LONDON REVIEW OF BOOKS

LRB | Vol. 27 No. 8 dated 21 April 2005 | Retort

Blood for Oil?

Retort , a group of writers and activists, considers whether oil was the reason for the invasion of Iraq

Capitalism presents itself, Marx said on more than one occasion, as an 'immense accumulation of commodities'. In a full-scale commodity producing economy, what comes to matter about each separate article is not so much its constellation of uses as its value as an item of exchange, its function as a 'material depository' (Marx again) of exchange value. The commodity's value is generated from its shifting place in a complex, self-contained world of money equivalents. So that finally the usefulness of petroleum presents itself as merely the outward and accidental aspect of something more basic: the article's price.

For all the talk lately about the emergence of a post-industrial economy – in which 'information' or 'services' are displacing the authority of any single material resource – the last few years have been an object lesson in just how vital to capitalist dreams of the future the control of a few strategic commodities still is. They are the motors of production, the ultimate hard currency of exchange. For that very reason they are subject to deep mystification. Oil is a 'curse', commentators say, it 'distorts' the natural course of development and encourages an economy of hyper-consumption and excess: golf courses in the Saudi desert, bloated shopping malls in Dubai and Bahrain. Democracy is 'hindered' by oil (as if cobalt promoted constitutional government), which brings about despotic rule and patrimonialism rather than statecraft and capitalist discipline. There is some truth in this, but it is a shallow view of things because it substitutes a narrow commodity determinism for the larger truths of primitive accumulation: the deadly complicity of guns, oil and money.

If a single political thread tied the anti-war demonstrations of February and March 2003 together, it was the refrain 'No Blood for Oil'. On every march a flotilla of signs carried variants on the idea, and in San Francisco it was the Chevron building that goaded the marchers to their most vocal dissent.

And with good reason. The American addiction to cheap petroleum has shepherded the brokers, carpetbaggers and hustlers of the oil business directly into political office. Five 'supermajors' (Exxon-Mobil, Royal Dutch-Shell, BP-Amoco, TotalFinaElf and Chevron-Texaco), elephantine oil corporations with wells, pipelines, refineries and subsidiaries in almost every country on earth, and collective sales revenues of more than $500 billion (almost twice the GDP of sub-Saharan Africa), have scaled the walls of the White House. In a bullish five years in the 1990s as CEO of Halliburton, the world's largest oil and gas services company, Dick Cheney drew $44 million in salary from an outfit that on his own Brechtian admission saw war as offering 'growth opportunities'. Millions of dollars more in 'deferred compensation' were earmarked to tide him over during his time in government. In December 2003 the administration trotted out the Bush family *consigliere*, James Baker, the consummate oilman, as special presidential envoy to restructure Iraq's $130 billion debt. Baker's law firm represents Halliburton; Baker Hughes, his oil-services company, was promised the contract to restore second-tier oilfields in Iraq. He is a member of the politburo of the Carlyle Group, in which it is estimated he owns equity of $180 million – a sliver of their $17.5 billion portfolio. Baker's mission, we now know, was less about debt-forgiveness than about cutting a deal for the Carlyle Group, which was to receive a $1 billion investment from Kuwait as a quid pro quo for restructuring Iraq's liabilities, thereby guaranteeing Kuwait – and various oil companies – billions of dollars in war reparations, still due from Iraq following the 1991 Gulf War. Good business if you can get it.

Given all this, how could it be doubted that the war against Saddam was to be fought essentially for possession of petroleum, and that the subsequent occupation would aim to give the US permanent control of a crucial spigot? The essence of the Blood for Oil argument aspires to an economic explanation of history, but is locked inside a 'hero-and-villains' vision of the way the world works. It substitutes the facticity and malign power of a single commodity for the more complex and partly non-factual imperatives of capital accumulation.

Almost invariably, this line of argument turns on a plotting of personal connections, Big Oil business networks, and the revolving door of government-corporate power: the kindred houses of Bush and Saud; the Carlyle Group and its ties to bin Laden family assets; the influence in Washington of the Saudi ambassador, Prince Bandar; no-bid contracts; and so on. But there is no need for conspiracy theories: never has a conspiracy been less interested in concealment. The report of the Energy Task Force led by Dick Cheney, which was crafted early in the Bush presidency by oil lobbyists and executives and issued from the White House in May 2001, appeared to provide an explicit set of justifications – predictions, even – for the shedding of blood for oil. It estimated that US oil consumption (in 2000, this was more than 1100 gallons of petrol per capita, over a quarter of global output) would rise by over 30 per cent by 2020. No more than a quarter of that increase, the report reckoned, was likely to come from a new round of domestic production. Drilling in Alaska would hardly make a dent in the problem. The contribution of the Middle East to global oil output was projected to grow from 25 per cent to about 60 per cent.

Saddam Hussein's destabilising influence – his 'demonstrated willingness to threaten to use the oil weapon' – raised the possibility of a 'need for military intervention'. A top secret National Security Council document directed staff to co-operate fully with the Energy Task Force, one main aim of which was the 'melding' of two policy arenas: 'the review of operational policies toward rogue states' and 'actions regarding the capture of new and existing oilfields'.

Why did Iraq figure so prominently in the Energy Task Force's calculations? A number of developments – political turbulence within the House of Saud, centring on the succession of King Fahd; insurgent Wahhabism in the kingdom (with a direct line to the 11 September attacks); signs of a Saudi-Iranian rapprochement; the new assertiveness of other OPEC powers; the dismal findings of the Simmons Report, spelling out the declining yields of major Saudi oilfields – had placed in doubt the Saudi role as a reliable 'swing producer', which could turn the taps on or off whenever it was in America's strategic interest. The US government has, in its 'special relationship' with the House of Saud, expected the Saudis to maintain sufficient unused capacity to compensate for any short-term market tightening or price volatility. It was Saudi Arabia that released oil to stall the OPEC price rises in 1973 and during the 1990-91 Gulf War. Within 24 hours of September 11, nine million extra barrels of Saudi oil were released to keep prices stable. The other pillar of postwar US oil policy – Iran – had long been lost to revolutionary Islam. Now Saudi Arabia had become a dangerous mess. According to the *Arab Human Development Report* (2002), the kingdom ranked last in the region on all key indicators of 'democracy' and 'social achievement': no mean feat, given the competition. Per capita income in 1981 had been $28,000 a year; by 2002 it had plummeted to $8000. The population had quadrupled since 1970: a quarter of a million young men enter the inhospitable labour market each year. Actual conditions cannot be determined with any precision; officially, unemployment is around 10 per cent, but it may be as much as three or four times that among the young. More than half the high school curriculum consists of religious instruction, and half the country's youth say they are planning to emigrate. The country has no secular charities, no non-religious NGOs, and no political parties. If free elections were held tomorrow, so one Western ambassador has it, Osama bin Laden would win hands down.

Iraq, by contrast, is awash with low-cost oil. As yet only 15 of its 74 fields have been developed; known reserves are 112 billion barrels, but once new technologies for subsurface exploration can be employed, Iraqi holdings might turn out to exceed 300 billion barrels (perhaps a quarter of global reserves) over the coming decade. With recovery rates of 50 per cent (a conservative figure) and reserves of 250 billion barrels (an equally cautious reckoning), Iraqi oil would be worth more than $3 trillion. To this can be added the bonus of 110 trillion cubic feet of natural gas – sufficient to supply the US for ten years or more – and the fact that compromised fields in Kirkuk and Rumaila, and the degradation of the basic oil infrastructure which occurred during sanctions (more than $60 billion of repairs are necessary, the industry has estimated), promised bottomless state contracts for the likes of Bechtel, and Kellogg, Brown and Root. The US Overseas Private Investment Corporation delicately called it the 'next Klondike'; in 2003, Halliburton's Iraq contracts represented 22 per cent of its total revenues. Providing, of course, that a pliant and stable Iraq could be installed to administer the no-bidding.

The war promised a return to the good old days of OPEC: oil prices kept low enough to lubricate American capitalism and satisfy the US consumer, but high enough to feed oil company profits; oil quotas sufficient to line the pockets of petro-oligarchies around the world; and, once again, an obedient swing producer willing and able to respond to the exigencies and volatilities of the earth's most strategic commodity. The 2001 Baker Institute report, *Strategic Energy Policy Challenges for the 21st Century*, noted the disturbing run-down in spare capacity worldwide: OPEC's unused sources of supply had amounted to 25 per cent of global demand in 1985; by 2001 they made up no more than 2 per cent. The earth, it concluded, was 'precariously close to utilising all of its available global oil production', thereby 'raising the chances of an oil supply crisis'. The occupation of Iraq promised a resolution to all this. And more. It offered the rosy prospect of 'privatisation by occupation'. Whether or not existing French and Russian contracts with the Baathist state would be honoured was of less consequence to the oil supermajors than the prospect of a neo-liberal assault, led by Rumsfeld and Cheney, on Iraq's nationalised oil industry, a staple of all Third World petro-states and a sector that had in general escaped the fate of neo-liberal privatisation. The patchwork of foreign concessions and informal state-company alliances that dominated the first part of the 20th century – the era of 'free-flowing oil' – had been ripped apart by insurgent nationalisms during the post-1945 period, with Venezuela and Iran leading the charge. US oil companies had turned, not unexpectedly, to the state for support: they were duly provided with foreign tax credits to compensate for rising royalty payments in the world at large, with tariffs on the importation of cheap overseas oil, with exemptions from anti-trust prosecution, and, most dramatically, with a CIA-backed coup to topple the Mosadeq government in Iran. But all this, in a sense, proved futile. The new geography of oil cartels, and the founding of OPEC in 1960, marked a historic politicisation – and ultimately a global restructuring – of the oil business.

None of this, of course, meant the collapse of profitability for the likes of Shell and Amoco. Quite the reverse: the new 'limited flow' arrangement was predicated, as Sheikh Yamani, the Saudi oil minister and one-time head of OPEC, put it, on not wanting 'the majors to lose their power'. For every dollar that the price of crude increased during the 1970s, the majors increased their net profits by 7 per cent. Nevertheless, they were now compelled to live with a new international oil system, accepting 'upstream' nationalisation and an effective Third World cartel as unpleasant facts of life. In response, the majors moved 'downstream', operating joint ventures with national oil firms, and consolidating their power at other points in the supply chain to compensate for the loss of direct control of reserves. Between 1953 and 1972 their share of concession areas fell from 64 per cent to 24 per cent. Even after the mergers of the late 1990s, the supermajors directly produced only 35 per cent of their sales and controlled only 4 per cent of world reserves.

Iraq was to be made an example: it would provide the stage for a new attempt at the radical de-nationalisation of oil. By creating an 'emerging market' from a decrepit state-owned petroleum industry, the war would lay the foundations for something dear to the hearts of the Washington cabal: an end to (other people's) economic nationalism and producer cartels. In this ideological universe, oil figured centrally, since oil had remained one of the Third World's most effective bulwarks against the neo-liberal attack. The appointment of the former Shell executive Philip Carroll to run the Baghdad energy ministry was logical, given Paul Bremer's belief that the Iraqi Governing Council's attachment to oil nationalisation 'had to be changed'. Bremer's first act as proconsul, after all, had been directed at the 190 state-owned companies and their 650,000 employees: he fired half a million of them. What followed was not simply a state liquidation sale but a raft of laws – lowering corporate tax rates, permitting wholly owned foreign subsidiaries, welcoming foreign banks – even more radical than those introduced in Eastern Europe in the 1990s ('getting Iraq ready for Wal-Mart' as the former Bush-Cheney campaign manager put it; notably, all of Saddam's laws concerning labour rights, or the lack of them, were left intact).

The occupation, everyone agrees, has not gone as planned. Doling out the spoils of war amid the chaos of a radical insurgency has turned out to be almost impossible – of 2390 projects planned for the period between 2004 and 2008, only 164 are underway. But who is to say that Bremer and Exxon are not slowly but surely getting what they came for? Twenty per cent of all congressional aid to Iraq has been devoted to oil infrastructure: in effect, a $1.6 billion subsidy to the oil industry. On 22 May 2003 the Bush administration tried to accelerate corporate investment in the Iraqi oil sector by means of Executive Order 13303, which granted non-Iraqi companies blanket immunity from criminal or civil prosecution in relation to any action – however corrupt, illegal, abusive or costly to the environment – undertaken with a view to oil exploration, production or sale.

Such efforts were born partly of desperation. Iraqi oil is still flowing, but at a dribble. In 2003, sabotage reduced output to 1.33 million barrels per day, down from 2.12 million bpd the previous year. The occupying armies are incapable of maintaining security in and around the refineries and pipelines. And the extent of the ruin of the oil infrastructure has now become clear. There is much less talk now of the oil-financed imperialism – seven or eight million bpd was once a common estimate – which not so long ago was the darling of the military accountants.

But even taking into account the present difficulties, the story we have told seems to amount to a solid confirmation of the Blood for Oil argument: the Iraq invasion was, the *Wall Street Journal* said, 'one of the most audacious hostile takeovers ever'. Perhaps, but the argument is multi-layered and sometimes inconsistent. Blood for Oil could mean that the war was a response to oil shortage, or to machinations by the petro-industrial complex within the White House, or that it was the military privatisation of a last bastion of Third World economic nationalism, or intended to restore corporate profitability, or to create a more reliable swing producer. In our view, the Blood for Oil thesis loses sight of what oil ultimately stands for in the present moment: that is, neo-liberalism mutating from an epoch of 'agreements' and austerity programmes to one of outright war; the plural and unstable relations among specific forms of capital, always under the banner of some apparently dominant mass commodity; and those periodic waves of capitalist restructuring we call primitive accumulation. However the argument is presented, Blood for Oil misdescribes what a single commodity – despite oil's unique political weight – can actually represent in relation to larger structural imperatives.

This is not the same as saying that the Blood for Oil argument is crudely reductive. It is true that there are almost too many other plausible ways of framing the Iraq invasion: as an exemplary instance of gunboat diplomacy in the interests of 'free trade'; as a consequence of the seizure of power by the Project for the New American Century; as a demonstration of the price to be paid by any state opposing the vision of world order laid out in the *National Security Strategy* document of September 2002; as a road test for Donald Rumsfeld's new model of the military; to permit the withdrawal of US troops from Saudi Arabia; to complete Bush Senior's unfinished business; as a spectacular response to the events of 11 September 2001; even as a reaction to the lack of targets after thousands of bombing sorties in the 1990s ('We're down to the last outhouse,' one US official told the *Wall Street Journal* in October 1999). But all (or most) human situations are overdetermined; it does not follow that the best we can do is settle for a plurality of causes, or a resigned plea for complexity. Some determinants are more important than others, and oil may be one of them. The problem with the Blood for Oil hypothesis is not its choice of oil as a dominant force among a group of politico-economic forces, but that it has conspicuously failed to grasp that oil draws its power from a field of capitalist forces that must periodically reconstitute the conditions of its own profitability.

How, then, should the role of oil, and of the supermajors, in the Iraq invasion be understood? We begin with two incontestable realities. The first is the brutality of the historical record. Right from the start, commercial oil extraction has been accompanied by ruthless and undisguised imperial violence, by warfare and genocide, and by a cynical lawlessness characteristic of the corporate frontier. Iraq is the result (the deposit) of precisely these processes. The Iraq Petroleum Company (IPC) – reconstituted in 1928 as a consortium of the Anglo-Persian Oil Company, Shell, the Compagnie Fran�aise des PŽtroles and a group of five US companies spearheaded by Standard Oil –

was co-extensive with the British client state. Granted as a mandate to the British in 1920, Iraq was a crucial front in Britain's ambitious strategy, initiated by the British Controlled Oil Fields Group at the end of World War One, to dominate global oil acquisition. Under pressure from the League of Nations Covenant to use its mandatory powers to develop representative institutions in Iraq through indirect rule, Britain adroitly cooked up bogus elections, installed a pliant constituent assembly and a freshly minted monarch, then successfully rigged a plebiscite with the assistance of the new high commissioner, Sir Percy Cox. In 1925, with a little help from the League of Nations, Britain struck a deal with the French to ensure that the oil-rich Mosul Province – 'Nebuchadnezzar's furnace' – was formally incorporated within Iraq. In short order, a Principal Agreement was signed in March 1931 formally granting the IPC 32,000 square miles of Iraqi territory. A hastily convened Iraqi parliament rubber-stamped a deal endorsing the IPC demand that no taxes be levied, in return for a trifling one-time payment by the consortium.

Here was the concessionary economy at work. A ramshackle dependency, whose sovereignty is largely a fiction, grants to an oil company an exclusive right to explore and develop oil over a vast territory for an extended – often indefinite – period of time. The company, armed with full title to all oil resources, operates with impunity, offering nugatory payments (royalties, rents and taxes) to the host government. As a result of concessions like these, the Big Three cartel came to control 70 per cent of global oil output by the 1930s. By the end of the Depression, the foundations of the modern international oil system – corporate/state collusion, regulation of surplus, and scarcity manufactured by means of interlocking partnerships – had been laid.

The second reality is America's special place in the story. This turns on the accident of geological history that left the world's largest economy, from the 1920s on, increasingly dependent on foreign oil. The Persian Gulf figured centrally in America's strategic response. In the wake of the anti-trust break-up of the Rockefeller oil empire, US firms looked to Mexico and Venezuela. The British, French and Russians, meanwhile, had excluded US interests from the Ottoman sphere (most dramatically in 1920 when the European powers blocked US concessions in Iraq). American firms pushed hard for an 'open door' policy and, under pressure, the British succumbed, largely as a result of war debts to the US. Jersey Standard and New York Standard were granted access to the old Ottoman lands (and membership of IPC) by Whitehall in 1922. By 1933, Standard Oil of California had acquired a massive concession from King Ibn Saud, extending from the Persian Gulf to the Red Sea. Within a decade, five US multinationals had invested $1 billion in Iraq, Kuwait and Saudi Arabia.

The new political cartography of oil had been drawn in full by the end of World War Two. Roosevelt, returning from Yalta in February 1945, met the Saudi monarch and declared that his country was 'more important to US diplomacy than virtually any other nation'. Soon, Truman and his secretary of state, Dean Acheson, were working directly with Big Oil for strategic assistance. The oilmen would provision Europe and the armed forces in Asia (notably Japan and Korea); in return, the oil companies would be given the head of Mosadeq and a military base in Daharan (the centre of Aramco's Saudi operations). The co-ordinates were clear: an inter-state coalition with the Gulf sheikhs, an alliance between the military, the CIA and Big Oil, and an international oil system superintended by American firms. From the perspective of the US state's political interests, it was a system and a strategy intended to shore up the Marshall Plan, to exercise 'veto power' over Japanese imports, and to help control the spread of Communism in Asia.

The oil system, unstable and rickety at best, needed constant fine-tuning. When in 1968 the British announced their intention to withdraw forces from the Gulf over the next few years, Henry Kissinger stepped in 'to keep Iraq from achieving hegemony in the Persian Gulf'. Local forces were to be strengthened in the face of a possible Iraq-USSR alliance. (The Baathists had broken with the US in 1967 after the Six-Day War, signed a treaty with the Soviets soon after, and nationalised the IPC in 1972.) Monarchical rule (Shah Pahlavi in Iran and, as ever, the Saudis) backed by massive military power became the twin pillars of US strategy.

But fine-tuning was not capable of dealing with insurgent petro-nationalism: concessions, and the operations of imperial oil, inevitably stoked a strong nationalist reaction. By 1958, John Foster Dulles reluctantly acknowledged the limits of Big Oil geo-strategy, conceding that nationalism 'made it more difficult for the oil companies to maintain a decent position'. Mosadeq in Iran, Abdul Karim Qasim in Iraq, PŽrez Alfonso in Venezuela and Abdullah Tariki in Saudi Arabia emerged as the standard-bearers of national resource control. They cleverly turned to the spot market – the new locus of much international oil trading – with the result that pressures to lower oil prices intensified. In a historic decision, Exxon (formerly Jersey Standard) unilaterally cut posted prices by 10 cents per barrel on 8 August 1960. Harold Snow, the president of British Petroleum, was reported to have wept at the news. He had good reason: OPEC was born a month later as a counter-cartel. The meeting of the five core states in Baghdad seemed to confirm the worst American fears: insurgent nationalism had produced a trade union. Still, OPEC remained dormant for a decade. It was the confluence in 1973 of Libyan radicalism, assertive oil independents, and an Arab oil embargo precipitated by US support for Israel in the Arab-Israeli war, that finally detonated the old system. In a ten-month period in 1974, the price of a barrel of oil rose 228 per cent.

The OPEC revolution turned the oil-procurement system upside down. America was now obliged to fashion a new oil strategy from the ruins of the cartel, one in which the Saudi 'special relationship' loomed even larger, and had also to learn to live with the consequences of three massive oil price hikes over the succeeding decade. All of which turned out, unexpectedly, to be good news: for the companies' profitability, for OPEC revenues, and for America's geo-strategic interest in confronting its new economic competitors, Japan and Germany.

What does this brief history tell us with regard to the Blood for Oil argument? First, that there was no shortage, or impending shortage, of oil while the invasion of Iraq was being planned. Oil is an exhaustible resource. It is no surprise that the combination of strategic use and explosive rates of consumption have made the oil sector the object of much Malthusian speculation. Our view is that scarcity and price – the twin sisters of Malthusian pessimism – don't provide a basis on which the Iraq war can or should be understood. The history of oil in the 20th century is not a history of shortfall and inflation, but of the constant menace – for the industry and the oil states – of excess capacity and falling prices, of surplus and glut.

By the late 1990s oil prices had collapsed, as a result of the Asian financial crisis and Clinton's 'dual containment' policy. This policy largely denied Iraq and Iran permission to market oil, and allocated their quotas to the Saudis – who in effect were bankrolling the US military presence in the Gulf. The Saudis leapt at the opportunity to increase their quota (indeed to exceed it) as a way of addressing their own economic crisis. By 1997 Saudi Arabia was pumping 8.5 million bpd (in 1985 the figure had been barely 3 million). However, as the Asian contagion spread and economic contraction followed, oil prices fell to $9 per barrel in 1998. A round of corporate mergers, accompanied by OPEC's new internal discipline, resulted in prices rebounding to $30 a barrel, but in real terms this was small beer. In response, Cheney's Energy Task Force did no more than recapitulate an argument made by Jimmy Carter: demand is growing, oil is not scarce, but it is unevenly distributed. Carter had emphasised conservation, at least in the first instance, as a response to market dependency; Cheney stressed military preparedness, national security strategy and alternative sources of supply (West Africa, the Caspian).

The difficulty, again, was to design a system of organised scarcity capable of keeping the oil price low enough for capitalist growth (and, latterly, an SUV culture), and high enough for corporate profitability and OPEC's Third World 'high absorbers' (countries such as Venezuela and Iraq, which are capable of deploying petro-dollars internally for development purposes, and so are much more likely to promote higher prices than surplus-producing 'low absorbers' such as UAE or Kuwait). Repeated attempts to finalise and regularise these contradictory goals have all proved fruitless: in a sense, post-1945 US oil policy stands in tatters if one simply notes the correspondence between states with oil, political instability and anti-imperial resistance. Yet oil prices have remained relatively stable (and cheap) in real terms for almost half a century. The price hikes of 1973-74 and 1979-80 had nothing to do with oil scarcity, in the same way that the rapid increase in oil prices beginning in March 2004 (to well over $55 a barrel by October 2004) was entirely a matter of what NYMEX traders called 'paper froth'. Speculators piled into the oil market because hedge funds had no alternatives, and punters wagered on the likelihood of a 'supply-disruption premium'.

It is true that there has been an avalanche of 'end of oil' prophecies, connecting to a longer history of apocalyptic thinking about modernity's wholesale dependence on a finite resource. That oil is running out is incontestable; the question is when. The Malthusians feed on the opinion of certain hard-rock geologists, Colin Campbell and Kenneth Deffeyes chief among them, who believe that we have already reached maximum global production. A new think-tank (the Oil Depletion Analysis Centre) and a lobbying group (the Association for the Study of Peak Oil) are devoted to establishing this fact. Yet the vast resources of the new West African 'Gulf States', the deep-water fields now under exploitation in Mexico and Brazil, the Canadian tar sands, the emergence of Russia as an oil superpower, and the scramble, chaotic and violent, in the Caspian – all actively promoted by the Cheney Task Force – point to a rather different picture.

Any response to the question of scarcity has to begin with oil statistics, on which there is no consensus – and sometimes no data. There is disagreement among the oil majors and their organisations (the International Energy Agency, the American Petroleum Institute) about when global oil production is likely to peak – in 2010? 2025? 2045? – and about an imagined production fail-safe point beyond which US security might be endangered. The US Geological Survey believes Hubbert's Peak is decades away; Royal Dutch-Shell believes it is the other side of 2030; and the US Energy Information Administration places the zenith somewhere between 2021 and 2112. For the next half-century, according to the MIT economist Morris Adelman, 'oil available to the markets is for all intents and purposes infinite.' The entire question of company oil reserves is murky, and what figures we have are very likely cooked. Philip Watts, Shell's CEO, was compelled to resign in March 2004 in the wake of corporate downgrading of its West African and Australian reserves. Shell's reserves in Nigeria were apparently overestimated by 15-20 per cent – largely, it appears, as a result of a combination of fraud in the Nigerian Petroleum Ministry and a system of tax incentives offered by the government which induced Shell to play fast and loose with its figures in the early 1990s.

New technological advances are already resulting in hugely better recovery rates. Deep-water drilling has exposed previously inaccessible fields (in the Gulf of Mexico, the Bight of Benin, Angola and Brazil), and the map of energy reserves will continue to be redrafted. If the conversion of Canadian tar sands into usable hydrocarbons can be made efficient, that alone may fundamentally refigure the geopolitics of petroleum: in time, Canada's reserves could exceed those of Saudi Arabia. Ottawa would be a safer bet as a swing producer than Riyadh or Baghdad. Even in the energy industry as now constituted, gas (liquefied natural gas) is the new panacea; and the geography of gas reserves is not isomorphic with the geopolitical map of oil security. Finally, there is the vast rearrangement of the energy landscape – studiously ignored by the Cheney Task Force – made possible by new conservation technologies, which could shift the frontier of oil exhaustion decisively. Sheikh Yamani is fond of saying that 'the Stone Age did not end for lack of stone': the Oil Age will come to an end long before the world runs out of oil.

It is untenable, then, to suggest that absolute scarcity propelled the events of 2003. Price didn't have much to do with it either. Over the past three decades, the ratio of proven reserves to current production has risen by a quarter, yet in real terms prices have doubled. During the 1970s prices soared, but the oil crisis of 1973-74 had nothing to do with shortage: there was no shortage. By the 1980s, excess consumption had taken hold, yet prices fell by 71 per cent between 1980 and 1986. Over the last fifteen years, the fluctuations of price in relation to excess demand (in other words, to economic expansion) are utterly baffling. Since 1960, world consumption has typically been 2 to 3 per cent above or below world output. How can such relatively insignificant discrepancies explain dramatic real-price fluctuations of tens or sometimes hundreds of per cent a year? And why are prices sometimes so sensitive to the discrepancies, and at other times completely resistant to them?

The answer to these questions is that oil is a key item of market currency, and therefore subject to constantly shifting expectations and perceptions, speculation and gambling – as well as the pressure of 'external circumstances'. However plentiful supplies have been, since 1960 continual wars and rearmament in the Middle East have generated an atmosphere of crisis. Prices magically return to 'acceptable levels' as the conflicts dissipate. Although wars and regional instability produce high prices, the link is in no simple sense causal. The oil industry has long built such things into its business calculus: the so-called price consensus typically incorporates a 'peacetime base', an 'embargo effect' and 'war premiums'.

Might relative scarcity – the concrete threat of supply disruption – plausibly provide the grounds for invasion? Real oil prices fell steadily through the 1990s, and in the wake of world recession were as low as they had been for thirty years. OPEC, as expected, responded (along with Mexico) by cutting output. Saudi Arabia cut its quota by a million barrels, and prices reacted accordingly (amid some agitation among traders regarding the ascension of Hugo Ch‡vez in Venezuela, and deteriorating US-Iraq relations). Rising oil prices in 2000, and the bursting of the Wall Street high-technology bubble, doubtless fed the perception that oil was scarce and economic recovery might be compromised. But rising oil prices are the reality over the long term, and they were rising on a historically low base. To suggest that here was a trend that 'Americans could barely accommodate', as Stephen Pelletière put it in *Iraq and the International Oil System* (2001), is nonsense.

It isn't plausible to argue that the invasion of Iraq was triggered by short-term capacity problems or supply disruptions (the nightmare of bin Laden rocketing oil-tankers in the Straits of Hormuz). But the resumption of large-scale oil production in Iraq was not a structural imperative for the long-term stability of the world oil system, either. Even assuming that the Bush oilmen saw their national and corporate interests undercut by the oil situation worldwide; that the state and the companies were unable or unwilling to compromise on higher but stable prices; that the US administration was incensed by Saddam's switch, in 2000, from dollars to euros in payments received under the UN Oil for Food programme; and that French and Russian contracts in Iraq were perceived by the supermajors as undercutting their operations, or their global acquisition strategy: even assuming all this, why would the companies or the Bush cabinet believe that it required an invasion to put things right? The crude art of cutting deals with petro-sharks and oligarchs was tried and tested. Rumsfeld had dealt adeptly with Saddam and his oilmen twenty years earlier. And Cheney, at the helm of Halliburton, had overseen the sale of $22 million of services and parts to Saddam through a subsidiary (Dresser) as part of the Oil for Food programme. It was all working swimmingly. Why tamper with it?

The first Gulf War *had* been a struggle over oil supplies. Saddam was furious that Kuwait and UAE, under US pressure, were producing over quota to keep prices low. His obvious oil-profits motive elicited widespread condemnation in the Arab world and provided a broad multilateral basis for the American military response. What was on offer to the industry in 2003, on the other hand, was unilateral adventurism in the face of a global Muslim insurgency, and the prospect of enraging the most numerous generation of young Arabs and Muslims in history. It risked over 20 per cent of the world's oil supply, the entire Gulf strategy, the wider set of US interests in the region, the radical destabilisation of the entire Muslim world, the active promotion of the jihadi struggle, and blowback of a wholly unpredictable and uncontainable sort. Why do it?

To answer this question we must return to OPEC and the new oil regime it helped launch. Oil prices declined throughout the 1960s, as the unrelenting search for reserves, new upstream technologies, and fresh infusions of oil from Russia combined to create massive excess capacity. With new actors on the scene, old-style collusion was less and less feasible. Against this backdrop, OPEC's politicisation of the oil market can be understood not as a threat to the major oil-consuming states, but as a new and more sophisticated convergence of interest between companies, the US government and suppliers. A higher price regime was good for the majors (their profits soared during the 1970s, and their ability to check the power of independents was enhanced), good for Washington (it promised a slowdown in the Japanese and European economies), good for Britain (because of North Sea oil and its majors), and good for the Cold War (since it boosted the US military presence in the Middle East). Sheikh Yamani articulated OPEC's mission rather well: 'at all costs to avoid any disastrous clash of interests which would shake the foundations of the whole oil industry'.

OPEC's politicisation of the oil sector took place in conjunction with the commercialisation of the arms industry. In the 1950s, 95 per cent of US armament exports had been provided as foreign aid. By 2000, the figure had fallen to a quarter. According to the Congressional Research Service, the US maintained a substantial lead in weapon sales in 2003 ($14.5 billion, 57 per cent of the total); Russia ranked a distant second. The arms trade had been largely privatised, and the ubiquitous 'contractors' provided everything from air-conditioned tents to morticians. Following a wave of mergers and consolidations in the 1990s (overseen and promoted by the Defense Department), the largest 20 US contractors had been reduced to four: Boeing, Northrop Grumman, Lockheed Martin and Raytheon. Their sales now account for $150 billion, and they control a vast proportion of state contracts. Net profit in the sector, as a share of the total net profit of the Fortune 500, doubled (to 10 per cent) between 1965 and 1985. This extraordinary growth could not be sustained even by US levels of military Keynesianism: it required foreign purchases and, specifically, Third World buyers.

The establishment of OPEC, and the redistribution of global income that followed, was the key to the rise of the armaments industry – the shift from aid to trade. In 1963, the Middle East accounted for 9.9 per cent of global arms imports; in the decade following 1974, the figure was 36 per cent (roughly $45 billion per year). Almost half was provided by US suppliers. The energy conflicts across the region were both the cause and consequence of oil-fuelled militarisation. The Weapondollar-Petrodollar Coalition, a term coined by Jonathan Nitzan and Shimshon Bichler in *The Global Political Economy of Israel* (2002), was sustained by high oil prices and energy conflicts but the arrangement was structurally unstable. Excessively high oil prices encouraged the use of energy alternatives and non-OPEC oil; and militarisation, should conflicts escalate, could compromise at any moment the easy complicity of oil companies with the OPEC countries. Nitzan and Bichler argue that the middle ground was found in an oil price determined by 'tension without war', which enabled corporate profitability in the oil industry to stay ahead of all other major manufacturing sectors. But when profits fell into what the industry called a 'danger zone', the oilmen turned hawkish and energy conflicts ensued. The price collapse of the 1980s proved to be a major crisis for the new order, compounded by the fact that the Iraq-Iran War – an obvious source of profit – contributed to an oil glut through 'distress sales'. (In 1986 George Bush Sr, then vice president, went to Riyadh to ask Saudi Arabia to lower its output, in order to increase prices and restimulate the oil-weapons trade.) Furthermore, the arms trade during the Reagan era remained subject to foreign policy constraints, as a consequence of which Russia captured 30 per cent of the Middle East arms market. The Gulf War and the subsequent defence treaties corrected the disequilibrium, but the 1990s were far less welcoming. Oil prices tumbled, oil-producing states (often under neo-liberal pressures) faced domestic austerity, and Arab-Israeli tensions briefly subsided. A wave of mergers in the oil and armaments industries provided breathing space, but their share of the Fortune 500 fell to 5 per cent.

The precise calibration of the oil/war nexus articulated by Nitzan and Bichler is, in the end, too perfunctory. They point in the right direction, but the dialectic of oil and armaments extends much further, embracing not only military and oil-service industries, but construction giants (between 1994 and 2002, the Pentagon concluded 3016 contracts, valued at $300 billion, with 12 private military/service/construction companies), the global engineering and industrial design sector, and financial services organisations and banks. For the latter, the dollar-denominated oil surpluses of the 'low absorbers' (such as Kuwait, UAE and Saudi Arabia) are the raw materials for offshore banking, hedge funds and speculative capital movements.

The invasion of Iraq was about Chevron and Texaco, but it was also about Bechtel, Kellogg, Brown and Root, Chase Manhattan, Enron, Global Crossing, BCCI and DynCorp. 'Oil, Guns and Money' is the way Midnight Notes gloss the intersection of work, energy and war in *Midnight Oil: Work, Energy, War 1973-92* (1992). But even this characterisation may be too sanitary, occluding the 'black economy' with which the likes of Enron and Halliburton are more and more obviously entangled. Drugs, oil theft and money laundering are the main activities in this capitalist ghost world; Russia, Nigeria, Colombia and Mexico the chief way stations. In quantitative terms, these circuits of capital and power are difficult to determine; but they run, almost certainly, to trillions of dollars. To put the matter in a way that does not deny the significance of oil but locates it in a larger capitalist landscape: American empire cannot forgo oil – its control is a geopolitical priority – but strategic and corporate oil interests cannot, in themselves, credibly account for an imperial mission of the sort we have witnessed over the last two years. Rather, what the Iraq adventure represents is less a war for oil than a radical, punitive restructuring of the conditions necessary for expanded profitability – it paves the way, in short, for new rounds of American-led dispossession and capital accumulation. This was a neo-liberal putsch, made in the name of globalisation and free-market democracy. It was intended as the prototype of a new form of military neo-liberalism. Oil was especially visible at this moment of extra-economic imposition because, as it turned out, oil revenues were key to the planning and financing of the military exercise itself, and to the reconstruction of the Iraqi 'emerging market'.

'Military neo-liberalism' is the formula appropriate to the current capitalist moment, and to the politics of oil. Neo-liberalism has its origins in the 1970s, and in the challenges confronting US economic hegemony as a result of a crisis of overaccumulation. Faced with growing competition from Western Europe, Japan and East Asia, the US under Richard Nixon dismantled international financial barriers in order to 'liberate the American state from succumbing to its economic weaknesses and . . . strengthen the political power of the American state', as Peter Gowan puts it in *The Global Gamble* (1999). At the heart of neo-liberalism's strategy was an assault on the state-centred development of postcolonial nations: markets were to be forced open, capital and financial flows freed up, state properties sold at knockdown prices, and assets devalued and transferred in crises of neo-liberalism's own making. What has proved so extraordinary is not its missionary zeal, but rather its hyper-nationalism: the US's insistence on its own image as a global norm. The 2002 *National Security Strategy* was its creed, and 'full spectrum dominance' its commandment.

But something has clearly shifted over the last ten years. Even as recently as the late 1990s, there was confidence that the new world of capital penetration would come about essentially by means of agreement between governments and corporations, 'fiscal discipline', fine-tuning of subsidy and bail-out, and non-stop pressure from US creditors. What constellation of forces put all this in question is still open to debate. But it happened – precipitately. Cracks began to appear within the World Bank establishment: Western Europe fought with the Washington consensus, and the South often refused to take its bitter medicine. The grotesqueries of Third World indebtedness and First World subsidies to corporate agriculture became more widely recognised. The back-slapping and mutual congratulation of the Uruguay Round descended into the fiasco of Seattle, and then Doha and Cancœn. At Cancœn, an in-house insurgency of 20 nations refused to endorse the massive US-EU subsidies to North Atlantic agriculture and the WTO rules crafted to prevent the South from protecting itself.

This is the proper frame for understanding what has happened in Iraq. It is only as part of this neo-liberal firmament, in which a dominant capitalist core has begun to find it harder and harder to benefit from 'consensual' market expansion or corporate mergers and asset transfers, that the preference for the military option makes sense.

Marx had no illusions about the role of force in his own time. But he did seem to believe that the age of violent expropriation was at an end. It was capitalism's strength that it had internalised coercion, so to speak, and that henceforward the 'silent compulsions of economic relations' would be enough to compel the worker to 'sell the whole of his active life'. We are not the first to think Marx too sanguine in this prognosis. In fact it has turned out that primitive accumulation is an incomplete and recurring process, essential to capitalism's continuing life. Dispossession is crucial to this, and its forms recur and reconstitute themselves endlessly. Hence the periodic movement of capitalism outwards, to geographies and polities it can plunder almost unopposed. (Or so it hoped, in the case of Iraq.)

Will military neo-liberalism endure? With the US deficit rolling along at $600 billion annually, and the national debt rising to $2.5 trillion, the cost-benefit balance of the strategy looks dubious. And, two years after the tanks rolled across the Euphrates floodplain, the occupation and its Vichy surrogate barely have control of Baghdad. With unemployment running at perhaps 50 per cent, the Mahdi army steadily draws new support from the ranks of the urban unemployed in the slums of Sadr City and Basra, now twice dispossessed: once by Saddam, once by Bush. Even the lustre of the privatised contract economy has tarnished. Of the $18.4 billion in reconstruction funds allocated by the US Congress in October 2003, less than 9 per cent had been spent a year later – and untold amounts of that was spent on 'security'. During the same period, more than a hundred criminal investigations of contractors were launched, and cases opened on hundreds of allegations of fraud and 'waste'. As if to confirm falling expectations, Halliburton is reported to be putting Kellogg, Brown and Root on the block because it has become so unprofitable. So much for the Great Iraqi Oil Robbery. As Rumsfeld has admitted: 'We lack metrics to know if we are winning or losing the global war on terror.' However you calculate it, in the present equation a few more million barrels of oil won't matter a damn.

Retort, a 'gathering of antagonists to capital and empire', is based in the San Francisco Bay Area. This essay was written by Iain Boal, T.J. Clark, Joseph Matthews and Michael Watts. *Afflicted Powers: Capital and Spectacle in a New Age of War*, which deals with many aspects of post-September 11 global politics, is due from Verso this summer.