in Asian

---

<sup>700</sup> Brezensiki, p. 219

<sup>701</sup> Klare, pp. 135- 139

<sup>702</sup> *ibid.*, pp. 206- 207

<sup>703</sup> *ibid.*, pp. 213- 215

economies with high growth rates. However, in the aftermath of the invasion of Iraq, although sustaining the stability of the oil price became more difficult, OPEC's price band of \$22-\$28 helped the producing countries to keep the oil price at a steady state to the possible extent. In other words, this time OPEC managed to display not a reactive policy as in the shocks of 1970s, but a proactive one.<sup>704</sup> Even though OPEC proved that it made an obvious progress to keep the control of oil price, OPEC's "absorbing capacity" of the back of Iraqi oil to the market has been still the issue that caused worry both for OPEC and non-OPEC countries in the aftermath of the invasion. Since the oil income is directly related to both the exported quantity of oil and the price of oil. In addition, estimations regarding the growth rate of the developing countries and the non-OPEC oil producing countries' contribution to interational oil market will also be determinative in the future position of Iraqi oil and the absorbing capacity of OPEC.<sup>705</sup>

On the other hand, CENTCOM should decrease its weapons and ammunition that present in Iraq and the Gulf countries.<sup>706</sup> After withdrawal from Iraq, the most important goal is announced as to leave behind a friendly regime. While there exists a fear related to the Shiites, who enjoy a demographic majority, since they would seize power and get closer to Iran, which would also have quite significant results for the Shiites in Saudi Arabia.<sup>707</sup> More precisely, if the regime consolidated in Iraq undermined the system in Saudi Arabia or in Iran that would have momentous implications on the oil market. In addition, while the northern neighbour Turkey feels anxious about the possibility in which the Kurds would gain a solid position<sup>708</sup>, the intervention in Iraq has also played a role in the increase in tensions between Israel and Philistine.<sup>709</sup> Therefore, as already stated, these contingent results are also important for this study, since both the position of Kurdish community in Iraq and

---

<sup>704</sup> Thomas E. Wallin, "Stabalizing Oil Market During Unstable Times: Economic Dilemmas For The Gulf" in *Gulf Oil in the Aftermath of the Iraq War Strategies and Policies*, (Abu Dhabi : Emirates Center for Strategic Studies and Research, 2005) , pp. 61- 91

<sup>705</sup> Herman Franssen, " The Future Of Iraq's Oil In The Global Energy Market: Strategic Options in The Aftermath Of War " in *Gulf Oil in the Aftermath of the Iraq War Strategies and Policies*, (Abu Dhabi : Emirates Center for Strategic Studies and Research, 2005) , pp. 91- 115

<sup>706</sup> *ibid*, p.213

<sup>707</sup> Chomsky, 2007, p. 106

<sup>708</sup> Ritter and Pitt, p. 17

<sup>709</sup> Chomsky, 2008, p. 37

the conflict between Israel and Philistine have repercussions in the international politics and economics of oil. On the other hand, the costly war in Iraq weakened the claims of warmongering for the intervention on Iran as a next step to the Iraqi experience.<sup>710</sup> Such moderation in the policies against the neighbour Iran contributes to both the order and public peace of Iraq and therewith to the smooth functioning of the international oil market. To sum up, the reflections of the developments in the country of Iraq are not limited to aforementioned countries, rather its multi-dimensional implications are all worthy to consider in order to provide an understanding on how the notion of oil is amenable to national, regional, and international developments of politics and economics and how its' sphere of influence is far-reaching.

---

<sup>710</sup> Brezensiki, p. 157

## **CHAPTER V**

### **CONCLUSIONS**

After more than a decade from the beginning of the 20<sup>th</sup> century till 2011, oil has proved its crucial role in Iraq. Iraq has been experienced numerous incidents which bear certain analogies to each other. Even though the context has undergone radical changes namely, shifts in the Iraqi regime as the mandate years between 1920-1932, the independence years 1932-1958 and afterwards the years of republican administration in Iraq since 1958; at the end of the day, oil has proved that its critical role is not time and context bound in Iraq.

While “rentier state” conception is generally put under consideration to understand the nature of Iraqi state and to comprehend the reasons of the century long predicament situation of Iraq, contrary to this conventional approach of the “rentier state” related literature, this thesis argued that the key to all the achievements and the all failures of the Iraq is related to the status of oil in Iraq’s engagement with the superpowers. However, it should not be understood as the role of oil in state- society relationships and in Iraq’s affairs with the regional countries is not significant. Rather as the indications of political and economic clout of the oil are apparent in social, political and economic domains of Iraq in internal and external spheres, this thesis focused on the attractiveness of the Iraqi oil for external actors as superpowers and the other international actors like international non-state actors and multinational companies.

In the social domain, even though traditions and the collective norms are determinative in Iraq; oil has occupied a central position both in conflicts and compromises of the members of society since the emergence of the country. The borders of the modern Iraqi country was set in San Remo Conference in 1920 and British and French representatives’ persistence in time for obtaining the territories of Baghdad, Basra and Mosul originated from their oil interests since they perceived the vital role of oil in the aftermath of the First World War . However, the Iraqi ethnic



groups dispersed widely to the places other than these three provinces and their situations did not put under consideration; the demarcation of the Iraqi country's boundaries symbolizes the commencement of incoherence among different components of the society. The clashes between different ethnic units: Kurds and Arabs, Assyrians and Turkmens as well as the sectarian conflicts between the Shiite and Sunni people of Iraqi society become the ordinary reality of the country and this unsettled situation among the members of society has always paved the way for external intervention.

Especially, after the establishment of the Republic of Iraq in 1958, even though Shiites constitute the majority of the Iraqi population; Sunni Arabs' dominance in the ruling clique and governmental agencies made them effective in decision making regarding the social, political policies of the country. At this point, this thesis noted that predominance of the Sunni Arabs in the decision making processes and the alienation of the other ethnic and sectarian groups by coercive and the legal means have been feasible thanks to the power of oil. In that sense, post- 2003 period, discussions based on the revenue sharing means a lot more than economic gains. As Kurdistan Regional Government acquires revenue from the oil sales; Kurdish communities' social status has progressed evenly. Besides, southern Iraq with its Shiite population has also been overlooked for so long, even they have been repressed due to the possibility of unifying with Iran's Shiites. Thus, in the post-Saddam period, also Shiites was aspired to make themselves heard by gaining seats in the political arena. Moreover, their share of oil revenues has augmented and in proportion to these, their social status is expected to increase. At this point, this thesis argued that Iraq is composed of communities with different ethnic and sectarian identities and Iraq's peculiar features stemming from ethnic and religious diversity of its societ is a rare occasion in other oil producing countries, so the consolidation of peace among the components of the Iraqi society has been difficult not only because of oil, but also possible by means of oil. Hence, such compromise can perevent external forces to intervene Iraq.

In the political domain, the reason of the absence of democracy together with the difficulty of consolidation of a more democratic system does not solely lie within Iraqi politics. This thesis emphasizes that analyzing domestic and international politics of Iraq and comprehending the ruling clique's discourse and deeds can be possible only with reference to the economic factors and motivations, mainly in reference to oil. From times of King Faisal to Saddam, traces of dichotomy of high hydrocarbon revenues and compelling nature of the state is observable in politics of Iraq which is similar to rest of oil producing countries. Even though in times of oil booms, especially throughout the years between 1973 and 1980, governmental units initiated developmental plans which aimed to strengthen other sectors of the economy, the results became reversed and oil sector grew stronger. Under such circumstances, absence of the citizenship consciousness due to the lack of democratic system made the people of Iraq unable to demand share from revenues of oil sales to sustain a prosperous life. In contrast, leaders of the country have gone from strength to strength by means of high amount of revenues generated from oil, such great oil income granted more freedom of action to them. In addition, concentration of the oil revenues in the hands of the certain segments of Iraqi society as military cadres, ruling units and Tikriti tribe etc. also made emergence of the political opposition impossible to balance the cadres of ruling regime and that also bred unrestrained power of the leader of the country. At this point, Saddam administration sets a good example. Thus, Iraqi people have not suffered not from "resource curse", but from the "leader curse". In that sense, while Iraq's failure to consolidate a democratic regime and its authoritarian leaders were the products of the repeating external intervention to the country, such failure and the presence of authoritarian regimes have also made external forces' intervention possible.

Moreover, political leaders of the Iraqi Republic from Qasim to Saddam devoted all their energies to economic matters. Since the state strata of Iraq has been located in the centre of the Iraqi economy, economic priorities of Iraq have been preceding the political ones because survival of the state and remaining in the office has depended on the oil economy. Substantial dependence on oil has made Iraq highly vulnerable to the variables as high market risks and sudden changes in the oil prices which are

out of the country's controlling capacity. The statements of Fred Halliday concerning his conversation with Yusuf Sayigh illustrate this situation;

The distinguished Palestinian economist Yusuf Sayigh retailed the story of a meeting, he had, in the mid-1970s with Iraqi President Saddam Hussein, Saddam wanted to be told about the 'economic development' and Sayigh tried to respond. He soon realised that this was a waste of time: The president had no education to comprehend the issues involved and only looked at economic factors in so far as they could strengthen the power of his state.<sup>711</sup>

The historical narrative of the Kurdish issue also illustrates the hierarchy between the economic concerns and the political ones. While Wilson's "Fourteen Points" in 1918 called for the self-determination for the nations of the Ottoman territories economic dimension of this right has moved ahead of its political dimension. Especially after a decade, in 1927 when the first major oil fields were discovered near the city of Kirkuk. Even though Kurdish riots dated back to earlier times, autonomy discussions of the northern territories intensified under the reign of Qasim in 1960s, followed by announcement of the Autonomy Law for Kurdish areas. At the end of this process, in 1991 by the establishment of "safe haven" in northern Iraq, Kurdish community was granted a regional autonomy in the north of the Iraq. While Kurdistan Regional Government's oil reserves, which are estimated around the 45 billion barrels,<sup>712</sup> put under consideration; the existence of the common language, culture and history are highly significant for the Kurds. Moreover, vast hydrocarbon resources of the Northern Iraq enabled acquiring an autonomous administration from the central Iraqi government.

On the other hand, this thesis vindicated that understanding of interrelationship between the politics and economics, more precisely the key and the leading position of the economic matters in Iraq's political domain cannot be done without considering the impacts of the regional countries, the superpowers and Iraq's relations with these actors.

---

<sup>711</sup> "Professor Yusuf Sayigh, conversation with Fred Halliday", Please see: Halliday, p. 261

<sup>712</sup> "Iraqi Govt Won't Recognize Kurdistan Oil Contracts", *Gulf Oil and Gas*, (accessed in July 2011), <http://www.gulfoilandgas.com/webpro1/main/mainnews.asp?id=3515>;

In that sense, the centrality of oil in Iraqi politics is also of great importance to the affairs with the regional countries. In addition to the unifying cultural elements with the countries of the Middle East as the religion of Islam; another crucial common denominator of the region is existence of rich oil reserves. At this point, this thesis noted that except Syria, neighbors of Iraq shared the same fate, in other words, on the one hand, they are as vulnerable as the Iraq to the alteration in oil prices and changes in oil demand. On the other hand, high dependence to the oil sector has also created and solidified the mutual interdependence among countries of the region, specifically in the name of the pipeline and vehicle transportations across each other's territories. Iraqi state's intolerance to Kuwait in 1990 and its conflict with Iran between the years of 1980- 1988 are both stemmed from the prominent role of oil in Iraq and in its neighboring countries.

Above all, from the perspective of the relations with the superpowers, German, French and notably British interests in the Iraqi territories have continued from the Ottoman Empire period. Even though the U.S was a late-comer compared to these three countries, the U.S' inclusion to the scene has brought drastic conclusions to Iraq. Especially from the post-Second World War until today, in parallel to the U.S's inclusion to the rivalry with the other countries, primarily Britain and Soviet Union regarding access to the oil of the Middle East in general and the Iraqi oil in particular has been essential to Iraq.

Besides, the post- Second World War period also coincided with the days when the U.S. presented itself as the world's hegemonic power with its aspiration to the place of Britain in the Middle East. From the establishment of British Mandate of Iraq to the end of the Second World War, Britain preserved its presence in Iraq despite the fact that the League of Nations granted independence to Iraq in October 1932. Later on, albeit the U.S. was already the concessionary of the Iraqi Petroleum Company; in the aftermath of the Second World War, the U.S. and the Soviet Union struggled for being closely involved with the decisions about the region and Iraq. During the Cold War years, Iraq had capacity to manoeuvre in the bipolar world system; it even

initiated partnerships with the Soviet Union in 1972 to overcome its difficulties in oil sector and transactions following the renunciation of the foreign companies from the country after nationalization of the Iraqi Petroleum Company. Thus Iraq benefited from the rivalry between two super powers of the time, but with the end of the Cold war in 1990, due to the fact that the U.S became the unique power in the international scene; Iraq became bereft of its balancing role of the international competitions under unipolar world system in terms of its oil policies. In this period, Iraq faced a new order and it tried to find new ways to cope with its political and economic problems since it could no longer avail from its political positioning in the international arena. From then on, the Iraqi state made use of harsher methods to obtain political and economic gains and faced harsher responses as in the case of the invasion of Kuwait in 1990. Interestingly, since the world actors are aware of the Iraq's vulnerability about its oil politics; the United Nations took decision to penalize Iraq with enforcement of "Oil for Food Programme".

At this point, this thesis indicated that while Iraq is vulnerable to the market risks and the fluctuations in the price of oil; the oil exporting countries are also equally vulnerable since their economy would break down in any substantial interruption of the flow of oil or in the case of exorbitant oil prices. As in times of oil crisis of the 1973-74 and the afterwards the second shock in 1979 and even in the case when the prices hit the rock bottom, the situation was similar. Thus, vulnerability of the one part feeds the vulnerability of the other. In other words, even though Iraqi country's profits go in opposite direction to the profits of oil exporting countries; welfare, prosperity, peace and the survival of the both parties highly depend on reasonable priced oil. Hence, external intervention to Iraq have become a repeating phenomenon to guarantee the flow of oil at reasonable price.

In line with this argument, the invasion of Iraq in 2003 and the period which is the aftermath of the invasion between the years of 2003 to 2011 illustrate that historical narratives of the Iraqi country still prevail. Despite the existence of wide- spectrum of asserted political causes with the intention of invading the country of Iraq;

obtaining the control of Iraqi oil and balancing the value of dollar, “petro- dollar”, were at the forefront of the causes of the U. S. - led Iraq intervention.

However, following the invasion, it is striking, but not surprising that reconstruction projects and policies also have all relied on the oil sector. Analyzing the post-2003 period is important in demonstrating that, even though developments occurred subsequent to invasion has brought number of changes to the international system, to region and to the state itself as weakening hegemonic role of the U.S, increase in the anti-Western sentiments among the people of region and Iraqi state’s renunciation of its distributive function, still, state of Iraq generates most of its revenues from the oil sector.

In the economic domain, although global economy’s expansion, especially after the 1970s, is the reality of this era; plurality of world economies still exists and solely associating national economies with a particular and solid global economic system is unrealistic.<sup>713</sup> Thus, this thesis argued Iraq will preserve its certain characteristic features arising from its peculiarities which stem from the economic sphere of the country. These are also connected with country’s geographical and cultural particularities. Some of these characteristics can be listed as high dependence on the oil sector, central role of the state in the economy and the absence of well-functioning private sector. However, ruptures from the past implementations will also take place in the country. In the economic sphere, since the establishment of the Iraq, due to the lack of qualified machines, techniques, technologies together with the absence of adequate capital; Iraq has been economically dependent on the foreign countries for meeting its needs for functioning of its economy. Because of this reason, from the establishment of Turkish Petroleum Company in 1925 to reclaiming of the unexploited areas of the Iraqi Petroleum Company’s concession in 1961 and finally nationalization of the Iraqi petroleum company in 1972, the most sensitive spot of the Iraqi economy, namely oil sector has prevailed under foreign influence.

---

<sup>713</sup> Maurice Aymard, “Gerçeklik Temsil mi Edilir? Yoksa Tarif mi Edilir? ” in *Modern Küresel Sistem* ed. by Immanuel Wallerstein, ( İstanbul: Pinar Yayınları, 2005), p. 320

However, in the aftermath of the invasion in 2003, the country has experienced a transition period in economic sense. Even though one might argue that lack of progress of the Iraqi country depends on the oil sector which encircles all units and segments of the economy, by the establishment of the new institutions with clear division of works and permitting inclusion of the foreign investment according to designated rules and regulations together with the introduction of taxation mechanism in the country, oil sector of the country would be the remedy of the country.

This thesis justified that state cannot fade from the scene of country's economy, but it would try to adopt lenses of economics even though it is still uneasy concerning the reality that oil is a political and strategic commodity and no state can leave the scene to the other actors as non-international state actors and multinational companies. Oil economy is an economy in which the state together with non-state actors as multinational companies and international organizations are decisive and especially with the globalisation, the role of the multinational companies has been gradually increasing. However, this issue is also dual-sided because multinational companies and other non- state actors are not able to overcome all the risks of inherent in both national and international oil markets, since the price of oil is highly responsive to the political developments. This also proves that the interrelationship of the politics and economics and the central role of state are substantiated.

Even though economic discourse and doctrine are overwhelming based on the political ones; Iraq should prove its claim for democracy is not rhetoric. If the Iraqi state manages to soothe its long standing political problems as responding to the demands of the northern part and pleasing all units of the Iraqi society by settling ethnic and sectarian conflict by reaching a compromise in political scene, the state would direct its all energy to the economic matters. On the other hand, it is a fact that the presence of the U.S. forces in the country made the reconciliation process more difficult, even after the U.S. handed over the power to the Iraqi government in November, 2003. The historical analogy of the post -2003 situation of Iraq to the independence years of the country after 1932 when the British influence unofficially

remained long after the independence made the Iraqi people anxious. Since, throughout Iraq's history, inclusion of the external forces to the political matters have led the country to deadlock; in order to solve its conflicts in the political scene, state has to manage not only the the democracy, but also prevalent presence of the U.S. Only after resolving these two issues of priority, economic issues can stand on a solid footing since the issue of oil bears a dual nature, a political and an economic one.

To sum up, as the evidences from the case specific historical legacies demonstrate, the columns, posters and cartoons' abbreviation of "Operation Iraqi Liberation" in the year of 2003 as "oil" for indicating the major, but the silent motivation behind the invasion of Iraq is not wrong. To this end, the history of the Iraqi oil politics in relation to the roles of superpowers and the other external actors as non-state actors and multinational companies and examining the interaction between the politics and economy are integral to reaching such conclusion.



## BIBLIOGRAPHY

Ahmed Nafeez Mosaddeq, *Behind the War on Terror: Western Secret Strategy and the Struggle for Iraq*, (Canada : New Society Publishers, 2003)

Alnaswari Abbas, *The Economy of Iraq, Oil, Wars, Destruction of Development Prospects, 1950-2010*, (Westport, Conn: Greenwood Press, 1994)

Altunışık Meliha Benli, “Turkey’s Iraq Policy: The War and Beyond”, *Journal of Contemporary European Studies*, Vol. 14, Issue 2, (2006)

Arı Tayyar, *İran, Irak, ABD ve Petrol*, (İstanbul: Alfa Basın Yayın Dağıtım,2007)

Arrighi Giovanni, “Hegemonya ve sistem karşıtı hareketler” in *Modern Küresel Sistem*, ed. by Immanuel Wallerstein, (İstanbul: Pınar Yayınları, 2006)

Aymard Maurice, “Gerçeklik Temsil mi Edilir? Yoksa Tarif mi Edilir?” in *Modern Küresel Sistem*, ed.by Immanuel Wallerstein (İstanbul: Pınar Yayınları, 2005)

Beblawi Hazem, “The Rentier State in Arab World The Arab State”, in *The Arab State*, e.d by Giacomo Luciani, (London: Routledge,1990)

Bennis Phyllis, Halliday Denis J., “Irak Yaptırımlarının Etkisi ve ABD Politikası” ,in *Kuşatma Altında Irak: yaptırımların ve savaşın ölümcül etkileri*, ed. by Anthony Arnove , (İstanbul : Everest yayınları, 2001)

Boztemur Recep, “Irak Milliyetçiliği Toplumsal Bütünleşmede Ordunun Rolü ve Devletin Meşruluk Temelleri, *Doğu Batı Düşünce Dergisi*, Yıl:10, Sayı:39, (2006-2007)

Brancati Dawn, “Can Federalism stabilize Iraq?” *Washington Quarterly*, Vol. 27 Issue 2, (2004)

Braudel Fernand, *The Mediterranean and the Mediterranean World in the Age of Philip II*. (Berkeley: University of California Press, 1995)

Brezensiki Zbigniew, İkinci Şans Üç Başkan ve Amerikan Süper Gücünün Krizi, (İstanbul: İnkılap Kitabevi, 2008)

Bromley Simon, *American Hegemony and World Oil: the industry, the state system, and the world economy*, ( Cambridge: Polity Press, 1991)

Brown Sarah Graham, *Sanctioning Saddam, the politics of intervention in Iraq*, (London: I. B. Tauris& Co. , 1999)

Bruno Michael and Sachs Jeffrey, “Energy and Resource Allocation: A Dynamic Model of Dutch Disease”, *Review of Economic Studies*, XLIX,pp 845-859, The Society for Economic Analysis Limited, (1982)

Brynen Rex, “Economic Crisis and Post- Rentier Democratization in the Arab World: The case of Jordan”, *Canadian Journal of Political Science/Revue Canadienne de Science Politique*, Vol.2, No.1 (1992)

Brynen Rex, Korany Bahgat and Noble Paul, “Theoretical Perspectives on Arab Liberalization and Democratization”, in *Political Liberalization& Democratization in the Arab World, Volume 1, Theoretical Perspectives*, ed.by Rex Brynen, Bahgat Korany and Paul Noble (Boulder: Lynne Rienner Publishers,1998)

Butler Judith, *Kırılğan Hayat, Yasın ve Şiddetin Gücü*, (İstanbul; Metis Yayınları, 2005)

Çalışkan Koray, “The Meaning of Price in World Markets”, *Journal of Cultural Economy*, Vol.2, Issue 3, pp. 239-268, (2009)

Casanova Pablo Gonzales, “Mevcut Sistemdeki Eğilimler ve Sistem Karşıtı Hareketler”, *Modern Küresel Sistem*, ed. by Immanuel Wallerstein, (İstanbul: Pınar Yayınları, 2006)

Chalabi Fadhil, “The Oil Capacity of Post-war Iraq: Present Situation and Future Prospects” in *Iraq’s Economic Predicament*, ed. by Kamil Mahdi(United Kingdom: Garnet Publishing Limited, 2002)

Chaudry Kiren Aziz, “Economic Liberalization and the Lineages of the Rentier State”, *Comparative Politics*, Vol.27, No. 1, p.10-15, (1994)

Chomsky Noam, *11 Eylül*, (İstanbul: Om Yayınevi, 2002)

Chomsky Noam, *Müdahaleler*, (İstanbul: Bgst Yayınları, 2008)

Chomsky Noam, *Tehlikeli güç: ABD'nin dış siyaseti ve Ortadoğu: terör, demokrasi, savaş ve adalet üzerine diyaloglar / Noam Chomsky, Achcar*, ed. by Stephen R. Shalom, (İstanbul: İthaki Yayınları, 2007)

Clark William R., *Petro Dollar Warfare Oil Iraq and The Future of Dollar*, (Canada: New Society Publishers, 2005)

Cooley Alexander A.,” Booms and Busts: Theorizing Institutional Formation and Change in Oil States”, *Review of International Political Economy*, Vol. 8, No.1 (2001)

Corm Georges, *Doğu Batı Hayali Kırılma*, (İstanbul: İthaki Yayınları, 2003)

Çulhaoğlu Metin , “Kapitalizm ve Demokrasi: İlişki ve İlişkisizlikler Üzerine Bir Deneme” , *Praksis* 10, sayfa 93-103, <http://www.praksis.org/files/010-04.pdf>,

Dargin Justin, “Securing the Peace: The Battle over Ethnicity and Energy in Modern Iraq”, *Oil, Gas & Energy Law Intelligence*

Dawisha Added, *Iraq A Political History From Independence To Occupation*, (New York: Princeton University Press, 2009)

Diamond Larry and Plattner Marc F., *The Global Resurgence of Democracy*, (Baltimore: Johns Hopkins University Press, 1993)

Dodge Toby, *Inventing Iraq, The Failure of Nation Bulding and a History Denied*, (New York: Columbia University Press, 2003)

Eaton John, *Ekonomi Politik*, (Ankara: Bilim ve Sosyalizm Yayınları, 1996)

Ediger Volkan Ş., *Osmanlı'da Neft ve Petrol*, (Ankara: ODTÜ Yayıncılık, 2007)

Engdahl William, *Petrol Para İktidar*, (İstanbul: Alfa, 2008)

Evans Peter B., Rueschmer Dietrich, Skocpol Theda, *Bringing The State Back In*, (Cambridge: Cambridge University Press, 1985)

Farouk-Sluglett Marion and Sluglett Peter, *Iraq Since 1958 From Revolution to Dictatorship*, (London; New York : I.B. Tauris, c2001)

Fawn Rick, “ Central and Eastern Europe: Independent Actors or Suppliant States?” in *Iraq War: Causes and Consequences*, ed. by Rick Fawn and Raymond Hinnebusch, (Boulder, Colo. : Lynne Rienner Publishers, 2006)

Footnote Christopher, Block William, Grane Keith and Gray Simon, "Economic Policy and Prospects in Iraq", *Journal of Economic Perspectives* – Volume 18, Number 3, (2004)

Franssen Herman," The Future Of Iraq's Oil In The Global Energy Market: Strategic Options In The Aftermath Of War " in *Gulf Oil in the Aftermath of the Iraq War Strategies and Policies*, (Abu Dhabi : Emirates Center for Strategic Studies and Research, 2005)

Friedman Thomas, "Allies Dressed in Green", New York Times, (27 October 2006) [select.nytimes.com/2006/10/27/opinion/27friedman.html](http://select.nytimes.com/2006/10/27/opinion/27friedman.html)

Fromkin David," Britain, France and the Diplomatic Agreements" in *The Creation of Iraq, 1914-1921*, ed. By Reeva Spector Simon and Eleanor H. Tejirian (London: Macmillan, 1976)

Fukuyama Francis, *The end of History and the Last Man* (New York: Free Press, 2006)

Galbraith John Kenneth, *Economics in Perspective; A Critical History*, (Houghton Mifflin, 1987)

Gallagher Nancy Elizabeth, *Approaches to the History of the Middle East, Interviews with Leading Middle East Historians*, (UK: Ithaca Press, 1994)

Gellner Ernest, *Uluslar ve Ulusculuk*, (İstanbul: Hil Yayınları, 2006)

Greenwald Abe, "The Soft-Power Fallacy", *Commentary*, Vol. 130, Issue 1, (2010)

Grossman Marc, "Batı'yı Bir Arada Tutan Komünizm Tehditi'nin Yerini Ne Alacak?", *Turquie Diplomatique*, (2011)

Gruen George E., “The Oil Resources of Iraq: Their Role in the Policies of the Great Powers” in *The Creation of Iraq, 1914-1921*, ed. by Reeva Spector Simon and Eleanor H. Tejirian, (London: Macmillan, 1976)

Gupta Anirudha, “Iraq, US and Europe : Emerging Themes”, *Economic and Political Weekly*, Vol. 38, No. 10 ( 2003)

Güriz Adnan, *Kapitalist ideoloji*, (Ankara: Phoenix Yayınları, 2010)

Halabi Yakub, *US Foreign Policy In The Middle East: From Crises To Change*, (Aldershot, Hants, England; Burlington, VT: Ashgate, 2008)

Halliday Fred, *The Middle East in International Relations, Power, Politics and Ideology*, (Cambridge: Cambridge University Press, 2005)

Hardt Michael, Negri Antonio, *Empire*, (Cambridge, Mass.: Harvard University Press, 2001, c2000)

Harvey David, *The New Imperialism*, (Oxford; New York: Oxford University Press, 2003)

Hazelton Fran., *Prospects For Iraq Since The Gulf War Prospects For Democracy*, ed. by Hazelton, (London ; Atlantic Highlands, N.J. : Zed Books, 1994)

Heilbroner Robert L., *The Nature and Logic of Capitalism*, (New York: Norton, c1985)

Hinnebusch Raymond, “Hegemonic Stability Theory Reconsidered: implications of the Iraqi War” in *The Iraq War: Causes and Consequences*, ed. by Rick Fawn and Raymond Hinnebusch, (Boulder, Colo. : Lynne Rienner Publishers, 2006)

Hobsbawn Eric J., *The Nation And Nationalism Since 1780: Programme, Myth, Reality*, (Cambridge; New York : Cambridge University Press, 1992)

Hollis Rosemary, “Europe in the Middle East” in *International Relations of the Middle East*, ed. by. Louise Fawcett, ( Oxford: Oxford University Press, 2005)  
<http://www.innovations.harvard.edu/cache/documents/6428/642842.pdf>

Huntington Samuel, *The Third Wave: Democratization in the Late Twentieth Century*. (Oklahoma University Press, 1993)

Huntington Samuel, ”Medeniyetler Çatışması”, *Doğu Batı Düşünce Dergisi*, Yıl: 10, Sayı: 41, pp. 83-109, (2007)

İpek Pınar, “İşgal Sonrası Irak’ta Devletleşme Sorunlarının Kuramsal İncelemesi ve Petrol Zenginliğinin Etkileri”, *Ortadoğu Etütleri*, Cilt 3, Sayı 1, ( 2011)

İpek Pınar, “Irak’ta 2010 Seçimleri Öncesi Petrol Kaynaklarının Önemi”, *Orsam, Ortadoğu Analiz*, Cilt 1, Sayı 11, (2009)

Jassim Saad Z. and Al-Gailani Mohammad, “Hydrocarbons”, in *Geology of Iraq*, ed. by Saad Z Jassim and Jeremy G. Goff, (Czech Republic; Publishers Dolin, 2006)

Jessua Claude, *Kapitalizm*, (Ankara: Dost Yayınları, 2005)

Karam Jasem, “The Boundary Dispute Between Kuwait and Iraq: An Endless Dilemma”, *DOMES: Digest of Middle East Studies*, Vol. 14, Issue 1, p1-11, (2005)

Karl Terry Lynn, *The Paradox of Plenty, Oil Booms and Petro –States*, (Berkeley : University of California Press, c1997)

Keble Wayne, "Keeping Iraq's Life Blood Flowing, Protecting the Offshore Terminals", *The RUSI Journal*, V.152, Issue 6, (2007)

Kerküklü Ali, *İstihbarat Oyunları Petrol ve Kerkük*, (İstanbul: IQ Kültür Sanat Yayıncılık, 2008)

Klare Michael, *Kan ve Petrol*, (İstanbul: Marka Yayınları, 2006)

Kubursi Atif, "Oil and Global Economy" in *Iraq War: Causes and Consequences*, ed. by Rick Fawn and Raymond Hinnebusch, (Boulder, Colo.: Lynne Rienner Publishers, 2006)

Kumins Lawrence, "Iraq Oil: Reserves, Production and Potential Revenues", in *Iraq Government, U.S Forces and Oil*, ed. by Jean .P. Manning (New York : Nova Science Publishers, Inc., c2005)

Landen Robert G., *The Emergence of the Modern Middle East, Selected Readings*, (Canada: Litton Educational Publishing, 1970)

Lawson Fred, "Rethinking the Invasion of Kuwait", *Review of International Affairs*, Vol. 1 Issue 1, p1, 20p, (2001)

Le Billon Philippe, "Corruption, Reconstruction and Oil Governance in Iraq", *Third World Quarterly*, Vol. 26 Issue 4/5, p685-703, (2005)

Liakos Antonis, *Dünyayı Değiştirmek İsteyenler Ulusu Nasıl Tasavvur Etiler?* (İstanbul: İletişim Yayınları, 2008)

Linz Juan J., *Totalitarian and Authoritarian Regimes*, (Ankara: Liberte Yayınları, 2008)



Losman Donald L. , “ The Rentier State and National Oil Companies: An Economic and Political Perspective”, *The Middle East Journal*, Vol.64, No:3, (2010)

Luciani Giacomo, “Oil and Political Economy in the International Relations of the Middle East” in *International Relations of the Middle East*, ed. by Louise Fawcett,( Oxford: Oxford University Press,2005)

Luciani Giacomo, “Revenues and Authoritarianism in the Arab World: Beyond the Rentier State” in *Political Liberalization & Democratization in the Arab World, Volume 1, Theoretical Perspectives*, ed.by Rex Brynen, Bahgat Korany and Paul Noble (Boulder: Lynne Rienner Publishers,1998)

Mahdavy Hossein, “The Patterns and Problems of Economic Development in Rentier States: The Case of Iran,” in M. A. Cook, ed. *Studies in the Economic History of the Middle East*, London, 1970

Mahdi Kamil, “Iraq’s Oil Law: Parsing the Fine Print”, *World Policy Journal (MIT Press)*, , Vol. 24 Issue 2, p11-23,(2007)

Muzio Tim Di, “The Real Resource Curse and The Imperialism of Development”, *Suomen Antropologi: Journal of the Finnish Anthropological Society*, Vol.35, Issue.1, (2010)

Noreng Oystein, *Petrol ve İslam*, (İstanbul: Sabah Yayınları, 1998)

O’Leary Brendan, *Respecting Iraq’s Constitutional Integrity, How to Get Out of Iraq with Integrity*, (Philadelphia :University of Pennsylvania Press, ,2009 )

Okruhlik Gwenn, “Rentier Wealth, Unruly Law and Rise of Opposition”, *Comparative Politics*, Vol.31, No.3 (1999)

Oran Baskın, “*Kalkık Horoz*”, *Çekiç Gücü ve Kürt Devleti*, ( Ankara: Bilgi Yayınları, 1996)

Oweiss Ibrahim M., “The Economic Impact of the Gulf War” *The Gulf Crisis: Background and Consequences*, ed.by İbrahim İbrahim, (Washington: Georgetown University, Center for Contemporary Arab Studies, 1992)

Owen Roger, *20. Yüzyılda Ortadoğu Ekonomileri Tarihi, A History Of Middle East Economies in the Twentieth Century / Roger Owen & Şevket Pamuk*,( İstanbul: Sabancı Üniversitesi, 2002)

Pelletière Stephen, *Iraq and the International Oil System, Why America went to war in the Gulf*, (U.S.A: Praeger Publishers, 2001)

Poggi Gianfranco, *Modern Devletin Gelişimi*,( İstanbul: İstanbul Bilgi Üniversitesi Yayınları, 2009)

Polk William R., *Irak'ı Anlamak*, (İstanbul: NTV Yayınları, 2007)

Rahdall Stephen J., *United States Foreign Oil Policy since World War I*, (London: McGill-Queen's University Press, 2005)

Ritter Scott, William R. Pitt, *Irak'a Savaş Bush Yönetiminin Bilmenizi İstemediği Gerçekler*, (İstanbul: Metis Yayınları, 2002)

Rogan Eugene L. , “The Emergence of the Middle East into the Modern State System” in *International Relations of the Middle East*, ed. by. Louise Fawcett, ( Oxford: Oxford University Press, 2005)

Rosa Luxemburg, *Ulusal Sorun, Ulusların Kendi Yazgısını Tayin Hakkı ve Özeklik*, (İstanbul Belge Yayınları 2010)

Said Edward, "Europe versus America", *Al- Ahrām Weekly*, 12-20 November 2002 Issue No: 612, <http://weekly.ahram.org.eg/2002/612/op2.htm>,

Said Edward, "Huntington'a Cevap, Cehaletin Çatışması", *Doğu Batı Düşünce Dergisi*, Yıl:10, Sayı:41, pp.109-117, (2007)

Said Edward, "What is happening to United States?" *Al- Ahrām Weekly*, 23-30 April 2003, issue no: 635 <http://weekly.ahram.org.eg/2003/635/op2.htm>

Sakmar Susan L., "The Status of the Draft Iraq Oil and Gas Law", *Houston Journal of International Law*, Vol. 30 Issue 2, (2008)

Sander Oral, *Siyasi Tarih 1918-1994*, (İstanbul: İmge Kitabevi)

Sander Oral, *Siyasi Tarih, İlkçağlardan 1918'e*, (Ankara: İmge Kitabevi, 1989)

Sathyamurthy T. V, "Marxism and Imperialism", *Economic and Political Weekly*, Vol. 32, No. 49, (1997)

Adams Walter, Brock James W., Blair John M., "Retarding the Development of Iraq's Oil Resources: An Episode in Oleaginous Diplomacy, 1927-1939" *Journal of Economic Issues* Vol. XXVI, No: 1, March (1993)

Sau Ranjit, "Capitalism, Imperialism and Underdevelopment", *Economic and Political Weekly*, Vol. 10, No. 33/35, (1975 )

Shafiq Tariq, *Iraq Draft Petroleum Law: An Independent Perspective*, (17 February 2007) [http://www.revenuewatch.org/files/shafiq\\_20070306.pdf](http://www.revenuewatch.org/files/shafiq_20070306.pdf)

Shalaby Abdallah, "The constitutional frameworks in arab countries, dismantling the authoritarian structures", *Towards A Better Life:How To Improve The State of Democracy in The Middle East And North Africa*,

(İstanbul: Global Political Trends Center ,İstanbul Kultur University Publications No:116, 2010)

Shambayati Hootan, “The Rentier State Interest Group and the Paradox of Autonomy: State and Business in Turkey and Iran”, *Comparative Politics*, Vol.26,No.3, (1994)

Shields Sarah, “Mosul Question: Economy, Identity and Annexation”, in *The Creation of Iraq, 1914-1921*, ed. By Reeva Spector Simon and Eleanor H. Tejirian,(London: Macmillan,1976)

Shutt Harry, *The Trouble with Capitalism: An Enquiry into Causes of Global Economic Failure*, London, New York: Zed Books, 1998)

Shwadran Benjamin, *The Middle East Oil and The Great Powers* (New York: 1973)

Stansfield Gareth, *Iraq, People, History, Politics*, ( Cambridge: Polity Press, 2007)

Steger Manfred B., *Küreselleşme*, (Ankara: Dost Yayınları, 2006)

Tejirian Eleanor H.,”The United States, The Ottoman Empire and the Post War Settlement”, in *The Creation of Iraq, 1914-1921*, ed. By Reeva Spector Simon and Eleanor H. Tejirian, (London: Macmillan, 1976)

Terzi Arzu, *Bağdat- Musul'da Abülhamid'in Mirası, Petrol ve Arazi*, (İstanbul: Timaş Yayınları, 2009)

Timur Taner, “Küreselleşme” den “İmparatorluk” a 11 Eylül: Dönüm Noktası mı?” , *Praksis*,7, pp 213-224, (2002), <http://www.praksis.org/files/007-10.pdf>,

Tripp Charles, *A History of Iraq*, (New York: Cambridge University Press, 2007)

Tunç Hakan, “ What was it about after all? The Causes of the Iraq War”, *Contemporary Security Policy*, Vol. 26, No.2, ( 2005)

Vanaik Achin, “Imperialism, Soviet Collapse and Implications for Post- Colonial World”, *Economic and Political Weekly*, Vol. 28, Issue. 5, (1993)

Vandewalle Dirk J., *Libya since Independence: Oil and State-Building*, (Ithaca, NY: Cornell University Press, 1998)

Wallerstein Immanuel, *Amerikan Gücünün Gerileyişi*, (İstanbul: Metis Yayınları, 2004)

Wallerstein Immanuel, *Liberalizmden Sonra*, (İstanbul: Metis Yayınları, 1998)

Wallerstein Immanuel, *Modern Küresel Sistem*, (İstanbul; Pınar Yayınları, 2005)

Wallin Thomas E., “Stabalizing Oil Market During Unstable Times: Economic Dilemmas For The Gulf” in *Gulf Oil in the Aftermath of the Iraq War Strategies and Policies*, (Abu Dhabi: Emirates Center for Strategic Studies and Research, 2005)

Weszkalnys Gisa, “The Curse of Oil in the Gulf of Guinea: A View From São Tomé and Príncipe”, *African Affairs*, Vol. 108, No. 433, (2009)

Yapp Malcolm, *The Near East Since the First World War A History to 1995* (London: Second Edition Pearson Education Limited, 1996)

Yates Douglas A., *The Rentier State in Africa, Oil and Rent Dependency and Neocolonialim in the Republic of Gobon*, (Trenton NJ: Africa World Press, 1996)

Yergin Daniel, *The Prize, The Epic Quest For Oil, Money and Power*, ( New York: Simon& Schuster, 1991)

Zizek Slavoj, *Ödünç Alınan Irak Çaydanlığı*, (İstanbul: Encore, 2004)

“A Turning Point for Iraq”, *The Sunday Times*, (18 March 2007)  
[http://www.timesonline.co.uk/tol/comment/leading\\_article/article1530585.ece](http://www.timesonline.co.uk/tol/comment/leading_article/article1530585.ece),

“Failure To Pass Economic Laws Is Jeopardizing Iraq's Economy”, *Niqash* , (22 January 2010)

“Historic Turnining Point or Bump in the Road?”, *Los Angeles Times*,( September 10, 2006),<http://articles.latimes.com/2006/sep/10/opinion/op-simms10/>

“Iraqi Country Analysis Brief”, *US Energy Information Administration*,  
Accessed in July 2011, <http://www.eia.gov/countries/cab.cfm?fips=IZ>

“Iraqi Govt Won't Recognize Kurdistan Oil Contracts”, *Gulf Oil and Gas*,  
Accessed in July 2011;  
<http://www.gulfoilandgas.com/webpro1/main/mainnews.asp?id=3515>

“Iraqi oil may rival Saudi Arabian”, *CNN Money*, (12 January 2010)  
[http://money.cnn.com/2010/01/12/news/international/iraq\\_oil/index.htm](http://money.cnn.com/2010/01/12/news/international/iraq_oil/index.htm)

“Iraq's Economic Liberalisation, Let's all go to the yard sale”, *The Economist*,  
(25 September,2003)[http://www.economist.com/node/2092719?story\\_id=2092719](http://www.economist.com/node/2092719?story_id=2092719)

“Kurdistan to Resume Oil Exports”, Aiyob Mawloodi, *The Kurdish Globe*, (15 May

2010),<http://208.78.42.109/displayarticle.html?id=DDF1EB7B7AC16F11193AB4DA17E5608E>

“Kurdistan launches the 2011 as Oil and Gas Year”, *The Kurdish Globe*, No. 295, (06 March 2011), <http://www.kurdishglobe.net/get-pdf-file/KurdishGlobe-2011-03-06.pdf?ID=293>

“Measuring Stability and Security in Iraq”, *March 2010, Report To Congress In Accordance With The Department Of Defence Supplemental Appropriations Act 2008*,  
[http://www.defense.gov/pubs/pdfs/March%202004%20SecDef%20signed%2029%20Apr%202010\\_1D80.pdf](http://www.defense.gov/pubs/pdfs/March%202004%20SecDef%20signed%2029%20Apr%202010_1D80.pdf)

“Minister Of Finance Calls For Higher Oil Production”, *Niqash*, (21 November 2008)

“Oil For Soil: Toward A Grand Bargain On Iraq And The Kurds”,  
*International Crisis Group*, (28 October 2008), Middle East Report No: 80

“Over 70 firms bid for Iraq oil contracts”, *Reuters*, (18 February, 2008)  
<http://uk.reuters.com/article/2008/02/18/uk-iraq-oil-idUKL1851415320080218>

“Paul Bremer: 'US Must Not Walk Away From Iraq’”, *BBC News, Middle East*, (27 August 2010), <http://www.bbc.co.uk/news/education-11102558>

“Petroleum Law of Kurdistan Region, Iraq”, (29 June 2007)  
[http://kurdistantheotheriraq.com/English\\_Version\\_Kurdistan\\_Petroleum\\_Law.pdf](http://kurdistantheotheriraq.com/English_Version_Kurdistan_Petroleum_Law.pdf)

“Report of National Energy Policy Development Group”, (2001), accessed in September 2011, <http://www.ne.doe.gov/pdfFiles/nationalEnergyPolicy.pdf>

“Round Two: Iraq's Oil and Gas Law Threatens Stability Of Government Again”,  
*Niqash*, (28 September 2011)

“The Arab World at a turning Point”, Mohamed Elmasry, *Media Monitors  
Network* (25 March 2003), <http://www.mediamonitors.net/elmasry44.html>

“Understanding the Emerging Petroleum Legal Regime in Iraq”, by. J. Jay Park  
*Iraq Petroleum Conference 2007, Dubai*  
[http://iraqcomattache.org/i/files/docs/Understanding\\_the\\_Emerging\\_Petroleum  
\\_Legal\\_Regime\\_in\\_Iraq-\\_Jay\\_Park.pdf](http://iraqcomattache.org/i/files/docs/Understanding_the_Emerging_Petroleum_Legal_Regime_in_Iraq-_Jay_Park.pdf)

United Nations Security Council Resolutions 1991  
<http://www.un.org/Docs/scres/1991/scres91.htm>

“2003 Invasion of Iraq”, *The Jerusalem Post*, Accessed in July 2011  
[http://www.jpost.com/topic/2003\\_invasion\\_of\\_Iraq](http://www.jpost.com/topic/2003_invasion_of_Iraq)