

U.S. Foreign Policy: The First Gulf War

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The war between the U.S.-led Coalition and Iraq over the latter's conquest of Kuwait happened right when it was becoming increasingly likely that the Soviet empire might crumble. To understand the causes of this war — from Iraq's reasons for invading Kuwait to the American decision to liberate the emirate without removing Saddam Hussein from power in Baghdad — we need a brief glimpse into the decade prior.

1 The Iran-Iraq War

On September 22, 1980, Iraq invaded Iran. The war, which Saddam Hussein had expected to win in a few weeks, lasted eight years (and as such is among the longest conventional wars of the 20th century), killed over a million soldiers and over 200,000 civilians, inflicted economic damages of over \$1 trillion, and denied the war aims of both sides. It did, however, allow the governments in both belligerent countries to consolidate their power domestically (an amazing feat given how little they had to show for the tremendous sacrifices they had demanded from their populations), sowed the seeds for the next conflict, and immensely complicated the political situation in the Middle East as far as U.S. foreign policy was concerned.

1.1 Causes

The roots of the hostility between Iraq and Iran run pretty deep; several centuries deep, as a matter of fact. Iraq used to be the easternmost province of the Ottoman Empire, which fought numerous wars with its neighbor, the Persian Empire, between the 16th and 19th centuries. The most important of these wars was the Ottoman-Safavid War of 1623–39, which ended with an Ottoman victory and a peace treaty (Treaty of Zuhab) that settled the border between the two empires permanently. This is when the Persians lost Mesopotamia (Iraq) and were forced to recognize Ottoman gains in Armenia, effectively establishing the modern borders of Iran with both Iraq and Turkey. The border was set along **Shatt al-Arab**, an important river formed by the confluence between the Euphrates and Tigris rivers

that flows into the Persian Gulf, its 120 miles providing a crucial economic link for seaborne trade to the interior. Although the treaty set the border, it did not really settle who was going to control this waterway, and conflict over it has been a near-constant feature since. The Ottomans claimed to represent the interests of the Marsh Arabs who lived on both banks along the river. Neither the Persians nor the Ottomans were Arab, but the Ottoman Empire did contain most Arab population. While the Ottoman Empire lasted, the Persians could do little to challenge that, and after it fell apart in World War I, the British (who held the mandate of Iraq) were able to keep the border quiet. The status quo was eventually challenged by Iran in 1969 following a formidable military buildup that far outstripped Iraq's capacity, and in 1975 Iraq was forced to concede a division of the waterway along the deepest channel in exchange for Iran ending its support for secessionist Kurds in Iraq.

There was nothing Iraq could do: the Shah of Iran had a very powerful patron in the United States, Iran's population of about 32.88 million was nearly triple Iraq's 11.7 million, Iran's GDP per capita of about \$1,500 exceeded Iraq's \$1,150 by 30%, and Iran had been modernizing its military equipment for years. Iraq was divided along ethnic lines between Arabs (75%) and Kurds (22%); and along religious lines among Shia (51%) and Sunni (42%) Muslim populations.¹ Overlaid on top of these divisions since 1968 was the ruling Ba'ath Party, which was Arab nationalist, secular, and socialist, and so was extremely antagonistic to the Kurds while failing to draw on much support among the religious segments. Iraq was quite wobbly politically: a coup in 1958 had abolished the Hashemite monarchy and formed a republic, a first coup by the Ba'ath Party in 1963 was eventually thwarted, but the next one in 1968 brought the republic to an end. The new government intensified the war against the Kurds who had been fighting against Arab rule from Baghdad since the early 1960s. This led to a 1970 peace plan for Kurdish autonomy but the Ba'ath regime reneged as soon as it ended its international isolation (with a treaty with the Soviet Union in 1972) and overcame its internal divisions. In 1974, the government started a new campaign, and this time the Kurds received support from Iran (and Israel). It was this that led to the 1975 peace treaty with Iran, which forthwith abandoned the Kurds and enabled the Iraqi government to extend its control north. This did not bring stability to Baghdad, however, and in August 1979 **Saddam Hussein**, who had participated in the 1968 coup and was deputy to the president, finally forced the resignation of President al-Bakr, and purged the Ba'ath Party of any suspected loyalists. Hussein could not have looked forward to a war with Iran: he had his hands full dealing with potential resistance to his regime domestically, and he wanted to use Iraq's oil revenues (which had grown from \$1 billion in 1972 to \$21 billion in 1979 because of the world oil boom) for ambitious development programs designed to improve the economic prosperity of the Iraqis and shore up the legitimacy

¹Iran, on the other hand, is 90% Shia and 8% Sunni muslim, and although about 10% of the population is Kurdish, 61% is Persian and 16% Azeri.

of Saddam's rule.

The year 1979, however, was also quite eventful in Iran for it saw the toppling of the Pahlavi monarchy there. Popular protests against the Shah had started in 1978, and when the Shah decided not to suppress them by force, they grew into extensive strikes and demonstrations that brought governance to a standstill. The Shah fled into exile in January 1979, and a month later the military decided to stay put when rebel forces defeated monarchist elements. In April, a popular referendum abolished the monarchy and turned Iran into an Islamic Republic, and with **Ayatollah Khomeini** returned from exile, the fragmented populist opposition began to acquire cohesion around him. He was declared Supreme Leader of Iran by the new constitution promulgated in the summer and approved in another referendum in December. The new government moved quickly to secure Iran against foreign cultural, political and financial influence: it nationalized industries and reversed secularization trends by Islamicizing education, society, and jurisprudence.

The Islamic regime, however, did have plenty of enemies, both internal and external. Domestically, it had to deal not only with royalists (many of whom had fled to the West and neighboring Iraq to agitate for their return to power) but with former allies against the Shah. The Revolution had brought together Muslims and secular Marxist and liberal elements, and the latter had no truck with the new theocratic rule. Revolts erupted across Iran, the most serious among them being a Kurdish insurrection after a fallout between Tehran's Shia-promoting policies and the majority Sunni leftist Kurds interested in independence.² Moreover, the mullahs did not trust the armed forces, which had been used by the Shah for internal repression, and considerably weakened the military. They systematically purged the officer corps through executions, imprisonment, and forced retirements. This decapitated the military, which began to disintegrate through desertions as well. By 1980, the army lost nearly half of its troops and numbered about 150,000 to Iraq's 200,000, while the air force had lost half of its pilots and technicians. These dramatic changes undermined Iran's traditional military superiority and paralyzed its mobilization potential; when the war came it managed to deploy no more than half of its tanks and artillery. The mullahs did create a parallel military in the Revolutionary Guards who were loyal to the new regime but who lacked the professional training for modern warfare. In military terms, the traditionally more powerful Iran was now more or less evenly matched with the much smaller Iraq.³

The Islamic revolutionary turn also frightened neighboring countries. The Shia

²The Kurdish rebellion was eventually suppressed by 1983 with over 10,000 killed.

³Creating multiple armed forces and militias is a favorite tactic of authoritarian regimes who are forever fearful of coups. The Shah had kept the army, air force, and navy strictly separate, linked only through his person, and had four separate intelligence services. Saddam pursued similar strategies in Iraq. The Republican Guard (the analogue to Iran's Revolutionary Guards) was staffed mostly with people from his home region. Saddam also expanded the Popular Army (in essence, a Ba'ath militia) to 250,000 men. It would grow to over a million strong during the war.

Muslims in Iraq quickly became suspect as a potential Fifth Column, especially after anti-Ba'ath revolts occurred in the Shia-dominated areas in the wake of Ayatollah Khomeini's public call on the Iraqis to overthrow the Ba'ath government. When Hussein called for friendship and mutual non-interference, he was rebuffed: the vision of pan-Islamic unity was implacably opposed to the pan-Arab nationalism espoused by the Party. Not only was Saddam's peace overture given short shrift, Tehran escalated its interference in Iraq by opting for more direct methods. By late 1979, Iran was again supporting the Kurds and financing terrorist attacks on Iraqi government officials, with at least 20 killed in April 1980. In that same month, the Iraqi Deputy Premier Tariq Aziz and the Minister of Information narrowly escaped an assassination attempt. It was clear that the Revolutionary regime viewed Iraq as a major obstacle to extending its influence in the region and that unlike the similarly hostile government of the Shah it was prepared to destabilize Iraq, and perhaps even cause its disintegration. After Tehran withdrew its diplomatic staff from Baghdad in April 1980, the tensions began to boil over into open hostility with armed clashes along the border.

The crisis with Iraq was threatening to boil over into war, but Khomeini did not limit the revolutionary export to Iraq. He also declared hereditary rule un-Islamic, triggering a scare in the region's myriad monarchies. Iranian-inspired riots broke out in Shia towns in Saudi Arabia, as well as Bahrain and Kuwait, where Iranian-backed terrorism flared up. The call for Islamic revolutions abroad also frightened the Soviet Union, which had sizeable (and repressed) Muslim populations that could look toward Tehran for inspiration, guidance, and perhaps active help against Moscow. The Revolution had also eliminated the most faithful ally that the United States had had in the Persian Gulf, pushing the other superpower into the opposing camp. To top it off, in November a group of Iranian students loyal to Khomeini had seized the American Embassy and taken more than 60 U.S. diplomats and staff hostage. In other words, while embroiled in civil strife, the new Iranian regime now faced a formidable and unlikely foreign coalition arrayed against it: both superpowers plus the rich Arab states plus Iraq, which had been seeking to redress the power imbalance for a long time.

Even though Saddam probably did not want war as late as 1980, fully a year into the Islamic Revolution, he did have several reasons to start one. First, and perhaps most importantly, a limited incursion into Iran that ended with a negotiated victory would undermine the legitimacy of the government in Tehran and probably produce important concessions that would at least curtail its subversive activities in Iraq. Second, Saddam could reverse the hated 1975 treaty and assert Iraq's control over Shatt al-Arab and about 190 square miles of disputed territory along it. Third, he could seize the southern area of the oil-rich province of Khuzestan that bordered Iraq. Khuzestan is among the wealthiest provinces of Iran and its major oil-producer. Despite also being the most ancient of Persian provinces, the province is home to the largest concentration of Arabs in Iran (about a million, or 2% of the

total and 18% of the provincial population), which is why Arabs often refer to it as “Arabistan”.⁴ These Iranian Arabs are the majority in the south, speak Arabic as their first language, and had engaged in periodic revolts against the Pahlavi regime, and now, in the wake of the Islamic Revolution, the separatists had risen against the new government as well. Geographically, Khuzestan’s Western and central areas are flat, and the province’s Eastern area is in the high Zagros Mountains. Strategically, this makes it open to invasion from Iraq and, once occupied, difficult to take back from Iran, which would have to contend with difficult mountain crossing to do so. Saddam expected that the Arabs in Khuzestan would welcome Iraqi rule and that it would be relatively easy to hold onto that conquest to exploit its tremendous wealth.

1.2 The Course of the War

Thus, the summer of 1980 seemed to give Saddam a unique opportunity to deal with a regional rival that had been calling the shots ever since Iraq had become an independent country and whose new revolutionary regime was now busy undermining Saddam’s rule and possibly even the territorial integrity of Iraq. From his perspective, there was a window of opportunity: Iran was internally divided, its military had been gutted, and it was not expected to put up much resistance; international opinion favored Iraq, especially if it could portray itself as a bulwark against the spread of revolutionary Islam.

As so often happens, the war defied the expectations of both belligerents. Saddam’s optimistic expectations about Iran’s vulnerability were shattered, and from 1982 Iraq would fight a defensive war for its own survival. Similarly, Tehran’s ambitions to destabilize the Iraqi regime failed, and it proved no more able to conquer and hold Iraqi territory as its Iraqi opponent could Iranian. The first weeks of the war went according to Saddam’s expectations: Iraq occupied the disputed strip of land and halted ready for a ceasefire. When Tehran rejected that, Iraq resumed its advance and by December had captured several important cities. It then halted again, with Saddam announcing that while Iraq will keep the territory it held, it would advance no further. The mullahs would have no truck with that but their first major counteroffensive in January 1981 failed. Another Iraqi ceasefire offer was rejected in June, but by the end of the year Iran’s counter-attacks began to bear fruit.

The Iraqi momentum was broken and from 1982 on Iran would hold the initiative throughout the rest of the war. In April, Saddam offered to leave all Iranian territory if that would end the war. The revolutionary regime in Tehran was now sensing an opportunity to export the revolution directly to Iraq and since the war was helping consolidate its hold on power domestically (providing the justification for silencing

⁴The majority are non-Persian Bakhtiari (42%), the rest is split among Lors (18%) and Persians (22%).

opposition and continuing the nationalization programs), the offer was rejected. By the end of May, Iran had occupied most of Khuzestan, prompting yet another ceasefire offer from Baghdad. Instead, Iran invaded Iraq. Soon, however, it got bogged down in costly operations that delivered very little gains. If Iraq proved incapable of conquest, it proved more than capable in defense. Massive attacks by Iran along the entire front in 1983 were all repulsed but the heavy economic toll was beginning to strain Iraq. Iraq's attempts to "internationalize" the war by shelling Iranian tankers in the gulf — hoping to provoke retaliation against Kuwaiti ships supplying Iraq with oil (since Iraq had no tankers of its own) — failed but 1984 saw the beginning of the **Tanker War**. Money and supplies poured into Iraq, mostly from Saudi Arabia and Kuwait but also from both superpowers. In 1985 Iraq returned to the offensive but the effort quickly stalled. Repeated U.N. ceasefire resolutions were ignored, as were Saddam's peace plans.

In 1987, the Tanker War strategy began to deliver: in March the U.S. offered to protect Kuwaiti tankers in the gulf. Kuwait countered with a proposal to re-register its ships with the U.S. and the USSR. The Russians leased tankers to Kuwait on the presumption that Iran would not dare fire upon Soviet vessels. After another UNSC Resolution (#598, July 20, 1987) for a ceasefire and withdrawal of both belligerents to internationally recognized borders was accepted by Iraq but rejected by Iran, the U.S. started convoys of Kuwaiti vessels flying the American flag. In retaliation, Iran fired missiles on Kuwait, and Kuwait expelled the Iranian diplomats. American warships sank Iranian patrol boats and an oil platform, but this only escalated the Iranian response, which now involved lobbing missiles at U.S.-owned tankers. However, the tide of war was turning again. The superpowers and the regional Arab allies had now armed Iraq to the teeth, and Iran was still diplomatically and (by choice) financially isolated. With only Syria supporting it and with the mullahs adamantly refusing to borrow for the war effort (in fact, astoundingly, Iran had managed to pay off a large portion of its international debt while fighting), the economic strain of the war, the enormous human cost of the futile attacks, and the lack of any discernible progress were steadily eroding the popular support for the war. The mullahs, who had their fingers close on the popular pulse, sensed that instead of consolidating their regime the war was now threatening to undermine it. There would be no last-minute salvation in sight: Iraq made a strong recovery in 1988, expelling the invaders from its own territory, gassing Kurdish towns, and even thrusting into Iran for the first time since 1982. After this last successful incursion in July, Iraq withdrew its forces and offered peace again. Battered by the war and with no prospect for improvement in its affairs now that Iraq (through Kuwait) had internationalized the war to its advantage, Tehran accepted UNSC Resolution #598, and Ayatollah Khomeini broadcast that acceptance on July 20. In August, the two belligerents opened peace negotiations in Geneva.

1.3 Aftermath

The war frustrated both sides. The Islamic regime in Tehran was forced to abandon its goal of revolutionary overthrow of neighboring governments and the reshaping of the Middle East in accordance to its wishes. Much like the Soviet regime shifted from the early strategy of permanent revolution to accepting the status quo, so did Iran return to the *status quo ante bellum* that mirrored the situation in 1975. Instead of trying to spread Islam in a version directed from Tehran, Iran shifted to the notion of “Islam in one country.” Its theocratic vision had failed to win converts anywhere except small pockets in Lebanon. Also abandoned was the repudiation of international diplomacy: Iran now had to repair its image of a pariah and re-integrate in the world economy if it was to have any hope of recovery. In fact, the internal debate over the best strategy to reconstruct its devastated infrastructure was won by those who advocated more private ownership and access to foreign aid. Instead of opposing both the West and the Soviet bloc, Iran pursued a more pragmatic policy that allowed it to maintain its hostility to the U.S., which it continued to regard as its major enemy. Tehran normalized relations with the USSR as a counterweight against American presence in the Middle East, and even restored diplomatic relations with all major European allies of the U.S. The smaller monarchies of the Middle East also welcomed the thaw and resumed diplomatic relations. Even the implacable opponent Saudi Arabia stopped its propaganda attacks on Iran.

Two regional powers benefitted from Tehran’s terrorist activities against the Gulf states: Israel and Egypt. The allure of the Islamic Revolution had threatened to undermine the legitimacy of the monarchical governments and Iran’s support for terrorism and subversive activities had convinced them that it was Iran rather than Israel that constituted a clear and present danger to their continued existence. This led to a moderation of their policies toward Israel and the re-incorporation of Egypt as the leader of the Arab world. Egypt, one should recall, had been expelled from the Arab League for its peace with Israel (at the Baghdad Summit of 1980, no less!), was now welcomed back, and so was its moderate policies, military power, and political clout.

Although the war had delivered on Saddam’s main objective — curtailing Iran’s subversive activities and breaking its revolutionary momentum — Iraq could not enjoy the fruits of this victory for it was in deep trouble. The war had essentially ruined it: from a prosperous and rapidly modernizing state (albeit under a brutally repressive regime which had devolved into a cult of personality), Iraq had descended into pauperism. The nation could ill afford the nearly 700,000 war casualties (200,000 killed, 600,000 wounded, and 70,000 taken prisoner), which constituted about 4% of its 1988 population of about 17 million, a truly staggering number.⁵ At the same time, flush with money from its allies, Iraq had created the

⁵Recent estimates put the number of dead in the deadliest American conflict, the Civil War, at about 750,000 out of a prewar population of about 31 million. In contrast, the Vietnam War cost

world's 4th largest army of nearly 1 million personnel, thousands of tanks, armored vehicles, artillery pieces, and hundreds of aircraft. It could not maintain such an army in peacetime but it could not demobilize either. For one, the peace talks with Iran in Geneva stalled, and Saddam was forced to maintain the army largely intact out of fear that without it Iran would renege on the ceasefire or would not agree to any concessions. Iraq was occupying about 920 square miles of Iranian territory at the time of the ceasefire and Saddam wanted to keep about half that territory (along the Shatt al-Arab) to show for the tremendous sacrifices Iraq had made. He was also afraid that if he were to disarm and abandon all war aims, the U.N. committee investigating who was responsible for starting the war might finger Iraq, which would then trigger an Iranian demand for reparations. Without foreign support, however, the exorbitant costs of keeping the army mobilized quickly overwhelmed the depleted treasury, and in 1989 Saddam ordered partial demobilization. This aggravated the situation because the impoverished economy could no absorb the sudden influx of so many young men. Without income, lacking any job prospects, but with decent military training, these former soldiers would quickly destabilize the internal security of the state. When Britain faced a similar problem at the end of the First World War, the government had reacted by introducing unemployment benefits. Saddam, however, had no money for such programs.

In 1980, Iraq had a *reserve* of about \$35 billion, and in 1988 it *owed* nearly \$100 billion to foreign creditors, mostly Saudi Arabia (\$26 billion) and Kuwait (\$14 billion). The cost of economic reconstruction was conservatively estimated to be about \$230 billion. These were staggering sums for a country whose entire GDP in that year was about \$62 billion. Iraq's major source of income was its oil exports, and by the end of the war these were generating a paltry \$13 billion a year (which would drop to about \$10 billion within a year as a result of an oil glut in the world market). Iraq was importing food and goods for civilians (\$12 billion) and equipment for its military (\$5 billion), paying foreign workers (about \$1 billion, which was transferred to their home countries), and servicing its debts (\$5 billion).⁶ In other words, the country faced immediate expenses on vital necessities of about \$23 billion, which means that if it spent all of its oil-generated income just on these budget items, it would be running a deficit of about \$10 billion — nearly 17% of its GDP — and this is without taking into account any other necessary domestic expenditures, let alone allowing for any resources to be committed toward reconstruction. The country was broke: it was being forced to maintain extraordinary military and debt burdens without any hope of rebuilding its economy. This was clearly unsus-

the U.S. 58,000 killed, 153,000 wounded, and about 2,000 missing and taken prisoner, for a total of 214,014 casualties. With a population of nearly 212 million in 1973 (when the war ended), the casualties of this infamous war were 1/10th of a percent.

⁶With the vast size of the army from such a limited population base, Saddam would have crippled the economy unless he found another labor source. This is when Iraq began to host foreign workers in great numbers.

tainable and something had to give. Otherwise, Saddam would have to face the wrath of his own people rather than distant Tehran. It was not just an imaginary threat: four assassination attempts, one of which came from his own Republican Guard, had targeted Saddam since 1988. Political survival now demanded a quick solution to this economic and fiscal catastrophe.

2 The Road to the Gulf War

The problem was that while Iran was a threat, everyone was Saddam's friend: the U.S., the Soviet Union (although the Soviets had not wanted to press Iran too hard — that would have meant antagonizing a valuable anti-American regime — and in the end had played a moderating role urging patience with Tehran), Saudi Arabia, and Kuwait, to name the most important ones. With Tehran now bent on mending fences with everyone but the Americans, Iraq's importance quickly faded and all foreign largesse dried up. With the Soviet Union economy collapsing and its leadership mostly trying to figure out how to keep the country from falling apart, Soviet interest in the Middle East evaporated. With no superpower to counter there, the U.S. could reduce its presence as well (and it was itself busy trying to prevent the collapse of its erstwhile opponent and helping organize the new Europe). As most of the Western world spent two decades vilifying Saddam Hussein as the greatest monster and threat to peace, it might be difficult to recall that until 1991 he had been seen as an important ally and even friend. The U.S. had provided him with foodstuffs and even "dual-use" technology that could easily be converted from civilian to military use, and the Western Europeans had gone much further: France, Britain, and West Germany (among others) all had serious investments in Iraq and France in particular had sent large amounts of military hardware. When the post-war economic crisis hit Iraq, Saddam could have reasonably expected foreign assistance to rebuild the country. None came.

To recover, Iraq needed money, and it had two ways of getting it. One was the traditional strong export of oil: revenues from that would help with recovery, but that meant OPEC had to agree to raise prices (or at least not overproduce depressing them further) and possibly make some room for increased Iraqi production to enable it to raise more revenue. The other was the time-honored debt forgiveness: Iraq argued that its war had been fought on behalf of the Arab world against the revolutionary Iranians, and on behalf of the Sunni Muslims against the Shia. Iraq claimed that it had protected the Arab regimes and the Muslim faith, and therefore the fellow Arab states were obliged to help. In February 1990, at a summit meeting in Jordan, Saddam asked Egypt's president Mubarak and Jordan's king Hussein to inform the Gulf states that Iraq urgently needed an infusion of fresh loans (about \$30 billion) and a suspension of its wartime debt. The demand came with a thinly veiled threat that if they did not provide the money, Saddam knew how to get it. A

little later, the Iraqi Oil Minister visited Kuwait and demanded that the sheikdom abide by the oil quotas agreed upon in OPEC. He then went to Saudi Arabia and asked King Fahd to put pressure on the rest of the Gulf states to stick to their quotas as well.

Nothing came of these diplomatic moves. Neither Saudi Arabia nor Kuwait would agree to a debt moratorium. Kuwait and the United Arab Emirates (UAE) continued to exceed their OPEC quotas, causing the price of oil to drop further. The OPEC agreement had been to limit production to 22 million barrels per day but by the spring of 1990 Kuwait and UAE were pumping out about 2 million barrels more a day (this was very close to the *entire* quota for Iraq, which stood at 2.64 million barrels a day). The price of oil had plummeted from its 1980 high of \$107 a barrel to \$35 in 1989 (in inflation-adjusted prices).⁷ This overproduction was a deliberate strategy designed to regain market share through a price war. In 1974–75 OPEC had managed to more than double the price of oil from about \$3-4 (nominal, \$20-25 adjusted) a barrel to over \$12 (nominal, \$53 adjusted) by squeezing production with ever stricter quotas. Although the prices had continued to climb during the late 1970s, the oil importing countries began to look for alternative suppliers. The increased competition from non-OPEC members was beginning to be felt by the mid 1980s, both in a dwindling share of the market for OPEC countries and in the gradual reduction of prices, which hit \$14 (nominal, \$31 adjusted) in 1986. Flooding the market with oil should generate so much supply that prices would have to drop even further, which should drive out the less efficient oil producers (it was far cheaper to produce oil in the Middle East than most other places where the extraction is more difficult), leaving only the OPEC members. Without the competition, OPEC could either restrict production to force the prices up again, or the increased demand for oil from the developing world could achieve the same. In the long term, the Kuwaiti/UAE strategy would benefit all OPEC members.⁸ In the short term, however, it was destroying whatever was left of Iraq. In other words, Kuwait was not only unwilling to provide debt relief through a moratorium on the wartime loans or an injection of funds through fresh loans, it was deliberately “stabbing Iraq in the back with a poisoned dagger,” as Saddam put it, by killing off the only viable source of revenue that Baghdad had.

Iraq also claimed that Kuwait was illegally siphoning off underground oil deposits from the Iraqi Rumalia oil-field (by slant drilling from their installations in its southern section), and estimated that the deliberate glut in the oil market had cost Iraq about \$89 billion between 1981 and 1990. To add insult to injury, Kuwait’s defiance also tapped into a deeper resentment against the sheikdom. The territory had

⁷The annual average prices of oil can be found at http://inflationdata.com/Inflation/Inflation_Rate/Historical_Oil_Prices_Table.asp, accessed January 27, 2016.

⁸Losing the market share also meant that OPEC began to lose the great political influence that wielding the oil weapon had given the organization.

been an autonomous entity in the Ottoman Empire and (simultaneously since 1899) a British protectorate. In 1913, the Ottomans and the English concluded an agreement that delineated the borders of Kuwait and established it as a sheikdom separate from the province of Iraq. The collapse of the Ottoman Empire in the First World War unleashed regional conflicts and compelled Britain (which held the mandate) to intervene to define the borders between Kuwait and Iraq in 1923. This limited Iraqi access to the Persian Gulf to a narrow strip of about 40 miles, and even though the Iraqi King Faisal I opposed it, he could do nothing. The vast Rumalia oil field was discovered in 1953 in Iraq but the border with Kuwait ran about 2 miles north of its southern tip. This gave Kuwait access to the field, and it immediately erected oil rigs there. Kuwait has never disclosed how much oil it was getting from Rumalia but it did reject the Iraqi claim that it was slant-drilling to get to oil that was clearly in Iraqi territory. Thus, the oil dispute was merged with a territorial dispute over the legitimacy of the sheikdom itself — as an heir of the Ottoman provinces of Iraq (the vilayets of Mosul, Baghdad, and Basra), Iraq considered the British protectorate over Kuwait illegitimate (since it did contravene the 1913 agreement) and it also disputed the independence that Kuwait obtained in 1961 when the British ended that protectorate. From the Iraqi perspective, Kuwait should have been a province of Iraq and, consequently, its oil belonged to Iraq as well. Beyond incorporating Kuwait's significant oil reserves, such a territorial revision would give Iraq its much needed better access to the Persian Gulf.

In summary, conquering Kuwait offered numerous distinct benefits to Saddam. It would annex a valuable piece of real estate to Iraq, giving it better ports, oil refineries, and control of about 20% of the world supply of oil, which would put it on par with Saudi Arabia. This would make Iraq more important in OPEC and allow it to push more effectively for revision of quotas and their stricter enforcement. It would also erase a significant portion of its foreign debt and perhaps frighten the other creditors, the Saudis in particular, into more conciliatory behavior. All of this can be legitimized by appealing to the history of Kuwait as an “artificial” entity forcibly separated from Iraq by the British, and thus presented as the recovery of a province rather than the conquest of an independent sovereign state. There was also no question of Kuwait being able to put up any serious resistance. Its army of about 16,000 had no hope of even slowing down the Iraqi battle-tested military machine, let alone stopping it.

Thus, Kuwait was a tempting target.⁹ Even then, Saddam tried negotiations first. When his verbal warnings of early 1990 fell on deaf ears, he began a massive military buildup along the border with Kuwait. By mid July, nearly 35,000 troops had already deployed there, many of them units from the elite Republican Guard, ac-

⁹This is not to imply that it was a legitimate one. In 2015–16, Saudi Arabia, Venezuela, and Russia are all badly hit by low prices of oil but none of them has attacked its neighbors. Well, OK, Russia has but it is despite the bad economic situation: there is little or no profit to be had in Ukraine or, frankly, Syria.

accompanied by hundreds of tanks. These moves were open and were clearly meant to be construed as a threat for they coincided with an escalation in the diplomatic rhetoric. Iraq made its accusations of Kuwaiti slant-drilling and deliberate overproduction official in a memorandum to the Arab League. It demanded an immediate moratorium of its war debts, an increase of oil prices to at least \$25 a barrel, and an Arab financial aid plan similar to the American Marshall Plan for Europe that would aid in the reconstruction of the country. On July 17th, Saddam further accused Kuwait of conspiracy with Zionism to destroy an Arab nation and threatened that unless concessions were immediately forthcoming, Iraq would have “no choice but to resort to effective action to put things right.”

The Kuwaiti government decided to play tough although its strategy was a bit muddled. Within 24 hours of Saddam’s speech it sent a strongly worded rebuttal of the Iraqi accusations to the Arab League, where it also denounced Saddam’s tactics for good measure. It then stood down its armed forces, which had initially gone on alert on the 19th. By this point, the Iraqi military buildup had reached nearly 40,000 troops and was continuing apace. Evidently, the Kuwaiti Cabinet had concluded that Saddam was bluffing and had resolved to call his bluff. They recognized that some concessions would probably be necessary but stalled for time in the belief that Saddam’s threat was merely a bargaining tactic rather than an ultimatum. The defiant response convinced Saddam that diplomacy was unlikely to work: he had tried cajoling, he had tried warning, and now he had tried threatening, and it had all failed. The last hurdle to clear was to ensure that his conquest of Kuwait would not be opposed by the only state that had the power to thwart it: the United States.

Saddam seems to have had ample reason to believe that the U.S. and its allies would not act to save Kuwait. After all, they had given him \$40 billion worth of arms to fight Iran, nearly all of it on credit. As long as Iran remained staunchly anti-American, Iraq was a natural ally for the U.S. This despite the growing concern with the atrocities that Saddam was committing in his struggle to remain in power. In fact, the U.S. government had recently reassured Saddam that President Bush would veto any Congressional attempt to impose sanctions on Iraq over human rights abuses. The Bush administration had given Saddam \$5.5 billion in loans, which he invested in Iraq’s nuclear program. The U.S. was not only helping Iraq improve its armed forces; in early July it was still planning for joint exercises. On July 25, Saddam met with the U.S. Ambassador April Glaspie, both because he wanted to ascertain where the American government stood in this dispute and because the American government had become worried about the military escalation of the crisis.

Saddam opened with a harangue outlining all Iraqi grievances, highlighting the important role Iraq had played in securing American interests and allies against Iranian aggression, asserting that Iraq wanted to count America as a friend. He stated bluntly that American statements about protecting its allies (most of which were in regards to Israel, actually) can only be interpreted as unfriendly and threatening,

and then warned that Iraq would respond to pressure and harm by using pressure and force as well, as any nation can. The Ambassador said that she had “direct instruction from the President to seek better relations with Iraq,” that any contemplated trade sanctions would be vetoed, that the government had already apologized for an article published by the American Information Agency, and that some of the media coverage in the U.S. was “cheap and unjust.” After discussing briefly how far the price of oil should be permitted to climb, Glaspie turned to the crisis. It is worth quoting the relevant part of the purported script of this meeting:¹⁰

I have lived here for years. I admire your extraordinary efforts to rebuild your country. I know you need funds. We understand that and our opinion is that you should have the opportunity to rebuild your country. But we have no opinion on the Arab-Arab conflicts, like your border disagreement with Kuwait.

I was in the American Embassy in Kuwait during the late 1960's. The instruction we had during this period was that we should express no opinion on this issue and that the issue is not associated with America. James Baker has directed our official spokesmen to emphasize this instruction. We hope you can solve this problem using any suitable methods via Klibi or via President Mubarak. All that we hope is that these issues are solved quickly. With regard to all of this, can I ask you to see how the issue appears to us?

My assessment after 25 years' service in this area is that your objective must have strong backing from your Arab brothers. I now speak of oil. But you, Mr. President, have fought through a horrific and painful war. Frankly, we can only see that you have deployed massive troops in the south. Normally that would not be any of our business. But when this happens in the context of what you said on your national day, then when we read the details in the two letters of the Foreign Minister, then when we see the Iraqi point of view that the measures taken by the U.A.E. and Kuwait is, in the final analysis, parallel to military aggression against Iraq, then it would be reasonable for me to be concerned. And for this reason, I received an instruction to ask you, in the spirit of friendship - not in the spirit of confrontation - regarding your intentions.

The statement that America had “no opinion on the Arab-Arab conflicts, like your border disagreement with Kuwait” and that “the issue is not associated with America” has frequently been criticized as being too vague and giving Saddam implicit permission to invade Kuwait. Had Glaspie indicated that the U.S. would respond

¹⁰This is the version reported in “Confrontation in the Gulf; Excerpts from Iraqi Document on Meeting with U.S. Envoy,” *The New York Times*, September 23, 1990. <http://www.nytimes.com/1990/09/23/world/confrontation-in-the-gulf-excerpts-from-iraqi-document-on-meeting-with-us-envoy.html>, accessed January 27, 2016. I say “purported script” because no actual script was found. However, the declassified cable to the State Department corroborate the gist of the content: https://wikileaks.org/plusd/cables/90BAGHDAD4237_a.html, accessed January 27, 2016.

to aggression militarily, the argument goes, Saddam would have been deterred.¹¹ This line of reasoning assumes that Glaspie failed in her duty to convey the position of the U.S. government but there is no evidence that Washington had contemplated war against Iraq at this time because “nobody in the U.S. government believed that Saddam was going to opt for military action.”¹²

In other words, Saddam clearly had a credibility problem: his threats were not being taken seriously either by the Kuwaitis or by the Americans. This is precisely why military pressure was necessary, otherwise Kuwait and Saudi Arabia would not understand the dire predicament in which Iraq was in, and he told Glaspie as much. (The Ambassador reported that when he said that the financial situation was so bad that soon pensions for widows and orphans will have to be cut, the interpreter and the notetaker broke down crying.) Even if she felt the risk of war was high, the Ambassador could not have issued any threats for the simple reason that this was not the policy of the U.S. government at this stage. Moreover, it is unclear why she should have judged the risk to be high. Right after these exchanges the meeting was interrupted by a call from Egyptian President Mubarak. When Hussein returned, he informed Glaspie that the Kuwaitis had agreed to talk (on July 30th) and that he had promised Mubarak that “nothing will happen until the meeting.” Was it reasonable to suppose that Saddam would lie to the leader of the most influential Arab state and embarrass him so deeply?

There is also considerable uncertainty about the context of the remark about Arab-Arab disputes. One version is that Saddam was asking if the U.S. would accept a swap whereby Iraq relinquishes its claims on the Shatt al Arab in return for settling its territorial scores with Kuwait (implying its annexation). The other is that he was complaining that the Kuwaiti government was claiming that Iraq is 20km “in front” of the Line of Patrol established in 1961 (implying a revision of the border, possibly to push it away from the Rumalia oil-field and give more access to the Persian Gulf). On that score, whereas the international community might have acquiesced to a revision of the border (especially if that meant a stable peace between Iran and Iraq), permitting the annexation of Kuwait would most likely be entirely out of the question. Given Saddam’s fairly limited goals in Iran — indeed, an argument can be made that he should have pressed more vigorously in 1981 instead of trying to defend the strip of territory Iraq had occupied — it is likely that nobody in the West believed that he was attempting to annex Kuwait. The military buildup could thus be also seen as a bargaining tactic about the border revision. This is the type of thing that America really would have “no opinion” about: after all,

¹¹See, for instance, “An Unnecessary War” by John J. Mearsheimer and Stephen M. Walt, *Foreign Policy*, November 3, 2009, <http://foreignpolicy.com/2009/11/03/an-unnecessary-war-2/>, accessed January 27, 2016.

¹²David Kenner, “Why one U.S. diplomat didn’t cause the Gulf War,” *Foreign Policy*, January 6, 2011. <http://foreignpolicy.com/2011/01/06/why-one-u-s-diplomat-didnt-cause-the-gulf-war/>, accessed January 27, 2016.

at the time it was friendly to both Iraq and Kuwait and did not want to antagonize either. Both Iraq and Kuwait had also played the Soviet card well, and any strong pressure that was clearly biased toward one of them could easily have pushed the other further into the Soviet embrace. The Americans preferred the Arabs to settle their disputes among themselves, at least as long as that did not involve war. In this context, Gaspie's remark is not an ambassadorial blunder but a fair reflection of U.S. policy in the region. Moreover, Saddam's promise to Mubarak and the upcoming meeting implied that the dispute would be resolved short of war and without direct American involvement. There would be no need to issue any threats even if Gaspie had been authorized to do so.

While the U.S. government had not considered seriously the possibility that Iraq would annex Kuwait and as a result had no deterrent threat to issue, this does not mean that an intervention would have been a surprise (which is what the Gaspie-green-light argument implies). There is, in fact, also some evidence that Saddam had no illusions that his conquest of Kuwait would provoke an American response.¹³ The mistake was not to assume that a response would not come, it was to assume that it would be tepid and that the world in general — and America in particular — would just permit Iraq to keep Kuwait, perhaps after a token show of force. Why would Saddam think like that? We could get a glimpse of his logic from the same discussion with Ambassador Gaspie. When he mentioned the possibility of Iran overrunning Iraq during the last war, Saddam put it starkly,

I have read the American statements speaking of friends in the area. Of course, it is the right of everyone to choose their friends. We can have no objections. But you know you are not the ones who protected your friends during the war with Iran. I assure you, had the Iranians overrun the region, the American troops would not have stopped them, except by the use of nuclear weapons.

I do not belittle you. But I hold this view by looking at the geography and nature of American society into account. Yours is a society which cannot accept 10,000 dead in one battle.¹⁴

In light of the massive preparations along the border he had ordered, a mobilization that would eventually top 88,000 troops that could be rapidly augmented to a million

¹³This is what Tariq Aziz, the Deputy Prime Minister, claimed: “[t]here were no mixed signals. We should not forget that the whole period before August 2 witnessed a negative American policy toward Iraq. So it would be quite foolish to think that, if we go to Kuwait, then America would like that. Because the American tendency . . . was to untie Iraq. So how could we imagine that such a step was going to be appreciated by the Americans? It looks foolish, you see, this is fiction.” Interview with PBS's *Frontline* for their “The Survival of Saddam” program that aired in 2000. <http://www.pbs.org/wgbh/pages/frontline/shows/saddam/interviews/aziz.html>, accessed January 29, 2016.

¹⁴“Confrontation in the Gulf: Excerpts from Iraqi Document on Meeting with U.S. Envoy,” *The New York Times*, September 23, 1990. <http://www.nytimes.com/1990/09/23/world/confrontation-in-the-gulf-excerpts-from-iraqi-document-on-meeting-with-us-envoy.html>, accessed January 27, 2016.

if necessary, this remark had implications that were crystal clear. Saddam believed that his army would be able to deal with any force that U.S. was likely to send quickly (which would have to be relatively lightly armed and not very large), and that the casualties inflicted in that fight would compel the U.S. to withdraw instead of risking thousands more in open warfare with the fourth largest army in the world. Despite the severe power imbalance between the two countries, Saddam thought Iraq had decent chances of success because the American squeamishness about casualties would prevent it from unleashing all its military might against Iraq.

Saddam might have been right about the casualty-aversion of the American government or not; we would never know for he was decidedly wrong in two crucial assumptions. He seems to have underestimated the scale of the stakes that Washington perceived were involved with Iraq's conquest of Kuwait. He also seems to have completely misunderstood the level of technological superiority of the American armed forces. The U.S. would be able to unleash only a fraction of its military might but even that would have a devastating impact on the Iraqi army without an apocalyptic battle, which would cost the Americans many casualties. Moreover, because the Americans were simply the first among many who did not want Iraq to take over Kuwait, the USSR and all other great powers in particular, the Coalition that would come down on Saddam like a ton of bricks would be very large, and very willing to pay. The costs to the U.S. in money, material, and lives would be negligible while its firepower would be crushing.

Since Saddam seems to have expected a military response but believed that he could handle it, we can draw two important conclusions. The whole brouhaha about what Ambassador Glaspie supposedly failed to say clearly is completely beside the point — even conveying credibly that the U.S. would intervene would not have stopped the invasion — deterrence would have failed irrespective of what she communicated. Moreover, as long as Iraq's opponents focused on credibly threatening that they would respond in the crisis that followed, compellence should fail as well. If the issue was not *whether* the world would respond but *how capable* that response would be, then conveying that one would intervene would have no effect. Without a recent engagement to showcase the might of the American military (its last significant one was Vietnam, and we all know how that had ended), there was very little that the U.S. government could do to alter Saddam's perception. The proof of that pudding would be in the eating.

While Saddam could be forgiven about grossly underestimating the level of technological superiority the U.S. armed forces had over his vaunted Republican Guard and the large Iraqi army — after all, many analysts in the West also predicted a protracted and costly war — he should have had no doubts about the interests that the U.S. government perceived were at stake. Anyone who looked at U.S. policy in the gulf region since the Second World War should have seen it coming. This policy has always been consistent: do not allow any one power, especially if hostile to U.S., to dominate the region. During the Cold War, the policy aimed at preventing

the USSR from gaining significant leverage in the Middle East, with U.S. alliances shifting depending on which countries the Soviets befriended. At first, the USSR supported Israel, and the U.S. was not especially friendly to the new state, going so far as to clamp down on its allies in 1956 for conspiring with it. However, as the Soviets withdrew their support for Israel, the U.S. stepped in to take up the slack. By the early 1970s, the situation was almost cemented with USSR helping Syria and Egypt, and the U.S. countering with support for Israel and Saudi Arabia. In the Iran-Iraq War, the U.S. intervened to prop Iraq when there seemed to be a serious danger that Iran would emerge victorious.

Before someone cries “no blood for oil”, let me make one thing clear: who controls the world supply of oil is a matter of crucial national interest and importance. It is not the case that the U.S. (or the British or the French) simply wanted to get their hands on Middle Eastern oil in order to enrich greedy corporations whose seedy government connections provoked such interventions in the first place. Nor was it that they wanted to ensure access to cheap oil so that their profligate imperialist societies could enrich themselves at the expense of the third world. (Notice how the two claims are usually advanced simultaneously even though they contradict each other: if corporations are to profit, then oil cannot be cheap to consumers.) The concern with the supply of oil goes way beyond crude conspiracy theories.

Oil is essential to the functioning of modern economies. A hike in crude oil prices will not only drive up the price of gasoline, but many other end products as well because of the way markets redistribute costs. For example, all of us will have to deal with very high prices for gas. For Californians, this is a direct problem, but it goes further than that. Petroleum runs almost everything that moves: trains, ships, trucks (diesel), jet airplanes (kerosene), and cars (gasoline). This means that an increase in the price of oil would lead to a hike in transportation costs, which in turn would make everything more expensive. In addition to fuel, petroleum has a lot of other uses. Oil is used to heat houses, and provide power for electric utilities, factories, and large buildings. Products that depend directly on the oil industry include plastics (although manufacture could be switched to materials dependent on natural gas), tires, and road surfacing (bitumen). Oil price shocks can slow down the rate of growth, and lead to a recession (reduction of output). In the last thirty years, oil price shocks have either caused or contributed to all recessions both in the U.S. and worldwide. For example, some estimates suggest that a persistent 10% increase in the price of oil would reduce growth in the U.S. and the G7 countries by nearly 1% of GDP!

Because of this dependency on oil, countries (not just the West, China’s growth accounted for over 40% of the increase in the demand for oil in 2004) will be especially careful to cultivate links with the oil producers, especially the most important ones in the Middle East. This gives these regimes uncommon political leverage, and they can expect a lot of support if they are threatened by anything that might destabilize the region and produce shocks in the oil prices due, for example, to falling

production. The flip side is that anyone who controls large enough reserves can influence these prices and in a way have his hand on the windpipe of oil-dependent countries.

The Arab oil embargo of 1973-74 hit the U.S. economy hard because it caused a four-fold increase in the price of crude oil between October 17, 1973 and March 18, 1974. The NYSE shares lost \$97 billion in six weeks, factories cut production, and unemployment soared. Even though the root causes of the severity of the downturn were in economic problems caused by the Vietnam War, and the devaluations of the dollar, the oil shock did worsen and deep the energy crisis considerably. This was an example of a politically-motivated move: OPEC refused to ship oil to countries that supported Israel in the Yom Kippur War even though the American military airlift to Israel had its counterpart in the Soviet military lift to Egypt. OPEC's strategy had shown just how vulnerable industrial economies could be to disruption of oil supplies, and correspondingly its members could exercise significant leverage over them. Western Europe in particular abandoned Israel for pro-Arab positions. When the Europeans issued a statement demanding Israel's withdrawal to pre-1967 lines on November 6, OPEC duly lifted the embargo against them.

The oil dependence works both ways, however. The shale oil boom in the U.S. that began in the early 2000s and accelerated in the 2010s — where both crude oil and natural gas can be extracted from shale-rock through hydraulic fracturing — caused the price of oil to plummet from over \$120 a barrel in 2011 to \$50 by the end of 2015.¹⁵ The cause of this drastic fall was that OPEC refused to curtail its own production and instead decided to fight for market share with the U.S. The tactic is beginning to bear fruit as the shale-oil industry in the U.S. seems to be beginning its bust trajectory (and will continue on it if prices stay below \$60 a barrel, which is estimated to be the break-even price for fracking) but the cost to OPEC (and other petroleum-exporting) countries has been tremendous. Government spending has been slashed and while consumers in the U.S. and Japan are enjoying the windfall, Russia, Venezuela, and Saudi Arabia are encountering serious economic problems. In Venezuela, this has meant domestic unrest. In Saudi Arabia, this has meant cutting back social programs that have propped the legitimacy of the monarchy for decades. In Russia, this has meant further impoverishment just when Putin accelerated military spending and involvement in foreign affairs.

The Middle Eastern oil-producers are also important to the U.S. for another reason: the 1971 and 1973 agreements between U.S. and OPEC that all oil transactions be denominated in U.S. dollars. The problem the U.S. was facing at the time was that the Vietnam War had been very costly and the government was financing it in

¹⁵Prices for crude oil Brent can be found at <http://www.nasdaq.com/markets/crude-oil-brent.aspx?timeframe=10y>, accessed January 29, 2016. The effect of U.S. shale-oil on prices was delayed because oil sanctions on Iran and civil wars in the Middle East had reduced the supply of oil. With the economic crises in Europe and China weakening demand at the same time, the supply of oil from about 2014 on has exceeded demand, sending the prices into a free fall.

part by printing money. The inflation, of course, decreased the value of the dollar, which the U.S. had committed to maintain at a constant price of \$35 per ounce of gold. The only way to increase the money supply while maintaining the gold standard was to obtain more gold but it had become clear to many that the old 1944 price was now a fiction. In fact, France had pierced the veil of politeness by buying American gold at this artificially low price, further exacerbating the gold shortage. The only way out now was to end the convertibility of the dollar into gold, which is what President Nixon was going to do. However, once the dollar went off the gold standard, its value was expected to fall to reflect the true economic reality. This, combined with the already high inflation and the ongoing war in Vietnam, would have made the dollar unattractive as a store of value: if it continued its slide, anyone who held dollars would become relatively poorer. Governments that had vast reserves in U.S. dollars would try to get rid of them, causing further downward pressure on its value, leading to a collapse in the currency. Nixon had to do something to shore up trust in the dollar by somehow increasing demand for it.

The solution was a deal with Saudi Arabia in 1971 that it would denominate all its oil transactions in American dollars, and in exchange the U.S. would guarantee the security of the regime and supply it with weapons. By 1975, these types of agreements were extended to include all members of OPEC, and the dollars involved in these transactions came to be called **petrodollars**. When the U.S. went off the gold standard, the value of the dollar did drop, as expected, but not nearly as much as it would have without these agreements. Since there is so much demand for oil and the OPEC are the major suppliers, the enormous bulk of oil-related transactions created a strong demand for the dollar, and propped its exchange rate. As development around the world pushed up the demand for oil, it also increased the demand for U.S. dollars. With these arrangements in place, foreign central banks could keep dollars as strategic reserves, both for oil purchases but also as a store of value as long as this system worked.

It is true that most of these petrodollars circulated outside the U.S., either through continuous transactions or ending up in central bank vaults. However, many of the OPEC members did not have the capacity to absorb the vast profits that their oil exports generated. These petrodollar surpluses had to be invested somewhere, preferably in a place where they would be safe. Unsurprisingly, the premier such place was the U.S. itself: with its strong property rights, stable government, generally good economy, and nearly total security, America was a safe bet. In the U.S., moreover, the safest bet was the government itself: all other investments carry risks that might wipe out one's principal and any other borrower might become unable to pay. The likelihood that the U.S. government would not honor its debts, however, is so remote that it is virtually ignored by the markets. As a result it should not be surprising that OPEC countries bought U.S. government securities in huge quantities with their surplus petrodollars. That is, they effectively lent the U.S. vast amounts

of money.¹⁶

This was not a bad deal: the U.S. government printed little green pieces of paper (figuratively speaking) and then gave them away in exchange for actual goods and services. The people who took these little green pieces of paper then went back to the U.S. government and exchanged them for slightly larger and more fancifully engraved pieces of paper that said the U.S. government would give them more green pieces of paper in the future. The government now had its own green pieces of paper that it could either destroy or, more likely, put back into circulation to buy even more real goods and services. It was feared at one point that Saudi Arabia would end up owning most of the U.S. because they would use all the green pieces of paper to purchase property (which they did). But the fears proved exaggerated: the U.S. government seems to have been a better investment, not to mention other opportunities around the globe.

This process created a symbiotic relationship: the incessant demand for dollars caused the U.S. Treasury to print more, the foreigners obtained them by selling more goods to American consumers (generating a severe trade imbalance), then many of these dollars found their way to OPEC coffers, and were then promptly used to buy U.S. government securities, which reduced the supply of dollars and kept the value of these securities from going down (a natural consequence of printing more money). This cheap credit, in turn, fueled government spending and consumer debt, further propping the U.S. economy. Investing one's money into U.S. government securities or keeping one's assets in the U.S. also creates **hostage capital**: if the U.S. government decides to exert pressure on the country, it could freeze its assets here, as the governments of Iran and Libya found out. This makes these countries susceptible to political pressure from the U.S., at least in extreme circumstances. Needless to say, these arrangements were very attractive for the U.S., and it is not surprising that the government encouraged these investments in its securities.

All of these underscore just how important politically control of oil can be. Iraq's invasion of Kuwait was unacceptable because it would concentrate too much power in Baghdad: Iraq would double its oil capacity, and become the dominant power in the region (next to Israel). It would control 20% of the world supply of oil, and if it conquered Saudi Arabia, a full 40%. There was no way that the West in general and the U.S. in particular would allow such a strategically vital region to fall under the sway of a single hostile power like Iraq. Certainly not when its arrangements with the OPEC countries involved the U.S. directly in their security and propped the value of the U.S. currency.

¹⁶David E. Spiro, *The Hidden Hand of American Hegemony: Petrodollar Recycling and International Markets*. Cornell University Press, 1999. The conventional wisdom had been that the petrodollar surplus had been invested in private banks, which then lent it out to oil consumers who needed financing. Spiro shows that no more than a third went through commercial banks and that the vast bulk was lent directly to the governments in the industrialized world.

2.1 Crisis and War

The U.S. response in the first few days after the invasion was cautious: Kuwait had been pro-Soviet and anti-Israeli for a long time. Iraq, on the other hand, had been playing the role previously held by the Shah of Iran: containing the spread of communism in the Middle East, and more recently it had contained the spread of militant Islam. This is why the U.S. had been providing Saddam with intelligence, military hardware, credit for purchase of military supplies, and “dual-use” technology (which enabled him to produce chemical and biological weapons).¹⁷ Although the relationship soured with the end of the Iran-Iraq War, President Bush Sr. had continued Reagan’s “hands off” policy toward Iraq. Congress also seemed in no mood to authorize the use of force.

The U.S. launched a “wholly defensive mission” (as Bush called it) to prevent Iraq from invading Saudi Arabia by beginning the deployment of 250,000 troops to the Saudi kingdom on August 7. The request to allow Operation **Desert Shield** came from the U.S. administration, which sent Secretary of Defense **Dick Cheney** to warn the Saudi regime that it was at risk. The Saudis obviously knew that very well — their army of about 58,000 stood no chance against the million-strong battle-hardened Iraqi military — but they worried about asking the Americans for help because doing so could undermine the legitimacy of the regime. It would have meant allowing non-Muslim troops into the country, which many Muslims believed violated an injunction by the Prophet to keep only one religion in Arabia. It would also be an embarrassing spectacle to have Christians and Jews defend an Islamic nation from fellow Muslims. After being reassured that the Americans would stay only as long as required and only until asked to leave, the Saudis bit the bullet and formally invited them. There was little else they could have done in this crisis but their fears proved justified: the presence of the Americans in the Holy Lands would become the major grievance of one **Osama bin Laden** and decisively turn him against the U.S.

Margaret Thatcher, who was visiting in Camp David at the time, exhorted Bush to a vigorous response: after all, Kuwait had billions of dollars in investments and bank deposits in Britain. Bush responded to her “George, this is not the time to get wobbly” by likening Saddam to Hitler and using Munich 1938 as the metaphor to guide policy. Aggression had to be checked, Bush said, and then spelled out the meaning of the post Cold War era — Saddam Hussein was challenging the **new world order**, where “peace and security, freedom, and the rule of law” would reign. On August 8, the day that Saddam announced the formal annexation of Kuwait, Bush committed the U.S. to the “immediate, unconditional, and complete withdrawal of all Iraqi forces from Kuwait,” and to the restoration of Kuwait’s original government. He further announced that the U.S. would enforce the guarantee

¹⁷Saddam was quick to use those. In 1988 he gassed the Kurdish city of Halabja, killing between 3,200 and 5,000 and injuring somewhere between 7,000 and 10,000, most of them civilians.

to the “security and stability of the Persian Gulf,” which meant that Saddam would have to be disarmed, Iraq’s nuclear program terminated, and the country opened up to inspections to verify compliance.

Drawing the analogy with Hitler worked and the public rallied behind the President just as opponents (both on the left and the right) to what appeared an inexorable march to war argued that negotiations would work and sanctions would suffice. If Saddam was like Hitler, there could be no negotiations, only a fight or an unconditional surrender. While this worked to increase the credibility of the American threat to intervene — and could hopefully give coercive diplomacy backed by the U.N. a chance — it simultaneously raised expectations about the eventual fate of Saddam and his regime. Hitler had revealed that he could not be satisfied with the maximum concessions his opponents were willing to offer, which required them to fight him. If Saddam was like Hitler, then not only would negotiations be futile, but war would be inevitable. This implication was unfortunate for it seemed to require the U.S. to go all the way to Baghdad to depose Saddam when in fact President Bush had absolutely no intention of doing so. Disarming Saddam (and perhaps hoping for an internal coup or a revolution to topple him) was about as ambitious as the policy envisioned the future after expelling him from Kuwait.

Bush mobilized the U.N. with help from Gorbachev and the British. On August 6, UNSC passed Resolution 661 that initiated economic sanctions against Iraq, but this had no appreciable effect on Saddam, probably for the reasons we discussed already. Instead, he began embracing pro-Islamic ideology (at least for rhetorical purposes), denounced the Saudi family as usurpers of the Holy Places of Mecca and Medina (echoing some of the Iranian propaganda), added the words “Allahu Akbar” to the Iraqi flag, and took to praying. All of this sounded as a prelude to invasion of that country, and elimination of yet another creditor to Iraq along with the acquisition of the valuable Hama oil fields. However, when the Iraqi army dug into defensive positions along the border with Saudi Arabia instead of overrunning it without opposition as it could have done, it became doubtful that Saddam had any such designs.

Meanwhile, the coalition buildup against Saddam was gathering momentum. Saudi Arabia and Kuwait (its original government) agreed to pay most of the expenses of the American deployment to protect them. Germany and Japan contributed most of the remaining balance.¹⁸ On October 30, Desert Shield was reinforced and the troop total there climbed to 550,000 — a commitment far in excess to that in Vietnam — underscoring the administration’s intent to act with overwhelming force if Saddam failed to withdraw from Kuwait. This massive deployment provoked fierce criticism at home as more and more politicians argued that diplomacy and sanctions be given time. It was estimated that it would take at least a

¹⁸The pledges were \$16.8 billion by Saudi Arabia, \$16 billion by Kuwait, \$10.7 billion by Japan, \$6.6 billion by Germany, and another \$3.2 billion by other Gulf states, for a total of \$53.3 billion. The Pentagon estimated the cost of war to have been \$61 billion.

year for sanctions to have sufficient bite, and time was working against the Coalition. The costs of the buildup were immense and since it was the only thing that could cause Saddam to back down, it would have to be maintained until he did so. Saddam was also building nuclear weapons and many in the administration worried that he might be months away from acquiring one, a game-changing event. The Coalition, formidable as it was with its 39 members, was also not something that could hold together long enough to give sanctions time to work. There would have to be a deadline, and it would have to be soon.

On November 29, UNSC passed Resolution 678 which set a deadline for Iraq's withdrawal (January 15, 1991), and authorized the use of force to evict Saddam if he failed to comply. The military buildup in the region continued with Secretary of State James Baker getting the Coalition together, and increasing its total to 670,000 troops. The international enthusiasm was not matched at home, where Congress had been distinctly lukewarm to the idea of using force to eject Iraq from Kuwait. Many feared that the action would degenerate into another Vietnam War, and there were also protesters against "blood for oil". After extensive debate, the Senate narrowly approved the intervention in a 52-47 vote, as the House did by a larger margin in a 250-183 vote, mostly along partisan lines, on January 12, 1991. This was a great political victory for the President who nevertheless spoiled some of its effect by declaring that he had the 'inherent right' to take the country to war without Congressional approval. (He had started the buildup and troop deployments without asking for authorization.)

Colin Powell, the chairman of the Joint Chiefs of Staff, was assured by Bush that the requirements of his doctrine would be met, and so on January 16, 1991, following the expiration of the deadline, the U.S.-led forces began the month-long bombing campaign called **Desert Storm**.

Iraq attempted to resist in various ways. On the 23rd, it dumped oil in the Gulf (at over 1 million tons, this is the largest spill in history). Iraq attacked and briefly occupied the Saudi city of Khafji on the 30th, but its troops driven out by U.S. Marines and Saudi forces. Iraq fired missiles at Israel, hoping to draw the country into the conflict, and thereby precipitating a split in the Coalition: Arab states were expected to oppose any involvement by Israel. Under enormous pressure from the U.S., Israel desisted in responding to the provocations. In an ironic twist, Saddam preserved some of his air force by sending about 80 war planes to Iran, which had now drawn closer to its former enemy.

The tremendous power of Desert Storm had shattered and stunned the Iraqi army. It had taken heavy casualties, it was cut off from any reinforcements and supplies, it had no way to communicate and coordinate a defense, and its air force had either fled or been incapacitated. On February 15, Saddam offered a compromise: Iraq would withdraw from Kuwait in exchange for the U.N. dropping all of its resolutions against it. Since these resolutions included the presence of U.N. inspectors to ensure that Iraq's **weapons of mass destruction** (WMD) are destroyed, Bush

rejected it as a “cruel hoax.” Saddam then sent Aziz to Moscow to see if Gorbachev could mediate a cease-fire. The Soviet leader agreed and on February 22, Gorbachev announced that Iraq had accepted his peace plan. It would have given Iraq three weeks to withdraw from Kuwait and rescinded the U.N. resolutions against it. This was just as unacceptable as Iraq’s unilateral proposal, and was also summarily rejected. President Bush gave Saddam 24 hours to get out of Kuwait and threatened to launch the ground assault if that did not happen by the deadline. Saddam, banking still on the “mother of all battles” and hoping his battered army could still impose heavy costs on the Coalition, demurred. When the ultimatum expired without any change in Iraqi behavior, the Coalition began the ground offensive, **Desert Sabre**, on February 24th. The “mother of all battles” did not materialize. Instead, in about 100 hours the American forces surrounded and destroyed the Iraqi army. Saddam announced his withdrawal from Kuwait on the 25th but without accepting the U.N. resolutions, and his retreating troops set Kuwait’s oil fields on fire. The campaign continued until the 27th, when Kuwait was liberated and Saddam’s army pulverized. The Coalition ceased hostilities immediately.

The war was clean, successful, and very cheap for the U.S. In terms of casualties, there were 294 Americans lost (180 of these deaths were due to accidents and friendly fire), and the total Coalition losses were about 489. On the Iraqi side, the bombing campaign killed an estimated 10-12,000 soldiers, and a further 10,000 in the ground war (some estimates put the total at 35,000). It is unclear how many civilians perished in the war, but some estimates put the number at about 2,000 during the air war. As for the monetary cost, about 85% of the \$61bn were paid for by allies, most of it by Saudi Arabia and Kuwait, and some \$16bn by Germany and Japan (which could not send troops due to international treaties in the first case and constitutional restrictions in the second). Iraq was forced to vacate Kuwait, the emirate’s rather undemocratic regime was restored to power, and Saddam had to submit to the U.N. resolutions with their requirement for inspections to oversee the dismantling of Iraq’s WMD arsenal and development programs.

2.2 Why Not Remove Saddam?

In retrospect, the most controversial issue about this war is the failure to topple Saddam Hussein. It should be emphasized that this is one of those instances in history where the decision looks bad only in retrospect because we know what happened next. In 1991, there were many good reasons not to remove Saddam’s regime.

First, the U.N. mandate was to expel Iraq from Kuwait, not to remove its ruler from power. UNSC Resolution 678 authorized the use of force to implement UNSC Resolution 660, which in turn demanded that Iraq withdraw its forces to the positions they held before the invasion (August 1, 1990). Going to Baghdad would have exceeded the authority under international law. This did not make it impossible, of course, but it did increase the expected costs of the operation because in the absence

of international support the U.S. would have to go it alone, and it was unclear that the American public would approve of such unilateral action.

Second, as the Bush administration repeatedly emphasized continuing on to Baghdad would have been grievously costly, would have necessitated an occupation, and would have turned the Arab states against the U.S. Although the war is now remembered as a cakewalk by the American forces, it was no such thing, the “ease” with which military victory was won did not come from Iraq being a pushover, but from brilliant planning (by General Schwarzkopf and his staff), and high competence of the military. In terms of weaponry (quantity), the Iraqis matched the Coalition, it was in skill, training, morale, and quality that they were far inferior. This, however, did not mean they would not resist an invasion on Iraq much better than they had fought for Kuwait. This, after all, was exactly what had happened during the Iran-Iraq War, when both sides proved better at defending their territories than conquering the other’s. There was good reason to believe the war would be costly, and would cause many more casualties.

Third, the Coalition was likely to fall apart. The Arab states had already indicated that even though they supported the expulsion of Saddam from Kuwait, they stopped far short of wanting him removed from power. For most Arab states, Iraq was an important buffer between them and a threatening Iran, and there was no wish to weaken it any further. Saddam contained was the best option.

Fourth, toppling Saddam would not be enough. In the ensuing power vacuum, the Islamic revolution could spread from Iran, and such a development would be most unwelcome by the Arab allies both because of its inevitable Shia character, and because without a stable Iraq, there would be no buffer between them and the Iranians, and certainly nothing to counterbalance Iran’s military power in the region. An occupation by a Western-led coalition would also cause several public relations problems in the Muslim world anyway. The Palestinians had already backed the wrong horse when they supported Saddam (and had to pay dearly for that when Kuwait expelled all 400,000 Palestinians who lived and worked there), but the sentiment could spread further. Any partitioning of Iraq would only encourage Syria and Iran to expand their influence.

Fifth, one has to remember that in early 1991, the Soviet Union still existed, and nobody knew just how fragile it was, or how close its collapse was going to be. Even though the USSR had not vetoed the UNSC resolutions, it was by no means clear that it would sit idly by and acquiesce to the Western domination of Iraq that would have resulted from the toppling of Saddam.

Sixth, almost everyone thought that either the Iraqi army would overthrow Saddam or the people would rise against him. Bush explicitly encouraged this, but the U.S. underestimated the grip the dictator had on his armed forces. They remained loyal. Even worse, when the Kurds in the North and the Shi’a in the South actually rebelled against the Sunni government, Saddam was able to crush them without any interference from the outside world.

In short, there were many reasons for stopping short of removing Saddam's regime, and (as we now know for a fact) many of them were quite correct. Nobody knew just how obstructionist Iraq would become, just how prolonged and costly the American and British involvement would be (in policing the no-fly zones), or that Saddam would attempt to assassinate Bush, or that he would sponsor terrorism, and encourage the Palestinian suicide bombers with direct monetary payments. In their hopes, few had foreseen the human suffering that Saddam would cause when he drowned in blood the rebellions against his rule: the Kurds (in the North) and the Shia (in the South) attempted to throw off his yoke only to be murdered en masse. It was to prevent future massacres there that the two no-fly zones were created.

The war is a good example of a successful military coercion under the **Powell Doctrine** that illustrates well the enormous military advantage accruing to the U.S. if it acts with overwhelming force, but also the vulnerability to challenges by local adversaries who may underestimate its ability to generate such commitment. On the other hand, it also serves as an example of how quick and decisive military action without any accompanying desire for a possibly protracted followup could create serious complications. In the event, Saddam's crushing of the Kurds created 2 million refugees in addition to the thousands he murdered, and his regime remained intact and defiant. Intervention, even if successful in its immediate military goals, could not work long-term without ensuring that the peace that follows is better than chaos.